



# ***2010 Annual Report***

## Directory

**Directors** Keith T. Hindle (Independent Director), Chris D. Castle, Jill E. Hatchwell, Denis D Kelly (Independent Director), Linda J. Sanders (Chairman)

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**Websites** [www.widespread.co.nz](http://www.widespread.co.nz) and [www.rockphosphate.co.nz](http://www.rockphosphate.co.nz)

**Share Registry** Link Market Services, 138 Tancred Street, Ashburton

**Auditors** WHK, 45 Knights Road, Lower Hutt

**Legal Advisers** Quigg Partners, Level 7, 28 Brandon St, Wellington

**Bankers** ANZ Banking Group (New Zealand) Ltd, 215 – 229 Lambton Quay  
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## Directors and operations review

### Financial summary

For most of the year to 31 March 2010 your company quietly soldiered on after the carnage of 2008/9 – and later in the year there were promising signs of a more positive operating environment. And as finance and property development companies (and even sovereign states) continued to struggle around us we can take great comfort from our “no borrowings” policy.

However, apart from our associate company, Widespread Energy, which had quite an active year that saw its market capitalisation double, most of our portfolio was in a walking-wounded state. While all remained viable going concerns, Asian Minerals, Glass Earth, King Solomon Mines and Golden Phoenix all by necessity curtailed their activity levels to a varying extent.

On the plus side there were a number of milestones achieved by group companies:

- In January 2010 Asian Minerals raised CAD5.5 million at 10 cents a share. Combined with rising nickel prices this financing ensured the continuation of the company, which is now “un-mothballing”, the Ban Phuc nickel project. It is now viable even if the 20% export tariff remains in place.
- KSO had an active field season in Inner Mongolia with promising drilling results achieved at Bu Dun Hua.
- USA listed Fischer-Watt Gold raised cash and performed particularly well for us in market terms (up 117% for the 12 months)
- Glass Earth Gold has commenced alluvial gold mining in central Otago and also successfully raised more funds overseas.

However, the shining star in the portfolio has been Widespread Energy (WEN). During the year WEN achieved the following milestones:

- The granting of the Chatham Rise prospecting licence on 25 February after a 30 month gestation period
- The immediate commencement of the year-one work programme including the establishment of a Wellington based project headquarters
- Drilling of an exploration bore at Kotuku (near Lake Brunner) as part of the stage two work programme for PEP 38526
- The granting of three petroleum exploration licences to Fiji based Akura Limited
- The raising of nearly \$400,000 by means of private placements in February and March and a similar amount by means of a share purchase plan immediately after year-end.

WEN now has considerable momentum and with approximately \$730,000 in cash is well enough funded to materially progress several of its projects in the 2011 year.

## Operating result for the year

The after tax operating result, including unrealised losses on the share-trading portfolio and other non-cash provisions, was a loss of NZD 336,000 (2009, loss of NZD 6,659,000). An analysis of the trading result is provided in the table below.

	Year to 31 March 2010 (\$,000)	Year to 31 March 2009 (\$,000)
Gains on the sale of shares	66	
Other income	150	216
Total Income	216	216
Loss on the sale of shares	-	(200)
Unrealised gains (losses) on trading stock	(65)	11
Operating expenses	(441)	(600)
Impairment on investments	-	(6,008)
Share of Widespread Energy loss	(44)	(193)
Net profit before income tax	(334)	(6,774)
Income tax	(2)	115
Net profit (loss) after tax	(336)	(6,659)

Disregarding unrealised losses and non-cash provisions, the operating outcome for the year was a pre-tax loss of NZD 269,000 (2009 loss of NZD 776,000).

## Review of major investments

Our major investments are detailed in the table below on the basis of their market values as at the date of this report (excluding Asian Minerals and our share of the Chatham Rise Joint Venture which are based on the independent valuations referred to below).

Investment	May 2009			June 2010		
	Market Value \$m	% of Portfolio	Cents Per share	Market Value \$m	% of Portfolio	Cents Per share
Asian Minerals*	4.764	62.4%	22.2	2.916	25.1%	12.4
King Solomon	0.999	13.1%	4.7	0.673	5.8%	2.9
Widespread Energy	0.528	6.9%	2.5	0.941	8.1%	4.0
Golden Phoenix	0.361	4.7%	1.7	0.354	3.0%	1.5
Other strategic holdings	0.303	4.0%	1.4	0.351	3.0%	1.5
Share trading portfolio	0.215	2.8%	1.0	0.177	1.5%	0.8
Cash	0.462	6.1%	2.2	0.374	3.2%	1.5
Chatham Rise (10% direct)**				2.090	18.0%	8.9
Chatham Rise (18% indirect)***				3.755	32.3%	16.0
	<b>7.632</b>	<b>100.0%</b>	<b>35.6</b>	<b>11.631</b>	<b>100.0%</b>	<b>49.5</b>

\* As has been the case for the last 12 months, Asian Minerals is included in the schedule above and in our regularly published net assets calculation at directors' valuation based on a share of AMR's net assets.

\*\* Based on independent project valuation by Rockpoint Corporate Finance.

\*\*\* Assumes that the market value of Widespread Energy does not yet reflect the value of the Chatham Rise project. 18% is derived as 20% of the 90% of the project held by Widespread Energy.

## Independent valuation of the Chatham Rise rock phosphate project

Rockpoint Corporate Finance has undertaken a preliminary feasibility study of the Chatham Rise phosphate resource contained within Mineral Prospecting Licence 50270 recently granted to the Widespread Energy/Widespread Portfolios joint venture.

This preliminary study confirms that commercial development of the resource is a realistic possibility. However, further scientific studies are required to satisfactorily establish the extent and distribution of the resource, engineering and environmental studies to develop

and refine the recovery system, and market studies to assess supply to both domestic and export markets.

The Widespread Joint Venture and Rockpoint have considered the appraisal work programme required to address outstanding issues leading up to an investment decision. Rockpoint has advised the Joint Venture that, based on its central assumptions and the risk parameters leading up to an investment decision, the current valuation of the project is \$20.9 million. This valuation is effectively the present value of the prospecting licence that the Widespread Joint Venture now holds.

The project valuation comprises two parts, the appraisal programme to the point of an investment decision, and then the value of the development project. The appraisal programme involves several stages, presenting numerous decision points, including:

- scientific studies, including further sampling and testing, to satisfactorily establish the extent and distribution of the resource;
- engineering studies to review, design and test recovery and separation systems;
- environmental studies to assess existing ecosystems and the impact of recovery operations;
- market studies to assess supply opportunities in both domestic and export markets; and
- financial modelling to establish project feasibility.

This appraisal programme could take up to four years, could cost over \$30 million, and given the uncertainties being addressed, offers a realistic probability of a final investment decision to proceed of some 20%.

A financial model has been developed starting at the point of final investment decision and is based on initial estimates of all input parameters; estimates that will be progressively refined through the appraisal programme. The key elements of the model are:

- phosphate prices, derived from current market price ex-Morocco, and current shipping costs, assuming \$223/tonne;
- reserves of 30 million tonnes based on existing estimates (Cullen Report), with recovery rates of 700,000 tonnes annually (implying half of domestic market), giving a 40 year project life;
- capital costs of \$65 million, based on specialist equipment to be provided by global dredging company Jan De Nul, in addition to development of land-based port receipt, separation and storage facilities;
- operating costs of \$117 million annually, based on estimates provided by Jan De Nul Group combined with port, separation, storage and marketing costs; and
- these assumptions imply annual tax paid earnings of approximately \$30 million throughout the 40-year project life.

The project, from final investment decision, is considered to be viable across a wide range of likely scenarios. While the base case assumptions are considered conservative, the \$20.9 million current valuation (derived by discounting the project to reflect the uncertainties to be overcome before the final investment decision) should be considered speculative given the appraisal programme is addressing material uncertainties spanning scientific, engineering, environmental and market issues.

### **Commentary on Rockpoint valuation**

The independent valuation prepared by Rockpoint includes a number of critical assumptions (outlined above) that collectively really test the mettle of the project. The good news is that they still consider the project viable after putting it to the test.

The bad news is that they may have significantly underestimated the potential value of the project. In our view they appear to have understated revenues and overstated operating costs, capital expenditure and the timeframe before the decision to proceed is made.

Our view is that that forecast annual revenues appear to be understated by up to \$35 million, and costs could be overstated by approximately \$30 million. These numbers impact significantly on the economics of the project as, if they were achieved, the annual pre-tax profit would increase from around \$40 million to more than \$100 million.

With respect to the timeframe Rockpoint assumes it will be 2014 until a decision to proceed is made. In contrast we are planning to complete the exploration and environmental work programme by late 2011 and then either immediately apply for a mining licence or to abandon the project.

### **Effect of Rockpoint project valuation on Widespread Energy (WEN) and Widespread Portfolios (WID) balance sheets**

The Chatham Rise Rock Phosphate Joint Venture is held by WEN (90%) and WID (10%). As 20% of WEN is held by WID, WID has a further indirect interest of 18% in the Joint Venture.

The Rockpoint independent valuation of the project has not yet been adopted as the carrying value of this asset in the financial statements of WEN and WID, but if it were that would have the following effects on the balance sheets of the two companies:

- WEN's reported net assets (as at 31 March 2010) would increase by \$18.75 million to \$19.9 million
- WID's reported net assets (as at 31 March 2010) would increase by \$5.84 million to \$10.68 million.

## Trading since balance date

Once again the new financial year has opened on a very quiet note. The pre-tax operating result for the first three months, including fee income and one realised share-trading gain, is a small loss.

## Objectives for 2010/2011

The milestones we would like to achieve in the next 12 months include:

- Significant progress in the Chatham Rise work programme
- Advances in the Widespread Energy work programmes in respect to the Green Gate, Akura, and Kotuku oil and gas prospects
- Exploration success for King Solomon Mines in Inner Mongolia
- Building value in our other strategic holdings
- An increase of at least 50% in the Widespread net asset backing per share
- A positive trading result for the year.

## Annual meeting

The Annual General Meeting of shareholders will be held at **5pm, Sunday 25 July at the Skyline Function Centre, Upland Road, Kelburn (top of the cable car), Wellington.**

## Auditors, dividend and directors

WHK have confirmed their willingness to continue in office as Auditors to the Company.

The directors do not propose to recommend a dividend in respect of the period under review. This is in accordance with the Company's stated core philosophy concerning dividends.

In accordance with the Constitution, Jill Hatchwell and Chris Castle retire by rotation and being eligible offer themselves for re-election to the board.

For and on behalf of the Board,



**Linda J Sanders**  
**Chairman**

Takaka, 25 June 2010



**Chris D Castle**  
**Director**



## **Corporate Governance**

The corporate governance principles adopted or followed by the Company only differ from the principles set out in the Corporate Governance Best Practice Code where indicated below. The Company does not consider such differences to be material.

### **Ethical standards**

The Company expects its directors and employees to act legally, ethically and with integrity in a manner consistent with the Company's policies, guiding principles and values. The Company has put measures in place to assist with achieving this expectation. These measures are available on the Company's web site.

### **Role of the board**

The Board of Directors of the Company is elected by the shareholders to supervise the management of the Company. The Board establishes the Company's objectives, overall policy framework within which the business of the Company is conducted and confirms strategies for achieving these objectives, monitors management's performance and ensures that procedures are in place to provide effective internal financial control.

The Board is responsible for guiding the corporate strategy and direction of the Company and has overall responsibility for decision-making. The Board delegates, to the Managing Director, responsibility for implementing the Board's strategy and for managing the operations of the Company.

### **Board composition and performance**

The Board currently comprises of five directors including the Chairman and the Managing Director. The Board meets once every six weeks on a formal scheduled basis, and more frequently in order to prioritise and respond to issues as they arise. Board meetings are frequently held by conference call to reduce travel costs.

The Chairman of the Board is Linda Sanders. The Chairman's role includes managing the Board; ensuring the Board is well informed and effective; acting as the link between the Board and Chris Castle, the Managing Director; and ensuring effective communication with shareholders. The Company does not at present have a formal director-training programme.

### **Board committees**

The Board has two sub-committees: an Audit Committee and a Remuneration Committee. Denis Kelly, Keith Hindle and Jill Hatchwell are on the Audit Committee and Keith Hindle and Denis Kelly are on the Remuneration Committee. The Audit Committee currently has two independent directors. These are Denis Kelly and Keith Hindle.

The Board has delegated certain of its responsibilities to these Committees. The decisions of these Committees are reported back to the Board in order to allow the other members of the Board to question committee members. Given the nature of business of the Company and the internal financial controls that the Company has in place, it is not considered necessary to have an internal auditor in addition to the Audit Committee.

The Company has determined that it is not appropriate, nor in the best interests of its securityholders to establish a Nomination Committee at this time as envisaged by the Corporate Governance Best Practice Code. The Company considers it appropriate to deal with potential nominations at the full Board level and then leave the ultimate decision on Board composition to shareholders through any Board appointee being subject to re-election at the Company's next annual meeting.

### **Reporting and disclosure**

Management accounts are prepared prior to each Board meeting and reviewed by the Board throughout the year to monitor performance against budget targets and objectives. The Board must ensure that the Company makes all disclosures required at law in its annual report.

### **Director remuneration**

Each Board member receives remuneration from a collective fee pool that is fixed by ordinary shareholder resolution from time to time and allocated between the directors by the Board as it sees fit. The Company does not have a remuneration policy however the remuneration of all directors is disclosed each year in the Company's Annual Report. The level of fees payable to directors is to be of an amount approved from time to time by shareholders.

### **Risk management**

The Board reviews management practices in relation to identification and management of significant business risk areas and regulatory compliance. The Board regularly reports the risks associated with its investments on its website. Under its constitution, the Company may obtain directors' and officers' liability insurance to cover directors acting on behalf of the Company.

### **Shareholder relations**

The Company aims to ensure that shareholders are informed of all major developments affecting the Company affairs. Information is communicated to shareholders in the Annual Report, Interim Report, and regular NZX announcements. The Company maintains email addresses register which any shareholder or stakeholder may request to be included on. All NZX announcements (other than those of an administrative nature) are sent to all recipients on the email register. The Company also maintains its website to provide comprehensive information about its operations, activities and investments.

### **Stakeholder interests**

The Company does not currently have any employees or material creditors. The Company's stakeholders are accordingly limited at present but will develop over time as the Company's investments develop. The Board will remain cognisant of stakeholder interests as they develop and consider policies to deal with different stakeholders accordingly. The Company will maintain public information as described in these policies to give stakeholders access to relevant information.

**WIDESPREAD PORTFOLIOS LIMITED**  
**Financial Statements**  
**For the year ended 31 March 2010**

## **WIDESPREAD PORTFOLIOS LIMITED**

### **Directors' Report**

In the opinion of the directors of Widespread Portfolios Limited, the financial statements and notes, on pages 2 to 30:

- Comply with New Zealand generally accepted accounting practice and give a true and fair view of the financial position of the Company and Group as at 31 March 2010 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 Group 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 Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as the integrity and reliability of the financial statements.

The directors are pleased to present the financial statements of Widespread Portfolios Limited for the year ended 31 March 2010.

For and on behalf of the Board of Directors:



.....  
**C Castle**  
**Director**  
**24 May 2010**



.....  
**Linda J Sanders**  
**Director**  
**24 May 2010**

# WIDESPREAD PORTFOLIOS LIMITED

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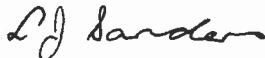


**WIDESPREAD PORTFOLIOS LIMITED**  
**Statement of Financial Position**  
**As at 31 March 2010**

<i>In thousands of dollars</i>	Note	Group 2010	Group 2009	Company 2010	Company 2009
<b>Assets</b>					
Other investments	11	4,365	3,496	-	-
Investments in subsidiaries	11	-	-	4,545	3,673
Investments in equity accounted investees	10	236	280	-	-
NZX Bond		103	100	103	100
<b>Total non-current assets</b>		<b>4,704</b>	<b>3,876</b>	<b>4,648</b>	<b>3,773</b>
Cash and cash equivalents	13	48	302	-	-
Brokers current accounts		13	-	-	-
Trade and other receivables		54	48	5	5
Other investments	11	168	146	-	-
Prepayments		9	9	9	9
Current tax assets	9	3	13	1	3
Deferred tax	12	-	-	7	6
<b>Total current assets</b>		<b>295</b>	<b>518</b>	<b>22</b>	<b>23</b>
<b>Total assets</b>		<b>4,999</b>	<b>4,394</b>	<b>4,670</b>	<b>3,796</b>
<b>Equity</b>					
Share capital	14	11,897	11,897	11,897	11,897
Reserves	14	1,082	198	1,119	113
Accumulated losses	14	(8,141)	(7,805)	(8,412)	(8,242)
<b>Total equity attributable to equity holders of the Company</b>		<b>4,838</b>	<b>4,290</b>	<b>4,604</b>	<b>3,768</b>
<b>Total equity</b>		<b>4,838</b>	<b>4,290</b>	<b>4,604</b>	<b>3,768</b>
<b>Liabilities</b>					
Trade and other payables		66	79	66	28
Deferred taxation	12	90	25	-	-
Advance to Widespread Energy Ltd	19	5	-	-	-
<b>Total liabilities</b>		<b>161</b>	<b>104</b>	<b>66</b>	<b>28</b>
<b>Total equity and liabilities</b>		<b>4,999</b>	<b>4,394</b>	<b>4,670</b>	<b>3,796</b>

The financial statements have been approved by the Board of Directors on 24 May 2010.

  
 \_\_\_\_\_  
 Chris D Castle

  
 \_\_\_\_\_  
 Linda J Sanders

The notes on pages 8 to 30 are an integral part of these financial statements.



**WIDESPREAD PORTFOLIOS LIMITED**  
**Statement of Comprehensive Income**  
**For the year ended 31 March 2010**

<i>In thousands of dollars</i>	Note	Group 2010	Group 2009	Company 2010	Company 2009
<b>Continuing operations</b>					
<b>Revenue</b>	6	168	161	-	-
Net finance income/(expense)	7	48	(134)	4	12
Administrative expenses	8	(441)	(600)	(175)	(214)
Loss on disposal available-for-sale investments		(65)	-	-	-
Other income – subvention payment receipt		-	-	-	239
Impairment on investments	11	-	(6,008)	-	(5,437)
Share of loss of equity accounted investees	10	(44)	(193)	-	-
<b>Profit/(loss) from continuing activities before income tax</b>		<b>(334)</b>	<b>(6,774)</b>	<b>(171)</b>	<b>(5,400)</b>
Income tax (credit)/expense	9	2	(115)	(1)	(2)
<b>Profit/(loss) from continuing operations after income tax</b>		<b>(336)</b>	<b>(6,659)</b>	<b>(170)</b>	<b>(5,398)</b>
<b>Other comprehensive income</b>					
Net change in fair value of available-for-sale financial assets		947	(7,165)	-	-
Revaluation of investments in subsidiaries	11	-	-	1,006	-
Deferred tax recognised in equity	12	(63)	27	-	-
<b>Other comprehensive income for the period, net of tax</b>		<b>884</b>	<b>(7,138)</b>	<b>1,006</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>548</b>	<b>(13,797)</b>	<b>836</b>	<b>(5,398)</b>
<b>Earnings/(loss) per share for the period from continuing operations</b>					
	15				
Basic earnings/(loss) per share (New Zealand cents)		(1.5645)	(2.2430)		
Diluted earnings/(loss) per share (New Zealand cents)		(0.8333)	(1.0570)		

The notes on pages 8 to 30 are an integral part of these financial statements.



**WIDESPREAD PORTFOLIOS LIMITED**  
**Statement of Changes in Equity**  
**For the year ended 31 March 2010**

<i>In thousands of dollars</i>	<b>Note</b>	<b>Group</b>		<b>Company</b>	
		<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Opening equity as at 1 April		4,290	17,562	3,768	8,641
Profit/(loss) for the period		(336)	(6,659)	(170)	(5,398)
Other comprehensive income		884	(7,138)	1,006	-
<b>Total comprehensive income for the period</b>		<b>548</b>	<b>(13,797)</b>	<b>836</b>	<b>(5,398)</b>
<b>Contributions from owners</b>					
Issue of shares	14	-	525	-	525
<b>Closing equity as at 31 March</b>		<b>4,838</b>	<b>4,290</b>	<b>4,604</b>	<b>3,768</b>

The notes on pages 8 to 30 are an integral part of these financial statements.





**WIDESPREAD PORTFOLIOS LIMITED**  
**Statement of Cash Flows**  
**For the year ended 31 March 2010**

<i>In thousands of dollars</i>	Note	Group 2010	Group 2009
<b>Cash flows from operating activities</b>			
Cash received from customers		152	157
Proceeds from sale of other investments current		391	165
Net interest received		13	33
Tax refund received		13	-
Cash paid to suppliers		(448)	(586)
Purchase of other investments current		(376)	(211)
Net cash from/(used in) operating activities	18	(255)	(442)
<b>Cash flows from investing activities</b>			
Proceeds to/(from) broker current accounts		(13)	306
Proceeds from sale of other investments non-current		84	-
Proceeds to/(from) related parties		5	-
Purchase of other investments non-current		(72)	(165)
Reinvested interest NZX Bond		(3)	(9)
Net cash from/(used in) investing activities		1	132
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	14	-	525
Net cash from/(used in) financing activities		-	525
Net (decrease)/increase in cash and cash equivalents		(254)	215
Cash and cash equivalents at 1 April		302	87
<b>Cash and cash equivalents at 31 March</b>	13	<b>48</b>	<b>302</b>

The notes on pages 8 to 30 are an integral part of these financial statements.

**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

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**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

**1. Reporting entity**

Widspread Portfolios Limited (the "Company") is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange ("NZX"). The Company is an issuer in terms of the Financial Reporting Act 1993.

Financial statements for the Company (separate financial statements) and consolidated financial statements are presented. The consolidated financial statements of Widspread Portfolios Limited as at and for the year ended 31 March 2010 comprise the Company and its subsidiaries (together referred to as the "Group") and the Group's interest in associates and jointly controlled entities.

Widspread Portfolios Limited invests and trades in a range of locally and overseas listed equities and derives income from share trading, interest and dividends.

**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 ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards ("IFRS").

The financial statements were approved by the Board of Directors on – 24 May 2010.

(b) *Basis of measurement*

The financial statements have been prepared on the historical cost basis except for the following:

- financial instruments at fair value through profit or loss are measured at fair value
- available-for-sale financial assets are measured at fair value

The methods used to measure fair values are discussed further in note 4.

(c) *Functional and presentation currency*

These financial statements are presented in New Zealand dollars, which is the Group's functional currency.

(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.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4(a) – valuation of unlisted investments



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

**3. Significant accounting policies**

For the purposes of these financial statements the accounting policies set out below have been applied consistently to all periods presented.

(a) *Basis of consolidation*

(i) *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) *Acquisitions from entities under common control*

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity. Any cash paid for the acquisition is recognised directly in equity.

(iii) *Associates (equity accounted investees)*

Associates are those entities in which the Group had significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method (equity accounted investees). The consolidated financial statements include the Group's share of the income and expenses of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of loss exceeds its interest in an equity accounted investee, the carrying amount of that interest is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(iv) *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) *Foreign currency*

*Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

**3. Significant accounting policies (continued)**

*(c) Financial instruments*

*Non-derivative financial instruments*

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Accounting for finance income and expense is discussed in note 3(g).

*Available-for-sale financial assets*

The Group's long term investments in equity securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised directly in equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to the income statement. Where the fair value of the asset falls below cost, the impairment is shown in the income statement.

*Instruments at fair value through profit or loss*

An instrument is classified as at fair value through profit or loss if it is held for short term trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognised in the income statement when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in the income statement.

*Other*

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
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**3. Significant accounting policies (continued)**

(c) *Financial instruments (continued)*

*Investments in equity securities*

Investments in equity securities held by the group with a long term objective are classified as available-for-sale. The fair value of equity investments classified as available-for-sale is their quoted bid price at the balance sheet date. For equity investments which are unlisted, the fair value is based on Directors' judgement of a fair market value based on recent share activity primarily from recent private placement subscription agreements. If fair value cannot be reliably measured, then unlisted investments are valued at cost.

Investments in equity securities held by the group with a short term objective are classified as fair value through profit or loss. The fair value of equity investments classified as fair value through profit or loss is their quoted bid price at the balance sheet date. For equity investments which are unlisted, the fair value is based on Directors' judgement of a fair market value based on recent share activity primarily from recent private placement subscription agreements. If fair value cannot be reliably measured, then unlisted investments are valued at cost.

*Receivables*

Receivables are stated at their cost less impairment losses.

*Trade and other payables*

Trade and other payables are stated at cost.

*Share capital*

*Ordinary shares*

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

*Repurchase of share capital*

When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented as a deduction from total equity.

(d) *Impairment*

The carrying amounts of the Group'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 income statement.

(e) *Director benefits*

*Share-based payment transactions*

The grant date fair value of options granted to directors is recognised as a directors' expense, with a corresponding increase in equity, over the period in which the directors become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

(f) *Revenue*

Revenue from services rendered is measured at the fair value of the consideration received or receivable.



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
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**3. Significant accounting policies (continued)**

**(g) Finance income and expenses**

Finance income comprises interest income on funds invested, dividend income, and gains on the disposal of available-for-sale financial assets, changes in the fair value of financial assets at fair value through profit or loss, and foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings, foreign currency losses, changes in the fair value of financial assets at fair value through profit or loss, impairment losses recognised on financial assets (except for trade receivables), and losses on the disposal of available-for-sale financial assets that are recognised in the income statement. All borrowing costs are recognised in the income statement using the effective interest method.

**(h) Income tax expense**

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

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

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the corresponding tax bases of those items. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**(i) Earnings per share**

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise share options.

**(j) Segment reporting**

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

**4. Determination of fair values**

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) *Investments in equity and debt securities*

The fair value of financial assets at fair value through profit or loss and available-for-sale financial assets is determined by reference to their quoted bid price at the reporting date. Where an active market does not exist around balance date, a proxy for the quoted bid price is determined using active market prices for a period closest to the balance sheet date. For equity investments which are unlisted, the fair value is based on Directors' judgement of a fair market value based on recent share activity primarily from recent private placement subscription agreements. If fair value cannot be reliably measured, then unlisted investments are valued at cost.

(b) *Receivables*

The fair value of receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(c) *Share-based payment transactions*

The fair value of directors' stock options is measured using a binomial lattice model. The value of share appreciation rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.





**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
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**5. Segment reporting**

Segment information is presented in respect of the Group's geographical segments. The Group has only one business segment, that being investment.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

**Geographical segments**

The investment segment operates in three principal geographical areas, New Zealand, Canada and other.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of investments. Segment assets are based on the geographical location of the assets.

Group  
**Geographical segments**

<i>In thousands of dollars</i>	<b>New Zealand</b>	<b>Canada</b>	<b>Other</b>	<b>Total</b>
<b>2010</b>				
Interest revenue	12	-	-	12
Other revenue	136	98	-	234
<b>Total revenue</b>	<b>148</b>	<b>98</b>	<b>-</b>	<b>246</b>
Segment assets	1,602	2,708	689	4,999
<b>2009</b>				
Interest revenue	39	1	-	40
Other revenue	84	63	29	176
<b>Total revenue</b>	<b>123</b>	<b>64</b>	<b>29</b>	<b>216</b>
Segment assets	1,339	2,499	556	4,394

**6. Revenue**

<i>In thousands of dollars</i>	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Consultancy fees	82	64	-	-
Directors fees	86	92	-	-
Dividends received	-	5	-	-
<b>Total revenues</b>	<b>168</b>	<b>161</b>	<b>-</b>	<b>-</b>



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

**7. Finance income and expenses**

<i>In thousands of dollars</i>	Group		Company	
	2010	2009	2010	2009
Interest income on bank deposits	12	40	4	12
Net gain on disposal of financial assets designated at fair value through profit or loss	66	-	-	-
Net foreign exchange gains	-	15	-	-
<b>Finance income</b>	<b>78</b>	<b>55</b>	<b>4</b>	<b>12</b>
Net loss on disposal of financial assets designated at fair value through profit or loss	-	(17)	-	-
Net change in fair value of financial assets designated at fair value through profit or loss	(29)	(172)	-	-
Net foreign exchange losses	(1)	-	-	-
<b>Finance expense</b>	<b>(30)</b>	<b>(189)</b>	<b>-</b>	<b>-</b>
<b>Net finance income/(expense)</b>	<b>48</b>	<b>(134)</b>	<b>4</b>	<b>12</b>

**8. Administrative expenses**

The following items of expenditure are included in administrative expenses:

<i>In thousands of dollars</i>	Group		Company	
	2010	2009	2010	2009
Auditor's remuneration to WHK Wellington comprises:				
audit of financial statements	26	21	26	21
preparation of tax return	7	23	2	2
other audit-related services	-	19	-	13
<b>Total auditor's remuneration</b>	<b>33</b>	<b>63</b>	<b>28</b>	<b>36</b>
Accountancy	12	14	8	9
Consultants fees	-	12	-	12
Depreciation	1	1	-	-
Directors fees	56	55	56	55
General expenses	23	19	13	11
Insurance	21	21	21	21
Legal fees	12	24	12	24
Listing fees	17	18	17	18
Management fees	246	342	-	-
Registry fees	15	19	15	19
Travel expenses	5	12	5	9
<b>Total administration expenses</b>	<b>441</b>	<b>600</b>	<b>175</b>	<b>214</b>

Other audit-related services include services for the audit or review of financial information other than financial reports including prospectus reviews.



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
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**9. Income tax expense in the income statement**

<i>In thousands of dollars</i>	Reconciliation of effective tax rate			
	Group		Company	
	2010	2009	2010	2009
Profit/(loss) for the year	(336)	(6,659)	(170)	(5,398)
Total income tax (credit)/expense	2	(115)	(1)	(2)
Profit/(loss) excluding income tax	(334)	(6,774)	(171)	(5,400)
Income tax using the Company's domestic tax rate (30%)	(100)	(2,032)	(51)	(1,620)
<i>Tax effect of:</i>				
Non-deductible expenses	45	1,456	4	1,638
Non-assessable income	(18)	-	-	(72)
Current year losses for which no deferred tax asset is recognised	223	477	46	52
Change in unrecognised temporary differences	-	464	-	-
Investment income calculated under tax legislation	(148)	(372)	-	-
Under provision in prior periods	-	(108)	-	-
<b>Income tax (credit)/expense</b>	<b>2</b>	<b>(115)</b>	<b>(1)</b>	<b>(2)</b>
<i>Comprising:</i>				
<b>Current tax expense</b>				
Adjustments for prior period	-	(108)	-	-
	-	(108)	-	-
<b>Deferred tax expense</b>				
Origination and reversal of temporary differences	(221)	(1,014)	(47)	(54)
Change in unrecognised temporary differences	223	1,007	46	52
	2	(7)	(1)	(2)
<b>Total income tax (credit)/expense in income statement</b>	<b>2</b>	<b>(115)</b>	<b>(1)</b>	<b>(2)</b>
<i>The current tax liability/(asset) consists of:</i>				
Resident withholding tax paid	(3)	(13)	(1)	(3)
<b>Current tax liability/(asset)</b>	<b>(3)</b>	<b>(13)</b>	<b>(1)</b>	<b>(3)</b>
<b>Deferred tax expense recognised directly in equity</b>				
Deferred tax on revaluation of current investments	117	(27)	-	-
Change in unrecognised temporary differences	(54)	-	-	-
	63	(27)	-	-



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

**9. Income tax expense in the income statement (continued)**

<i>In thousands of dollars</i>	<b>Group</b>		<b>Company</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>Imputation credit account</b>				
Imputation credits at 1 April	203	202	2	1
Resident withholding tax deducted	3	7	1	2
Imputation credits on dividends received	1	-	-	-
New Zealand tax payments, net of refunds	(12)	(6)	(2)	(1)
<b>Imputation credits at 31 March</b>	<b>195</b>	<b>203</b>	<b>1</b>	<b>2</b>

The closing balance represents imputation credits available to be attached to any future distributions from the Company's reserves, subject to shareholder continuity provisions.

**10. Equity accounted investees**

Summary financial information for equity accounted investees, not adjusted for the percentage ownership held by the Group.

<i>In thousands of dollars</i>	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
Ownership	22%	26%
Current assets	553	388
Non-current assets	738	639
Total assets	1,291	1,027
Current liabilities	(132)	(63)
Total liabilities	(132)	(63)
Revenues	-	-
Expenses	(201)	(516)
Profit/(loss)	(201)	(516)

Movements in carrying value of equity accounted investees:

<i>In thousands of dollars</i>	<b>Group</b>	
	<b>2010</b>	<b>2009</b>
Balance at 1 April	280	473
Share of profit/(loss)	(44)	(193)
<b>Balance at 31 March</b>	<b>236</b>	<b>280</b>



**WIDESPREAD PORTFOLIOS LIMITED**  
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**11. Investments**

**Other investments**

<i>In thousands of dollars</i>	Group		Company	
	2010	2009	2010	2009
Non-current investments				
Available-for-sale financial assets	4,365	3,446	-	-
Held-to-maturity	-	50	-	-
	4,365	3,496	-	-
Current investments				
Financial assets designated at fair value through profit or loss	168	146	-	-

**Investment in subsidiaries**

<i>In thousands of dollars</i>	Group		Company	
	2010	2009	2010	2009
Non-current investments				
Investment in subsidiaries	-	-	4,545	3,673
	-	-	4,545	3,673

An impairment gain/(loss) in the Parent Company of \$1,006,000 (2009:\$(5,437,000)) in respect of investment in subsidiaries was recognised during the current year owing to the improvement/(reduction) in the subsidiary's net assets due to the movement in the market value of available-for-sale financial assets held in the subsidiary.

**12. Deferred tax assets and liabilities**

**Recognised deferred tax assets and liabilities**

Deferred tax assets and liabilities are attributable to the following:

<i>In thousands of dollars</i>	Group		Company	
	2010	2009	2010	2009
Non-current investments	99	37	-	-
Current investments	(2)	(7)	-	-
Accrued income	-	1	-	-
Trade and other payables	(7)	(6)	(7)	(6)
Net tax (assets)/liabilities	90	25	(7)	(6)



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
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**12. Deferred tax assets and liabilities (continued)**

Movement in temporary differences during the year:

<i>In thousands of dollars</i>	Balance at 1/4/09	Recognised in income	Recognised in equity	Balance at 31/3/10
Non-current investments	37	(1)	63	99
Current investments	(7)	5	-	(2)
Accrued income	1	(1)	-	-
Trade and other payables	(6)	(1)	-	(7)
	25	2	63	90

Movement in temporary differences during the year:

<i>In thousands of dollars</i>	Balance at 1/4/08	Recognised in income	Recognised in equity	Balance at 31/3/09
Non-current investments	64	-	(27)	37
Current investments	(1)	(6)	-	(7)
Accrued income	-	1	-	1
Trade and other payables	(4)	(2)	-	(6)
	59	(7)	(27)	25

**Unrecognised deferred tax assets**

Deferred tax assets have not been recognised in respect of the following items:

<i>In thousands of dollars</i>	Group		Company	
	2010	2009	2010	2009
Tax losses	(765)	(543)	(98)	(52)
Non-current investments	(410)	(464)	-	-
Net tax (assets)/liabilities	(1,175)	(1,007)	(98)	(52)

The tax losses do not expire under current tax legislation, subject to shareholder continuity provisions. The temporary differences arising on non-current investments do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because the timing of future taxable profits against which the Company can utilise the benefits of these items is uncertain.

**13. Cash and cash equivalents**

<i>In thousands of dollars</i>	Group	
	2010	2009
Bank balances	48	302
<b>Cash and cash equivalents in the statement of cash flows</b>	<b>48</b>	<b>302</b>



**WIDESPREAD PORTFOLIOS LIMITED**  
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**14. Capital and reserves**

Reconciliation of movement in capital and reserves  
**Group**

<i>In thousands of dollars</i>	<b>Share capital</b>	<b>Fair value reserve</b>	<b>Treasury shares</b>	<b>Share option reserve</b>	<b>Retained earnings</b>	<b>Total</b>
Balance at 1 April 2008	11,372	7,223	(175)	288	(1,146)	17,562
Total comprehensive income for the period	-	(7,138)	-	-	(6,659)	(13,797)
Issue of ordinary shares	525	-	-	-	-	525
<b>Balance at 31 March 2009</b>	<b>11,897</b>	<b>85</b>	<b>(175)</b>	<b>288</b>	<b>(7,805)</b>	<b>4,290</b>
Balance at 1 April 2009	11,897	85	(175)	288	(7,805)	4,290
Total comprehensive income for the period	-	884	-	-	(336)	548
<b>Balance at 31 March 2010</b>	<b>11,897</b>	<b>969</b>	<b>(175)</b>	<b>288</b>	<b>(8,141)</b>	<b>4,838</b>

Reconciliation of movement in capital and reserves  
**Company**

<i>In thousands of dollars</i>	<b>Share capital</b>	<b>Fair value reserve</b>	<b>Treasury shares</b>	<b>Share option reserve</b>	<b>Retained earnings</b>	<b>Total</b>
Balance at 1 April 2008	11,372	-	(175)	288	(2,844)	8,641
Total comprehensive income for the period	-	-	-	-	(5,398)	(5,398)
Issue of ordinary shares	525	-	-	-	-	525
<b>Balance at 31 March 2009</b>	<b>11,897</b>	<b>-</b>	<b>(175)</b>	<b>288</b>	<b>(8,242)</b>	<b>3,768</b>
Balance at 1 April 2009	11,897	-	(175)	288	(8,242)	3,768
Total comprehensive income for the period	-	1,006	-	-	(170)	836
<b>Balance at 31 March 2010</b>	<b>11,897</b>	<b>1,006</b>	<b>(175)</b>	<b>288</b>	<b>(8,412)</b>	<b>4,604</b>



**WIDESPREAD PORTFOLIOS LIMITED**  
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**14. Capital and reserves (continued)**

*Share capital*

<i>In thousands of shares</i>	<b>Ordinary shares</b>	
	<b>2010</b>	<b>2009</b>
On issue at 1 April	21,436	1,029,517
Issue of ordinary shares	-	42,275
Consolidation 1 for 50	-	(1,050,356)
On issue at 31 March	21,436	21,436

The Group has also issued warrants.

All issued shares are fully paid and have no par value.

The holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

*Warrants*

On 14 March 2007, the Company offered on a pro rata basis to all shareholders of the Company, one transferable Warrant for every 100 shares held. With the effect of the share consolidation on 7 July 2008, the number of shares into which a warrant may be exercised has been reduced from 100 shares to 2 shares. The Warrants have no minimal value. Each warrant entitles the holder, on exercise, to 2 shares. Accordingly the remaining number of new shares that may be issued through the exercise of warrants is 17,010,246. The final exercise date is 30 June 2012, and after that the warrants lapse.

The exercisable price of the warrants is presently:

- From 1 April 2010 until 30 June 2012: 1.491 cents per new share or, in total, \$2.982 per warrant.

<i>In thousands of warrants</i>	<b>Transferable Warrants</b>	
	<b>2010</b>	<b>2009</b>
On issue at 1 April	8,505	8,505
On issue at 31 March	8,505	8,505

*Fair value reserve*

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised.

*Treasury shares*

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 March 2010 the Group held 190,000 of the Company's shares (2009: 190,000).





**WIDESPREAD PORTFOLIOS LIMITED**  
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**14. Capital and reserves (continued)**

*Share option reserve*

With the introduction of NZIFRS and in particular NZ IFRS 2 "Share-based payments", it is necessary for the Company to account for options granted in return for services received. In accordance with NZ IFRS 2 the fair value of the options are expensed over the vesting period.

**15. Earnings /(loss) per share**

*Basic earnings/(loss) per share*

The calculation of basic earnings per share at 31 March 2010 was based on the profit/(loss) attributable to ordinary shareholders of \$(336,000) (2009: \$(6,659,000)) and a weighted average number of ordinary shares outstanding of 21,436,000 (2009: 296,935,000), calculated as follows:

Profit/(loss) attributable to ordinary shareholders

<i>In thousands of dollars</i>	<b>Group</b>	
	<b>2009</b>	<b>2009</b>
Net profit/(loss) for the year	(336)	(6,659)
Weighted average number of ordinary shares		
<i>In thousands of shares</i>	<b>2009</b>	<b>2009</b>
Issued ordinary shares at 1 April	21,436	1,029,517
Effect of shares issued June 08	-	32,644
Effect of shares issued July 08	-	239
Effect of share consolidation July 08	-	(765,465)
Weighted average number of ordinary shares at 31 March	21,436	296,935

*Diluted earnings/(loss) per share*

The calculation of diluted earnings per share at 31 March 2010 was based on profit/(loss) attributable to ordinary shareholders of \$(336,000) (2009: \$(6,659,000)) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 40,246,000 (2009: 630,018,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

<i>In thousands of shares</i>	<b>2009</b>	<b>2009</b>
Weighted average number of ordinary shares (basic)	21,436	296,935
Effect of warrants on issue	18,810	333,083
Weighted average number of ordinary shares (diluted) at 31 March	40,246	630,018



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

**16. Share-based payments**

*Directors' warrants*

The Directors' warrants were approved by shareholders at the Company's annual general meeting on 29 July 2007.

The purpose of the share based payments is to provide an additional incentive to the directors to increase the net asset value of the Group.

*Warrants granted as compensation*

Details on warrants issued in the Company that were granted as compensation to each director are as follows:

<i>Directors</i>	<b>Number of non transferable warrants granted 2008</b>	<b>Grant date</b>	<b>Fair value per warrant at grant date (\$)</b>	<b>Exercise price per warrant (\$)</b>	<b>Expiry date</b>
L J Sanders	125,000	24 August 2007	0.32	2.98	30 June 2012
C D Castle	475,000	24 August 2007	0.32	2.98	30 June 2012
J E Hatchwell	100,000	24 August 2007	0.32	2.98	30 June 2012
K T Hindle	100,000	24 August 2007	0.32	2.98	30 June 2012
M R Franks	100,000	24 August 2007	0.32	2.98	30 June 2012

No warrants have been granted since the end of the financial year. The warrants were provided at no cost to the recipients.

Each warrant entitles the recipient, on exercise, to 2 shares. Accordingly the number of new shares that may be issued through the exercise of these warrants is 1,800,000. The Final exercise date is 30 June 2012, and after that the warrants lapse.

The exercisable price of the warrants is presently:

- From 1 April 2010 until 30 June 2012: 1.491 cents per new share or, in total, \$2.982 per warrant.

The fair value of services received in return for the warrants granted are measured by reference to the fair value of share warrants granted. The estimate of the fair value of the services received is measured based on the Black-Scholes valuation method. The contractual life of the warrant is used as an input into this model. No expectations of early exercise have been incorporated into the Black-Scholes valuation method.

Fair value of share warrants and assumptions

	Directors warrants 2008
Fair value at grant date	
Share price	\$0.015
Exercise price	\$0.033
Expected volatility (weighted average volatility)	41.3%
Option life (expected weighted average life)	4.85 years
Expected dividends	\$0.00
Risk-free interest rate (based on government bonds)	6.94%



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

**16. Share-based payments (continued)**

The number and weighted average exercise prices of share warrants is as follows:

	Weighted average exercise price 2010	Weighted average exercise price 2009	Number of directors warrants 2010	Number of directors warrants 2009
Outstanding at 1 April	2.99	2.99	900,000	900,000
Outstanding at 31 March	2.99	2.99	900,000	900,000
Exercisable at 31 March			900,000	900,000

**17. Financial instruments**

Exposure to credit, interest rate, foreign currency, equity prices and liquidity risks arise in the normal course of the Group's business.

*Foreign currency risk*

The Group is exposed to foreign currency risk on investments that are denominated in a currency other than the Group's functional currency, New Zealand dollars (\$), which is the presentation currency of the Group. The currencies, in which some transactions are denominated in, include Canadian dollars (CAD), Australian dollars (AUD) and United States dollars (USD). It is the Group's policy not to hedge foreign currency risks.

<i>In thousands of dollars</i>	CAD	AUD	USD
<b>2010</b>			
Foreign currency risk			
Brokers current accounts	9	4	-
Other investments	2,699	438	247
<b>2009</b>			
Foreign currency risk			
Brokers current accounts	-	-	-
Other investments	2,151	350	206

As the Group's investments are predominantly held overseas, their value in New Zealand dollars is affected by exchange rate fluctuations.

*Market risk*

*Equity Price risk*

The Group primarily invests in overseas-based mining and mineral exploration companies. Most investments are held for the longer term although part of the portfolio (usually about 10%) is committed to shorter-term share-trading activity.

Due to the very narrow spread of investments and the mineral sector focus, the Group's investment approach is likely to provide returns either better or worse than market averages. The Group is structured and operated to achieve growth in shareholders' funds and more particularly in the net tangible asset value of each share. The objective is not to make trading profits on a regular annual basis by selling our successful investments. A year in which net tangible assets per share increases by 20% or more is a good year for the Group, regardless of the accounting profit or loss that may have been incurred.



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

**17. Financial instruments (continued)**

*Market risk (continued)*

*Equity Price risk (continued)*

However, the directors cannot make any forecasts or predictions as to future profits. The business of the Group involves investment in equities, most of these being junior mining companies in development mode. While these investments have in the past, on balance, been successful, the directors are unable to predict the success, or otherwise, of present or proposed investments and are similarly unable to predict when such successes, or otherwise, might occur.

Often four or five investments represent 90% of the portfolio value. This occurs because further funds may be directed toward an investment opportunity once it starts to appreciate in value. This approach is contrary to classic portfolio management theory; it increases the investment exposure at the same time as the potential downside increases. The outcome of such an approach is increased volatility in the investment returns achieved by the Group.

Risk is minimised to the extent that it can be by the following strategies:

- Investments are financed solely from equity sources (the group will have no borrowings)
- The Group will avoid investment opportunities with open ended liabilities
- Investments will be well researched before acquisition
- There is frequent monitoring of the portfolio and market conditions generally
- There is continuous ongoing assessment of investments in the context of other investment opportunities available.

Other investments of the Group relate to:

<i>In thousands of dollars</i>	<b>2010</b>	<b>2009</b>
Non-current investments		
Equity securities available-for-sale	4,365	3,446
Held-to-maturity	-	50
Current investments		
Equity securities at fair value through profit and loss	168	146

Equity securities relate to investments in common stock of entities of privately held and listed companies.

*Liquidity risk*

Liquidity risk represents the Group's ability to meet its financial obligations. It is the Group's policy to maintain sufficient cash reserves at all times to meet its obligations arising from its financial liabilities.

*Capital management*

The Group's capital includes share capital, reserves, and retained earnings.

The Group is not subject to any externally imposed capital requirements.



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

**17. Financial instruments (continued)**

The allocation of capital between its specific business segments operations and activities is, to a large extent, driven by optimisation of the return achieved on the capital allocated. The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

There have been no material changes in the Group's management of capital during the year.

*Sensitivity analysis*

In managing currency risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings. Over the longer-term, however, permanent changes in foreign exchange will have an impact on equity.

It is estimated that a general increase of one percentage point in the value of the New Zealand dollar against other foreign currencies would have decreased the Group's equity investments and trading securities by approximately \$46,000 for the year ended 31 March 2010 (2009: \$34,000).

*Classification and fair values*

The fair value of all financial instruments is deemed to be their carrying value except for unlisted investments that are carried at cost as fair value cannot be reliably measured.

<i>In thousands of dollars</i>	<b>Designated at fair value</b>	<b>Loans and receivables</b>	<b>Available for sale</b>	<b>Other Liabilities</b>	<b>Total carrying amount</b>
<b>2010</b>					
Assets					
Other investments	-	-	4,365	-	4,365
NZX Bond	-	103	-	-	103
Total non-current assets	-	103	4,365	-	4,468
Other investments	168	-	-	-	168
Trade and other receivables	-	54	-	-	54
Current tax assets	-	3	-	-	3
Cash and cash equivalents	-	48	-	-	48
Total current assets	168	105	-	-	273
<b>Total assets</b>	<b>168</b>	<b>208</b>	<b>4,365</b>	<b>-</b>	<b>4,741</b>
Liabilities					
Trade and other payables	-	-	-	66	66
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>66</b>	<b>66</b>



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

**17. Financial instruments (continued)**

*Classification and fair values*

<i>In thousands of dollars</i>	<b>Designated at fair value</b>	<b>Loans and receivables</b>	<b>Available for sale</b>	<b>Held-to- maturity</b>	<b>Other Liabilities</b>	<b>Total carrying amount</b>
<b>2009</b>						
<b>Assets</b>						
Other investments	-	-	3,446	50	-	3,496
NZX Bond	-	100	-	-	-	100
<b>Total non-current assets</b>	-	100	3,446	50	-	3,596
Other investments	146	-	-	-	-	146
Trade and other receivables	-	48	-	-	-	48
Current tax assets	-	13	-	-	-	13
Cash and cash equivalents	-	302	-	-	-	302
<b>Total current assets</b>	146	363	-	-	-	509
<b>Total assets</b>	<b>146</b>	<b>463</b>	<b>3,446</b>	<b>50</b>	<b>-</b>	<b>4,105</b>
<b>Liabilities</b>						
Trade and other payables	-	-	-	-	79	79
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>79</b>	<b>79</b>



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

**18. Reconciliation of the profit/(loss) for the period with the net cash from operating activities**

<i>In thousands of dollars</i>	<b>2010</b>	<b>Group</b>	<b>2009</b>
Profit/(loss) from continuing operations after income tax	(336)		(6,659)
Adjustments for:			
Depreciation	1		1
(Gains)/losses on sale of financial assets at fair value through profit & loss	(65)		17
Losses on sale of available-for-sale financial assets	65		-
Unrealised losses on fair value of available-for-sale financial assets	-		6,008
Unrealised losses on financial assets at fair value through profit & loss	29		172
Share of loss of equity accounted investees	44		193
Deferred tax recognised	(63)		27
	<u>(325)</u>		<u>(241)</u>
Change in trade and other receivables	(6)		(22)
Change in prepayments	-		1
Change in current tax assets	10		(114)
Change in deferred taxation	65		(34)
Change in trade and other payables	(13)		29
Change in other investments current	14		(61)
	<u>(255)</u>		<u>(442)</u>
<b>Net cash from operating activities</b>	<b>(255)</b>		<b>(442)</b>

**19. Related parties**

Directors of the Company control 12.7 percent of the voting shares of the Company, directly.

Chris Castle is a director of Nevay Holdings Limited and of Widespread Portfolios Limited. He also acts as an investment advisor to Widespread Portfolios Limited. He is a beneficiary of the Sandcastle Trust which has a 7.93% (2009: 8.60%) shareholding in Widespread Portfolios Limited. He also holds a 0.44% (2009: 0.39%) shareholding in Widespread Portfolios Limited.

Chris Castle is contracted on full time basis to Widespread Limited for a fee of \$150,000 per year plus GST and through another contract to Nevay Holdings Limited of \$100,000 per year plus GST. This arrangement was negotiated by the independent directors and expires on 31 March 2010, with a right of renewal for a further three years.

Jill Hatchwell is a director and the secretary of Nevay Holdings Limited and a director of Widespread Portfolios Limited. She holds a 1.24% (2009: 1.26%) shareholding in Widespread Portfolios Limited.

Linda Sanders is a director of Widespread Portfolios Limited. She is a beneficiary of the Sandcastle Trust which has a 7.93% (2009: 8.60%) shareholding in Widespread Portfolios Limited. She also holds a 0.66% (2009: 0.55%) shareholding in Widespread Portfolios Limited.



**WIDESPREAD PORTFOLIOS LIMITED**  
**Notes to Financial Statements**  
**For the year ended 31 March 2010**

**19. Related parties (continued)**

*Widespread Energy Limited*

<i>In thousands of dollars</i>		Transaction value		Balance	
		Year ended 31 March		receivable/(payable) as at 31 March	
		2010	2009	2010	2009
<b>Directors</b>	<b>Transactions</b>				
C Castle, K Hindle, J Hatchwell & L Sanders	Loan advances	(5)	1	(5)	-
C Castle, K Hindle, J Hatchwell & L Sanders	Investment & management services	82	64	16	6

C Castle, K Hindle, J Hatchwell & L Sanders, Directors of Widespread Portfolios Ltd are also commonly Directors in Widespread Energy Limited. During the year ended 31 March 2010, the Group received loans of \$5,000 from Widespread Energy Limited. The loan was interest free and repayable on demand.

Widespread Energy Limited also contracts Widespread Portfolios Limited for investment and management services on an as required basis.

**20. Group entities**

Significant subsidiaries

	Country of Incorporation	Ownership interest	
		2010	2009
Widespread Limited	New Zealand	100	100
Mineral Investments Limited	New Zealand	100	100

**21. Subsequent events**

On 23 March 2010, the Company announced a Share Purchase Plan. Registered shareholders were invited to participate in a non-renounceable entitlement to \$3,000 of Widespread Portfolio shares. The issue price for shares under the Plan was 15.0 cents per share. On 30 April 2010 the Company issued 2,054,667 ordinary shares, which raised \$308,200 in funds, before costs.





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## AUDIT REPORT

### To the Shareholders of Widespread Portfolios Limited

We have audited the attached financial statements. The financial statements provide information about the past financial performance and financial position of the Company and Group as at 31 March 2010. This information is stated in accordance with the accounting policies described in the notes to the financial statements.

### Directors' Responsibilities

The Directors are responsible for the preparation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 31 March 2010 and of the results of their operations and cash flows for the year ended on that date.

### Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to the shareholders.

### Basis of Opinion

An audit includes examining on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the Company and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards issued by the New Zealand Institute of Chartered Accountants. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm carries out other assignments for the Company and Group in the area of taxation. Other than in this capacity and our capacity as auditors, we have no other relationships with, or interests in the Company and Group.

### Unqualified Opinion

We have obtained all the information and explanations we have required.

#### In our opinion

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the attached financial statements:
  - comply with generally accepted accounting practice; and
  - give a true and fair view of the financial position of the Company and Group as at 31 March 2010 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 24 May 2010 and our unqualified opinion is expressed as at that date.

WHK Wellington  
Chartered Accountants

**WIDESPREAD PORTFOLIOS LIMITED**  
**Shareholder Information**  
**For the year ended 31 March 2010**

**Stock exchange listing**

The Company's ordinary shares are listed on the New Zealand Stock Exchange.

1. Distributions of security holders and security holdings as at 14 May 2010

<b>Size of holding</b>	<b>Number of security holders</b>	<b>Number of securities</b>
1 - 1,000	256	69,104
1,001 - 5,000	206	540,638
5,001 - 10,000	74	561,888
10,001 - 50,000	204	4,989,759
50,001 - 100,000	36	2,680,892
100,001 +	47	14,648,168
<b>Geographic distribution</b>		
New Zealand	784	22,984,894
Australia	12	78,774
Rest of world	27	426,781

Distributions of warrant holders and warrant holdings as at 14 May 2010

<b>Size of holding</b>	<b>Number of warrant holders</b>	<b>Number of warrants</b>
1 - 1,000	323	85,494
1,000 - 5,000	144	365,388
5,001 - 10,000	50	366,317
10,001 - 50,000	80	1,909,708
50,001 - 100,000	18	1,308,894
100,001 +	19	4,469,322
<b>Geographic distribution</b>		
New Zealand	599	8,339,777
Australia	11	35,420
Rest of world	24	129,926

**WIDESPREAD PORTFOLIOS LIMITED**  
**Shareholder Information**  
**For the year ended 31 March 2010**

2. 20 Largest registered holders of quoted equity securities as at 14 May 2010

	<b>Ordinary</b>	<b>%</b>
Sandcastle Trust	1,862,800	7.93
C A Purcell & J A Ward	1,137,606	4.84
Tasman Portfolios Limited	1,000,000	4.26
Leveraged Equities Finance Limited	744,460	3.17
R S Thornton	561,280	2.39
Chester Nominees Limited	558,500	2.38
P W Hall	540,000	2.30
P G Crafar	483,756	2.06
M Verbiest	416,673	1.77
J A Ward	408,114	1.74
S P Ward & J P Ward & E P Welson	402,834	1.71
C A Purcell	378,318	1.61
P V Robinson	366,853	1.56
D D Kelly	349,560	1.49
J W Guinness	328,052	1.40
G H Common & G P Walker	304,776	1.30
P W Brooks	300,970	1.28
A R Jamieson & E L Jamieson & E N Law	300,183	1.28
J E Hatchwell & P G Vincent & S N Kingsbury	290,268	1.23
N Paviour-Smith	222,606	0.95

20 Largest registered holders of quoted warrants as at 14 May 2010

	<b>Ordinary</b>	<b>%</b>
Sandcastle Trust	917,400	10.79
C A Purcell & J A Ward	568,803	6.69
K R Frankum	310,017	3.65
P W Hall	250,000	2.94
Leveraged Equities Finance Limited	241,881	2.84
P G Crafar	241,079	2.83
J A Ward	199,313	2.34
M Verbiest	197,537	2.32
C A Purcell	189,159	2.22
S P Ward & J P Ward & E P Welson	157,418	1.85
J W Guinness	152,426	1.79
G H Common & G P Walker	148,388	1.74
P W Brooks	146,485	1.72
J E Hatchwell & P G Vincent & S N Kingsbury	144,334	1.70
C A N Beyer	131,881	1.55
D De Lautour	126,800	1.49
Verona Nominees Limited	123,133	1.45
D D Kelly	120,781	1.42
K T Hindle	102,487	1.21
P V Robinson	98,545	1.16

**WIDESPREAD PORTFOLIOS LIMITED**  
**Shareholder Information**  
**For the year ended 31 March 2010**

**3. Substantial Security Holders as at 14 May 2010**

The following persons are substantial security holders in accordance with section 21 of the Securities Market Act 1988:

Holder Name	Number Held	Percentage
<b>Ordinary Shares</b>		
Linda Jane Sanders*	1,983,200	8.443%
Christopher David Castle*	1,966,000	8.369%
<b>Total Ordinary Shares on Issue:</b>	<b>23,490,449</b>	<b>100.000%</b>
<b>Listed Warrants (WIDWA)**</b>		
Linda Jane Sanders*	967,400	11.374%
Christopher David Castle*	970,000	11.405%
C A Purcell & J A Ward	568,803	6.688%
<b>Total Listed Warrants on Issue:</b>	<b>8,505,123</b>	<b>100.000%</b>

\* Christopher David Castle and Linda Jane Sanders jointly hold 1,862,800 ordinary shares and 917,400 listed warrants as trustees of the Sandcastle Trust. In addition, Christopher David Castle holds a further 103,200 ordinary shares and 52,600 listed warrants in his own name and Linda Jane Sanders holds a further 120,400 ordinary shares and 50,000 listed warrants in her own name.

\*\* Each warrant confers a right to its holder to receive two ordinary shares of the Company upon payment to the Company of \$2.982. All warrants lapse if not exercised by 30 June 2012.

**4. Directors' Security Holdings as at 14 May 2010**

Director Name	Ordinary Shares 2010	Ordinary Shares 2009	Listed Warrants* 2010	Listed Warrants* 2009	Director Warrants** 2010	Director Warrants** 2009
L J Sanders	1,983,200	1,943,200	967,400	967,400	125,000	125,000
C D Castle	1,966,000	1,946,000	970,000	970,000	475,000	475,000
J E Hatchwell	290,268	270,268	144,334	144,334	100,000	100,000
KT Hindle	212,974	212,974	102,487	102,487	100,000	100,000
D D Kelly	359,560	339,560	125,281	125,281	-	-

\*Each listed warrant confers a right to its holder to receive two ordinary shares of the Company upon payment to the Company of \$2.982. All listed warrants lapse if not exercised by 30 June 2012.

\*\*Each director warrant confers a right to its holder to receive two ordinary shares of the Company upon payment to the Company of \$3.286. All directors warrants lapse if not exercised by 30 June 2012, are unlisted and are non transferable.

**WIDESPREAD PORTFOLIOS LIMITED**  
**Statutory information**  
**For the year ended 31 March 2010**

**1. Directors and remuneration**

The broad remuneration policy is to ensure the remuneration package properly reflects the person's duties and responsibilities and that remuneration is competitive in attracting, retaining and motivating people of the highest quality.

Details of the nature and the amount of each major element of emoluments of each director of the Company are:

<i>In thousands of dollars</i>	<b>Fees</b>	<b>Share-based payment</b>	<b>Consultancy fees</b>	<b>Total</b>
Widespread Limited				
L Sanders	20	-	-	20
C Castle	-	-	246	246
J Hatchwell	12	-	-	12
K Hindle	12	-	-	12
D Kelly	12	-	-	12

**2. Entries recorded in the interests register**

The following entries were recorded in the interest register of the Company during the year:

- (A) Directors' interests in transactions  
Company  
The Group entered into a three-year contract with Mr C Castle & Nevay Holdings Limited, a company of which Mr C Castle & Ms J Hatchwell are directors, for the provision of investment advisory services. The contract's value is \$900,000 plus GST. The contract terms are based on market rates for these types of services, and amounts are payable on a monthly basis for the duration of the contract.
- (B) Share dealings of directors  
Company  
On 30 April 2010 Mr C Castle purchased 20,000 ordinary shares of the Company for a consideration of \$3,000; Ms L Sanders purchased 40,000 ordinary shares of the Company for a consideration of \$6,000; Ms J Hatchwell purchased 20,000 ordinary shares of the Company for a consideration of \$3,000; and Mr D Kelly purchased 20,000 ordinary shares of the Company for a consideration of \$3,000 in the Share Purchase Plan.
- (C) Loans to directors  
Company  
There were no loans to directors outstanding at 31 March 2010.
- (D) Directors' indemnity and insurance  
Company  
The Company has insured all its directors and the directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their positions as directors. The insurance does not cover liabilities arising from criminal actions.