



THE WEST COAST
DEVELOPMENT
TRUST

AND GROUP

ANNUAL REPORT For the year ended 31 March 2003

Vision

The Trust will play an ongoing valuable role in promoting the West Coast as a wealthy, growing, sustainable, vibrant and socially inclusive region, and will foster a positive attitude to life and learning.

The Trust's role will be to assist and encourage the successful use of the West Coast's unique physical, cultural, environmental, and heritage endowments as competitive advantages and catalysts in developing a modern, diversified, small regional economy.

Market Message & Mission

We will promote, support, invest in, generate and facilitate "sustainable economic benefits" (development) and "sustainable employment" in the West Coast Region.

Values

The Trust will incorporate these values in its policies, processes, investments, operations, and decision making:

- **Show leadership**
- **Be proactive, innovative and positive**
- **Be equitable and consistent in dealings with customers**
- **Recognise the roles and contributions of individuals and organisations**

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Regional Profile

Geographic and Demographic Profile

The West Coast region occupies most of the land area of the West Coast of the Southern Alps of New Zealand.

The population of 30,300 (2001 Census) is centred in the three towns of Westport, Greymouth, and Hokitika, with the balance of people residing in smaller rural, forestry, fishing, and tourism based communities and properties spread over the 650 km long region.

Economic Outlook

Median income for the West Coast is \$14,897 per annum (2001), this is just over 80% of the New Zealand average, but low unemployment and strong business growth are increasing wage rates.

Unemployment is lower at 6.7% (2001) compared to 7.5% for all of New Zealand, and the number of unemployed has continued on a general downward trend in the region to under 4% as at June 2003.

The West Coast's key driver industries are continuing strong recent growth. Primary driver industries have brought success in the export markets for dairy and meat products, fishing, gold, coal and timber. Those industries, along with tourism and service industries, are expected to continue to grow into the future.

West Coasters have also recognised the need to look toward new and diverse opportunities in tourism, horticulture, manufacturing, education and creative industries, along with more proactive management and added value processing of the proven driver industries.

Trust Goals and Role

The West Coast Development Trust seeks to increase key economic inputs and outputs, including population, jobs, income, quality of life and educational achievement and qualifications within the region.

The Trust's role is to provide and facilitate business investment, business support, employment opportunities, educational and skills initiatives and training services. As the Trust has grown, it has developed relationships with other providers in all these areas and has contributed to the region's growth in the global economy.

The Trust recognises that the development of our unique region will involve a comprehensive and balanced approach which, over time, must include the following components:

- Economic and business development. This must be promoted across the primary, manufacturing, commerce, service and tourism industries, and must include the provision by local and central government of infrastructural development in water, transport, power, information and communications technology, health and social services.
- Education and skills promotion.
- Social and community advances.
- Environment, land, and resource access, utilisation, and protection.
- Positive attitudes towards world class business and community success and pride in being a West Coaster or West Coast business.

Directory

Trustees

Dooley, Mr F T (Chairman)
Auchinvole, Mr C J P (Chair, Marketing & Promotions Committee)
Bamfield, Mr L A (Chair, Finance & Audit Committee)
Boustridge, Mr I C (Chair, Trust Deed Review Committee)
Brown, Mr K R
Coll, Mrs J C (Chair, Investment Sub-Committee)
Copeland, Mr M
Duncan, Mr M W
Drylie, Mr J F
Pegley, Mr A J (Chair, Policy, Appointments & Remuneration Committee)
Routhan, Mr D C
Sawyers, Mr W H M

Chief Executive Officer

Trousselot, Mr M C

Advisory Body

Cox, Mr G (Chairman)
Gemmell, Mr B
Isles, Mr J
Mills, Mr W

Legal Advisors

Hannan & Seddon
P O Box 8
Greymouth

Buddle Findlay
P O Box 322
Christchurch

Bankers

Westpac
Revell Street
Hokitika

Investment Advisors

Bancorp Treasury Services Ltd
P O Box 4270
Auckland

JBWere (NZ) Ltd
P O Box 887
Auckland

Auditors

Audit New Zealand
P O Box 2
Christchurch
On behalf of the Auditor General

Chairman's Report

It is with great pleasure that I present the second annual Chairman's Report of The West Coast Development Trust.

In its second year, the Trust has maintained its initial momentum. This is a result of the vigorous and professional work of Trustees, the Advisory Body, its Advisors, our Chief Executive Officer and his staff.

Trustees

I wish to again sincerely thank my fellow Trustees, who have continued to endure a weighty workload as we have further developed and refined Governance procedures and Policy documents. We believe we have completed building the foundation and are now ready to play a more proactive role in the ongoing development of our Region.

Operations

The Trust's activities and operations are discussed in more detail in the Chief Executive Officer's report and show strong financial and operational performance, with the approval of a further \$10 million of distribution investments into the Region's economy, along with an investment of funds into Community Projects totalling \$617,000.

During the year there has been a growing demand for the Trust to become involved in Community Projects, all of which still need to be assessed against the primary objects of the Deed.

Distribution Investments

The distribution investments made to West Coast businesses are our core activity and, to date, we have assessed over \$70 million of applications and made

offers of assistance of \$14.5 million, which has assisted with the creation and retention of 185 direct and 475 indirect jobs.

The Trust's investments, alongside the region's main economic drivers, have had a multiplier effect in stimulating the local economy.

Forever Beech Ltd

During the year, the Trustees also resolved to make a substantial commitment to the development of a West Coast based "beech industry". This is a long term project which will sustain significant losses during its establishment phase before moving to what we believe will be very positive returns. For the period ended 31 March 2003, the company recorded a loss of \$254,000. This industry also possesses enormous potential for expansion into long term added value processing.

This particular investment was a significant and bold initiative on the part of Trustees which has also created a framework for future industry type developments and equity investments.

Investment Funds

My comments on the prudence of our conservative investments last year have been borne out, with the Trust once again having solid earnings against a backdrop of international financial market volatility.

Our investments have generated income of over \$5.8 million and increased the total assets of the Trust to over \$104 million.

This once again compares very favourably with the poor returns and losses experienced by many other community and super-annuation funds over the same period. However, the Trust and its Advisors have

recently concluded that it is now prudent to move its investment fund assets into a long term balanced portfolio with active management.

The Trustees' adopted asset allocation strategy is described in more detail in our Statement of Investment Policy and Objectives, and it has been resolved to move towards this longer term position during the ensuing year.

Trustees recognise that accessing higher returns will bring higher risks, and have accordingly put in place a comprehensive Treasury Policy and strategies aimed at mitigating these.

Venture West Coast

I am often asked about our involvement in Venture West Coast and if their role duplicates that of the Trust. The answer is that they are complementary organisations. Venture West Coast allows regular regional discussions where the various stakeholders may agree to co-ordinate resources and actions.

The main points that differentiate Venture West Coast and the Trust are that Venture West Coast is a vehicle which allows Local Government to implement and monitor the Regional Economic Development Strategy. It is the local authority stakeholders of Venture West Coast that also provide much of the infrastructure that supports development within the region and it is also a vehicle for considering regional issues.

In contrast, the Trust is prohibited from investing in infrastructure that is normally funded by Central or Local Government, and its core function is assisting to build the capability and expand the capacity of sustainable West Coast based businesses.

The Trust has also signed a Memorandum of Understanding with the West Coast Local Authorities that encourages co-operation between them and the Trust.

Staff

My thanks to Mike Trousselot, the Trust's Chief Executive Officer, and his dedicated team. The staff have a very important and challenging role in the ongoing success of the Trust and we have been most fortunate to build such a competent team under Mike's guidance and leadership.

Summary

Finally, I would like to emphasise that the Trust can not achieve its goals in isolation; it will need to continue to work with Local and Central Government, industry, investors, banks, the education sector and the community to get maximum leverage and results for the West Coast.

The Trustees and our management team are committed to achieving the Trust's strategic and business goals, and being a valuable part of a wider group which will maintain the sustainable growth and development of the region.

We therefore seek your support in our endeavours, as historical evidence indicates that significant community development only takes place when local community people are committed to investing their time and resources into the advancement of a region.

A handwritten signature in black ink, appearing to read 'F.T. Dooley', with a large, sweeping flourish extending from the bottom right.

F.T. DOOLEY
Chairman

Report of the Chief Executive Officer

The first eighteen months of my role have involved building the capability and framework of the Trust to respond professionally to our clients. This has involved recruitment of key staff, development of policy, systems and processes, and managing and making initial financial and distribution investments.

While all of these functions will continue next year, we will also place extra emphasis on promotion of the Trust's services, relationship building, business development, and development of information systems to further enhance client services.

Our achievements as an executive team and as an organisation would not be possible without such a strong Advisory Body, and leadership from the Trustees.

I wish to express my gratitude to our Chairman, Mr Frank Dooley, our Trustees, and our Advisory Body, for their ongoing, invaluable support in achieving our goals.

I have been skilfully and professionally supported over the last year by Mrs Belinda Lunn, my Personal Assistant, Mr Conrad Anderson, our Business Analyst and Mr Wayne Williams, our Investment Manager. As our business requirements have grown, I have also recently recruited Mr Tim King as Business Development and Marketing Officer, Miss Rachel Fitzgerald as Administrative Assistant, and Mrs Tanya Whitmore as part time Accounts Officer.

My small team moved from our temporary base at Westport, to our permanent base in Greymouth in July 2002.

Key Achievements

Financial

	Actual performance 2003 (\$'000)	Variance to Budget 2003 (\$'000)	
		Favourable	Unfavourable
Investment Income	5,863	603	
Expenses	1,180	7	
Net Operating Surplus	4,683	610	
Grants, concessions & community projects	617		118
Net Surplus for year	4,065	492	
Total Assets	\$104.5M		

In addition to the \$4.065M surplus, up to \$4.6M of initial capital was available for reinvestment in the region.

A cost efficient and effective investment Treasury Policy was developed incorporating a strong in-house approach for fixed interest investments.

Our financial performance was achieved in a context of global financial market losses, and was therefore a meritorious achievement by the Trust, which has had a positive outcome for the region.

Client Services

Description	No	Total \$M
Enquiries Received	126	
Applications Received	25	19.867
Applications Approved	11	10.347
Offers Accepted by Clients	5	5.774
Offers Under Consideration by Clients	3	4.291
Offers Declined or Lapsed	3	0.282

Employment Creation

In 2003 The Trust assisted with the creation and retention of:

- 50 direct new jobs, with cumulative direct jobs created of 185 to date
- 107 indirect jobs, with cumulative indirect jobs of 475 to date

Strengths and Competitive Advantages

I am often asked what the strengths and competitive advantages of the Trust are, and I believe they fall into two main categories:

Regional Economic Development

- Job creation by sustainable business development
- The Advisory Body function and members
- Facilitation and leadership skills of Trustees, Advisory Body, and Staff
- Commercial and political neutrality
- Combined knowledge of the regional economy
- A core level of economic development and professional investment skills
- Excellent networking and partnership development skills
- A degree of critical mass in capital and income allowing industry development opportunities to be pursued

The Trust has actively supported other organisations and initiatives working in regional economic development, such as Venture West Coast, Recruitment West Coast, Education West Coast, Tai Poutini Polytechnic, and will continue to support regional economic development, including community development initiatives.

Business Development

- The ability to directly invest in opportunities
- Alternative finance facilities for expansion
- Equity investment option
- Lower equity level lending
- Longer loan periods
- Flexible loan terms (e.g. interest only, startup concessions)
- Flexible security (2nd mortgage or debenture available)
- Expert advisors, and business "check up"
- Education and training support for business
- Backing people and concepts
- Director/mentor advice
- Business turnaround assistance

The Trust works co-operatively with owners, governance, management, advisors, banks and equity partners to develop sustainable business.

Risks

I also see a number of risks and potential risks to be recognised, mitigated, managed or prevented over our range of activities. These include:

- Poor or negative investment returns
- Greater demand pressure on Trust funds through prioritisation, portfolio management and co-investment
- Commodity price fluctuations and the impact on clients
- Tourism number fluctuations and the impact on clients
- Distribution investment failure
- Maintaining confidentiality and commercial neutrality
- Security of investments
- Maintaining a collective vision and responsibility
- Interest rate cycle movements in NZ in conjunction with advisors
- Equity investments in conjunction with advisors
- NZ dollar fluctuations on investments and recognise the impact on clients

Summary

The Trust has bedded down well, and has performed favourably in both financial and economic development terms. The strong earnings have allowed increased support of distribution investments into successful applications, and also to community projects. We expect to be able to expand on this support in the current year, with particular emphasis on the support of education and training initiatives for our next generation of business and community leaders.

While there may be more volatility in earnings this year, due to movement in long term investments and equities, we are confident of maintaining strong regional investment and support.



M.C. TROUSSELOT

Chief Executive Officer



REPORT OF THE AUDITOR-GENERAL

TO THE READERS OF THE FINANCIAL STATEMENTS OF THE WEST COAST DEVELOPMENT TRUST AND GROUP FOR THE YEAR ENDED 31 MARCH 2003

We have audited the financial statements on pages 14 to 32. The financial statements provide information about the past financial performance of The West Coast Development Trust and Group and its financial position as at 31 March 2003. This information is stated in accordance with the accounting policies set out on pages 23 to 26.

Responsibilities of the Board of Trustees

The Board of Trustees of The West Coast Development Trust is responsible for the preparation of financial statements, in accordance with generally accepted accounting practice in New Zealand, that fairly reflect the financial position of The West Coast Development Trust and Group as at 31 March 2003 and the results of its operations and cash flows for the year ended on that date.

Auditor's Responsibilities

Section 15 of the Public Audit Act 2001 requires the Auditor-General to audit the financial statements. It is the responsibility of the Auditor-General to express an independent opinion on the financial statements and report that opinion to you.

The Auditor-General has appointed K J Boddy, of Audit New Zealand to undertake the audit.

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 by the Board of Trustees in the preparation of the financial statements, and
- whether the accounting policies are appropriate to The West Coast Development Trust and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with the Auditing Standards published by the Auditor-General, which incorporate the Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. 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 give 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.

Other than in our capacity as auditor acting on behalf of the Auditor-General, we have no relationship with or interests in The West Coast Development Trust or its subsidiary.

Unqualified Opinion

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

In our opinion the financial statements of The West Coast Development Trust and Group on pages 14 to 32:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
 - the financial position as at 31 March 2003; and
 - the results of its operations and cashflows for the year ended on that date.

Our audit was completed on 29 July 2003 and our unqualified opinion is expressed as at that date.

A handwritten signature in black ink, appearing to read 'K J Boddy', enclosed within a rectangular box. The signature is stylized and cursive.

K J Boddy
Audit New Zealand
On behalf of the Auditor-General
Christchurch, New Zealand

Statement of Investment Policy and Objectives

The West Coast Development Trust is a trust for charitable purposes, established for the benefit of the community of the present and future inhabitants of the West Coast Region.

The Investment Fund of the Trust is expected to produce a rate of return from its investments which is, after investment management expenses, at least 3% per annum in excess of the inflation rate over any 3 year period.

The Statement of Investment Policy and Objectives underwent a review in July 2002 and was adopted, alongside a Treasury Policy, in September 2002. Implementation of the revised Statement of Investment Policy and Objectives and Treasury Policy commenced in May 2003, after a comprehensive selection process and consequent appointment of Investment Advisors.

The Investment Fund assets are managed by sector specialist investment advisors for Australasian Equities, and fund managers for International Equities, and utilising investment advisors to recommend fixed interest investments which are made in-house.

The Trustees' adopted asset allocation strategy in percentage terms is :

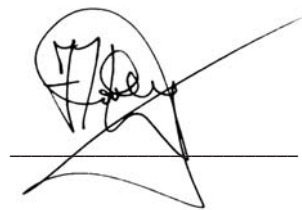
Australasian Equities	10%
Australasian Listed Property	10%
International Equities	10%
NZ Fixed Interest	60%
Cash	10%
<hr/>	
Total	100%

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

Statement of Responsibility

1. The Trustees and management of The West Coast Development Trust accept responsibility for the preparation of these Financial Statements and the judgements used in them.
2. We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.
3. We are of the opinion that these Financial Statements fairly reflect the financial position and operations of The West Coast Development Trust and Group for the year ended 31 March 2003.

Signed for and on behalf of the Trustees and management.



F.T. DOOLEY
Chairman

25 July 2003



M.C. TROUSSELOT
Chief Executive Officer

25 July 2003

Trust Statement of Financial Performance

for the Year Ended 31 March 2003

	Notes	2003 \$	2002 \$
Revenue			
Interest Received		5,847,722	5,043,352
Other Income		15,000	-
Total Income		5,862,722	5,043,352
Expenses			
Administration Expenses	95,948		79,501
Advisory Body Fees & Expenses	118,721		65,720
Audit Fees	31,350		8,100
Client Services and Application Assessment Costs	324,229		137,213
Depreciation	33,648		7,825
Equipment Lease Payments	9,077		-
External Consultancy Expenses	35,288		64,403
Financial Expenses	422		238
Information & Communication Technology	33,584		-
Insurance and Risk Management	28,001		19,311
Investment Advisory Expenses	37,890		42,449
Legal Fees	28,268		23,141
Marketing and Promotion	21,521		718
Occupancy	8,766		3,375
Provision for Asset Writedowns	140,000		-
Recruitment Costs	43,232		75,645
Trustees' Remuneration and Fees	190,194		147,641
Total Operating Expenses		1,180,139	675,280
Surplus before Community Distributions & Projects		4,682,583	4,368,072
Less			
Community Distributions & Projects	3		
Interest Concessions	70,679		-
Economic Development Grants	75,013		-
Cultural and Heritage Grants	80,000		-
Employment Initiatives	8,791		-
Education Initiatives	182,902		-
Provision for Suspensory Loan Write-off	200,000		-
Total Community Distributions & Projects		617,385	-
Net Surplus for the Year		\$4,065,198	\$4,368,072

Trust Statement of Movements In Equity

for the Year Ended 31 March 2003

		2003 \$	2002 \$
Equity as at 1 April 2002		99,846,668	95,478,596
Net Surplus for Year	4,065,198		4,368,072
Total Recognised Revenues and Expenses		4,065,198	4,368,072
Equity as at 31 March 2003		\$103,911,866	\$99,846,668

Trust Statement of Financial Position

as at 31 March 2003

	Notes	2003 \$	2002 \$
Equity			
Restricted Capital	18	79,324,973	92,000,000
Distribution Fund	18	14,586,893	7,846,668
Investment Fluctuation Reserve	17	10,000,000	-
Total Equity		\$103,911,866	\$99,846,668
Represented by			
Current Assets			
Cash at Bank		3,256,184	2,138,215
Investments	4	98,076,444	96,214,504
Taxation		-	727,442
Distribution Assets	6	370,672	2,917
Accrued Interest		4,207	-
		<u>101,707,507</u>	<u>99,083,078</u>
Non-Current Assets			
Distribution Assets	6	2,932,221	794,090
Less: Provision for Distribution Asset Write-Offs	7	(340,000)	-
Fixed Assets	8	189,361	66,571
		<u>2,781,582</u>	<u>860,661</u>
Total Assets		104,489,089	99,943,739
Current Liabilities			
Accounts Payable	9	577,223	97,071
Total Liabilities		577,223	97,071
Net Assets		\$103,911,866	\$99,846,668

Trust Statement of CashFlows

for the Year Ended 31 March 2003

	Notes	2003 \$	2002 \$
Cash Flows from Operating Activities			
Cash was provided from - Interest Received		5,972,285	5,043,352
Other Income		15,000	-
Taxation Refund		727,442	-
		<hr/>	<hr/>
		6,714,727	5,043,352
Cash was applied to – Payments to Suppliers, Trustees & Employees		975,690	570,384
Resident Withholding Tax Paid		-	727,442
Community Distributions & Projects		96,804	-
		<hr/>	<hr/>
		1,072,494	1,297,826
Net Cash Flows from Operating Activities	10	5,642,233	3,745,526
Cash Flows from Investing Activities			
Cash was provided from – Distribution Asset Repayments		12,107	-
Cash was applied to – Term Deposits		1,861,940	96,214,504
Fixed Asset Purchases		156,438	74,396
Distribution Assets		2,517,993	797,007
		<hr/>	<hr/>
		4,536,371	97,085,907
Net Cash Flows from Investing Activities		(4,524,264)	(97,085,907)
Cash Flows from Financing Activities			
Cash was provided from : Settlement from Interim Trust		-	95,478,596
Net Cash Flows from Financing Activities		-	95,478,596
Net Increase in Cash Held for Year		1,117,969	2,138,215
Add Opening Cash Brought Forward		2,138,215	-
Closing Cash Balance		\$3,256,184	\$2,138,215

Group Statement of Financial Performance

for the Year Ended 31 March 2003

	2003 \$	2002 \$
Revenue		
Interest Received	5,847,722	5,043,352
Other Income	15,000	-
Trading Sales	95,334	-
Less cost of sales:		
Opening stock	600,000	-
Forest Production Costs	114,654	-
Mill Operating Costs	90,924	-
Timber Processing Costs	58,093	-
	<u>863,671</u>	-
Closing Stock	682,650	-
	<u>181,021</u>	-
Total Cost of Sales	181,021	-
Gross Surplus	(85,687)	-
Total Income	5,777,035	5,043,352
Expenses		
Administration Expenses	95,948	79,501
Advisory Body Fees & Expenses	118,721	65,720
Audit Fees	31,350	8,100
Bad & Doubtful debts	6,287	-
Client Services and Application Assessment Costs	324,229	137,213
Depreciation	44,697	7,825
Directors Fees	9,500	-
Equipment Lease Payments	9,077	-
External Consultancy Expenses	35,288	64,403
Financial Expenses	422	238
Information & Communication Technology	33,584	-
Insurance and Risk Management	28,001	19,311
Interest & Finance charges	4,269	-
Investment Advisory Expenses	37,890	42,449
Legal Fees	28,268	23,141
Marketing and Promotion	21,521	718
Occupancy	8,766	3,375
Other Administration Expenses	120,177	-
Provision for Asset Writedowns	140,000	-
Recruitment Costs	43,232	75,645
Resource Acquisition	1,060	-
Sales, Marketing & Despatch	16,844	-
Trustees' Remuneration and Fees	190,194	147,641
Total Operating Expenses	1,349,325	675,280
Surplus before Community Distributions & Projects	4,427,710	4,368,072

	2003 \$	2002 \$
Less		
Community Distributions & Projects (Refer Note 3)		
Interest Concessions	70,679	-
Economic Development Grants	75,013	-
Cultural and Heritage Grants	80,000	-
Employment Initiatives	8,791	-
Education Initiatives	182,902	-
Provision for Suspensory Loan Write-off	200,000	-
Total Community Distributions & Projects	617,385	-
Net Surplus for the Year	\$3,810,325	\$4,368,072

Group Statement of Movements In Equity

for the Year Ended 31 March 2003

	2003 \$	2002 \$
Equity as at 1 April 2002	99,846,668	95,478,596
Net Surplus for Year - Parent	4,065,198	4,368,072
Net Surplus for Year - Subsidiary	(254,873)	-
Total Recognised Revenues and Expenses	3,810,325	4,368,072
Equity as at 31 March 2003	\$103,656,993	\$99,846,668

Group Statement of Financial Position

as at 31 March 2003

	Notes	2003 \$	2002 \$
Equity			
Restricted Capital	18	79,324,973	92,000,000
Distribution Fund	18	14,586,893	7,846,668
Investment Fluctuation Reserve	17	10,000,000	-
Retained Deficit – Subsidiary		(254,873)	-
Total Equity		\$103,656,993	\$99,846,668
Represented by			
Current Assets			
Cash at Bank		3,282,008	2,138,215
GST Refund Due		29,764	-
Trade Receivables		113,567	-
Sundry Receivables		11,858	-
Stock on Hand		682,650	-
Investments	4	98,076,444	96,214,504
Taxation		-	727,442
Distribution Assets	6	370,672	2,917
Accrued Interest		4,207	-
Total Current Assets		102,571,170	99,083,078
Non-Current Assets			
Intangible Asset – Forestry Rights		1,018,779	-
Distribution Assets	6	2,192,221	794,090
Less: Provision for Distribution Asset Write-Offs	7	(340,000)	-
Fixed Assets	8	550,244	66,571
Total Non-Current Assets		3,421,244	860,661
Total Assets		105,992,414	99,943,739
Current Liabilities			
Accounts Payable	9	713,471	97,071
Forever Timber Group Limited Current Account		391,470	-
Sundry Creditors		11,701	-
Loan - Westland District Council	19	200,000	-
Forestry Rights Purchase Payable		1,018,779	-
Total Liabilities		2,335,421	97,071
Net Assets		\$103,656,993	\$99,846,668

Group Statement of CashFlows

for the Year Ended 31 March 2003

	Notes	2003 \$	2002 \$
Cash Flows from Operating Activities			
Cash was provided from -			
Receipts from Customers	61,558		-
Interest Received	5,972,285		5,043,352
Other Income	15,000		-
Taxation Refund	727,442		-
		6,776,285	5,043,352
Cash was applied to -			
Payments to Suppliers, Trustees & Employees	1,219,838		570,384
Resident Withholding Tax Paid	-		727,442
Community Distributions & Projects	96,804		-
Net GST Movement	29,764		-
		1,346,406	1,297,826
Net Cash Flows from Operating Activities	10	5,429,879	3,745,526
Cash Flows from Investing Activities			
Cash was provided from -			
Distribution Asset Repayments		12,107	-
Cash was applied to -			
Term Deposits	1,861,940		96,214,504
Fixed Asset Purchases	160,720		74,396
Distribution Assets	1,777,993		797,007
Repayment Forever Timber Group Limited	497,540		-
		4,298,193	97,085,907
Net Cash Flows from Investing Activities		(4,286,086)	(97,085,907)
Cash Flows from Financing Activities			
Cash was provided from -			
Settlement from Interim Trust		-	95,478,596
Net Cash Flows from Financing Activities		-	95,478,596
Net Increase in Cash Held for Year		1,143,793	2,138,215
Add Opening Cash Brought Forward		2,138,215	-
Closing Cash Balance		\$3,282,008	\$2,138,215

Trust and Group Notes to the Financial Statements

for the Year Ended 31 March 2003

1. Objects

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

- a) to promote sustainable employment opportunities in the West Coast Region; and
- b) to generate sustainable economic benefits for the West Coast Region; and
- c) to support projects which are not the ordinary day-to-day running, maintenance and upgrade of the infrastructure that is normally the responsibility of the Local Authorities or Central Government, provided such projects meet paragraphs (a) and (b);

provided that any private benefit conferred to any person (other than a charity) is incidental to these overriding objects.

2. Statement of Accounting Policies

2.1. Reporting Entity

The West Coast Development Trust was established by Deed on 18 April 2001 and these Financial Statements are General Purpose Financial Statements prepared in accordance with our Deed of Trust and generally accepted accounting principles. The Group comprises The West Coast Development Trust, its insubstance subsidiary, Forever Beech Limited, and that Company's subsidiary Forever Holdings Limited. The trading results of the subsidiary Companies are for the three month period ended 31 March 2003.

The Financial Statements have been prepared on the basis of historical cost.

2.2. Particular Accounting Policies

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

a) Reporting Period

The period covered by these Financial Statements is from 1 April 2002 until 31 March 2003.

b) Recognition of Interest Revenue and Expenses

Interest revenue and expenses are recognised on a daily accrual basis.

c) Fixed Assets and Depreciation

All fixed assets are recorded at cost less accumulated depreciation to date.

With the exception of plant and equipment, depreciation is provided on a straight line basis on all fixed assets at rates calculated to allocate the assets' cost over their estimated useful lives as follows :

■	Office Equipment	5 – 12.5 years
■	Motor Vehicles	5 years
■	Computer Hardware	4 years
■	Computer Software	4 years
■	Furniture and Fittings	5 – 12.5 years
■	Leasehold Improvements	6.5 years

For plant and equipment, depreciation has been calculated using the maximum rates permitted by the Income Tax Act 1994, as follows:

■	Plant and Equipment	12 – 33%	Diminishing Value
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d) *Income Tax*

The West Coast Development Trust is registered with the Inland Revenue Department as a Charitable Trust and is therefore exempt from income tax.

In respect of subsidiary companies, taxation expense (if any) is charged in the Statement of Financial Performance in respect of current year's earnings after allowing for permanent differences. Deferred taxation is determined on a comprehensive basis using the liability method. Deferred tax assets attributable to timing differences or tax losses are only recognised where there is virtual certainty of realisation.

e) *Goods & Services Tax (GST)*

The West Coast Development Trust is not a "registered person" in terms of the Goods and Services Act 1985, and is therefore unable to recover any goods and services tax incurred. These Financial Statements have been prepared inclusive of goods and services tax.

Forever Beech Limited is registered for GST purposes and profit and loss figures expressed in these Financial Statements relating to Forever Beech Limited are stated exclusive of GST.

f) *Financial Instruments*

The Group is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, debtors, creditors and distribution assets. All financial instruments are recognised in the Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Financial Performance. Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

g) *Inventories*

Inventories are stated at lower of cost, determined on a first-in first-out basis, and net realisable value after due allowance for damaged or obsolete stock.

h) *Distribution Assets*

Distribution Assets are carried at the lower of cost or net realisable value.

i) **Classes of Distribution Assets**

The Trust uses the following classes and definitions in reporting its Distribution Assets:

	Definition
Class 1	Distributions on non discounted terms and conditions.
Class 2	Distributions on discounted terms and conditions (interest or repayment concessions).
Class 3	Distributions with suspensory conditions.
Class 4	Distributions in the form of equity and/or loans with conversion to equity terms.
Class 5	Distributions in the form of guarantees or sureties.
Class 6	Non performing distribution assets.

ii) **Value of Distribution Assets**

The Trust uses the following methods in valuing different classes of Distribution Assets:

Class 1,2 & 5	Distributions are valued at the maximum exposure outstanding at balance date.
Class 3	Distributions are valued at their original value less any approved suspensory write downs.
Class 4	Distributions are valued at their original cost, less any principal repayments received.
Class 6	Distributions are valued at the maximum exposure less any provisions raised against specific Distributions.

Trust and Group Notes to the Financial Statements cont.

iii) Quality of Distribution Assets

The underlying sustainable development theme of our Trust Deed requires the Trust to look at projects with higher risk profiles.

While the Trust, in assessing applications, looks to reduce the overall risk profile where possible, this higher risk is reflected in the overall quality of the Distribution Assets.

i) Reporting On Policy Issues Relating to Distribution Assets

i) Securities

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

ii) Non performing assets

Non performing Distribution Assets are those on which repayments are overdue three months or more, or on Distribution Assets where a specific potential for loss has been identified. There are no Distributions in this category as at 31 March 2003.

j) Credit Risk on Distribution Assets

i) Level of Credit Risk

The level of Credit Risk assumed by the Trust reflects the underlying objectives of the Trust Deed.

In recognising Credit Risk the Trust Deed requires any applicant for a Distribution to have a minimum equity of 10%.

In addition, the Trust uses the experience and skills of the Advisory Body in assessing any application to reduce, where possible, any potential risks.

Distribution Assets are generally secured to further reduce Credit Risk.

ii) Concentrations of Credit Risks

In line with the objective of our Trust Deed, there is a geographical concentration of credit risk on the West Coast.

At balance date, the Distributions made were spread across various industry sectors.

Investment Funds are invested in line with the Statement of Investment Policy and Objectives and Treasury Policy which incorporate maximum exposures to institutions. These maximum exposures are monitored at all times.

k) Interest Rate Risks

Interest rate concessions are a feature of many of our Distribution Assets.

The loss of interest income from these loans is recognised as Interest Concessions Granted, reported within the Statement of Financial Performance.

Most Distributions have been approved on a fixed interest rate.

Investment Funds are subject to interest rate risks. The Trust has established a Statement of Investment Policy and Objectives and Treasury Policy, which incorporate the requirement to spread investment and interest rate risk.

Financial market risk management products are utilised to minimise risk.

All Investment Funds are invested in line with the Statement of Investment Policy and Objectives and Treasury Policy.

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l) Currency Risk

All Distributions are made in New Zealand Dollars and therefore not subject to currency risk.

Investments held at balance date, made in terms of our Statement of Investment Policy and Objectives and Treasury Policy, are all in New Zealand Dollars.

m) Liquidity Risk

Liquidity Risk is governed by our Trust Deed, Statement of Investment Policy and Objectives and Treasury Policy.

n) Fair Value

Refer to Value of Distribution Assets above (2.2. (h)(ii)). Where the approved distribution terms and conditions allow, some Distribution Assets at balance date may be below the maximum exposure available to the recipient.

Distribution Assets are net of any Specific Provisions made against Distribution Assets

All Investment Funds are stated at cost or face value, with adjustments made to reflect actual known variances in the value of each investment. These values are adjusted annually through the Investment Revaluation Reserve or earlier as investment income profits or losses are crystallised.

o) Distribution Asset Provisioning and Bad Debts

The Trust has resolved to apply a General Provision based on 5% of the outstanding Distribution Asset balance as at balance date.

The Trust has resolved to provide for the write off of Suspensory Loans over the period of those loans.

The Trust has resolved to raise a Specific Provision where it considers a quantifiable loss will occur against a specific Distribution Asset.

p) Statement of Investment Policy & Objectives and Treasury Policy

The West Coast Development Trust Investment Fund is to be managed in accordance with its approved Statement of Investment Policy and Objectives and Treasury Policy.

2.3. Changes in Accounting Policies

There have been no changes in accounting policies covered by these financial statements as all accounting policies have been applied on a basis consistent with the previous period.

3. Community Distributions and Projects Analysis

Interest Concessions	70,679	
	<hr/>	70,679
Economic Development Grants		
Ragwort Control	24,000	
EDANZ Conference Support	2,813	
Ngai Tahu Economic Summit Support	8,200	
Venture West Coast Support	40,000	
	<hr/>	75,013
Cultural & Heritage Grants		
NBR Opera	25,000	
Blackball Museum	5,000	
Brunner Bridge	50,000	
	<hr/>	80,000

Trust and Group Notes to the Financial Statements cont.

Employment Initiatives		
London Expo Support	3,000	
Recruit West Coast Support	5,791	
		8,791
Education Initiatives		
Education to Business Project	127,000	
Inzone Roadshow	11,902	
Education West Coast Strategic Plan	25,000	
Apprenticeship Support	10,000	
Design Industry Nominee Sponsorship	9,000	
		182,902
Suspensory Loan Provisions	200,000	
		200,000
Total Community Distributions and Projects		\$617,385

4. Investments

At balance date, The West Coast Development Trust held short term money market investments with the National Bank of NZ, ANZ Bank and WestpacTrust. All deposits were on a term of 14 days and at interest rates between 5.81% & 5.82%.

The largest amount held with any one institution was \$40,480,055.

As at 31 March 2003, the Statement of Investment Policy and Objectives had not been fully implemented and, accordingly, all funds were invested short term.

5. Fund Managers

As at balance date, the Trust had not appointed Fund Managers.

6. Distribution Assets By Class

Class	Outstanding Balance at 31 March 2003	Outstanding Balance at March 2002
Class 1	1,227,893	35,000
Class 2	1,005,000	600,007
Class 3	330,000	162,000
Class 4	740,000	0
Class 5	0	0
Class 6	0	0
Total	3,302,893	797,007

7. Distribution Asset Provisioning and Bad Debts

Each individual Distribution Investment was evaluated for credit worthiness at balance date. A provision of \$200,000 has been raised against the Class 3 Distribution Assets (Suspensory Loans) as per Note 2.2(o) above.

The Trust will adopt a statistically based provisioning methodology for its General Provision for doubtful Distribution Assets based upon historical loss experience once such information is available covering a reliable period. Until this statistical information is held, The Trust has resolved to apply a General Provision of 5%, as per Note 2.2(o) above, and have applied a General Provision of \$140,000 (\$Nil, 2002).

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8. Fixed Assets

Asset	Cost	Depreciation Brought Forward	Book Value 2002	Current Year Depreciation	Book Value 2003
Subsidiary					
Plant and equipment	371,932	-	-	11,049	360,883
Trust					
Motor Vehicle	55,000	5,500	49,500	11,000	38,500
Computer Hardware	79,555	2,275	15,924	13,987	63,293
Computer Software	1,197	50	1,147	300	847
Office Equipment	22,472	0	-	2,759	19,713
Furniture and Fittings	31,248	0	-	1,360	29,888
Leasehold Improvements	41,362	0	-	4,242	37,120
Total	\$602,766	\$7,825	\$66,571	\$44,697	\$550,244

9. Accounts Payable

	Group 2003 \$	Trust 2003 \$	Trust 2002 \$
Trade Creditors	136,248	-	-
Audit Fees	20,000	20,000	8,100
Employee Entitlements	23,628	23,628	12,023
Trustee Entitlements	4,061	4,061	3,566
Overpayment of Interest	199,449	199,449	-
Other	330,085	330,085	73,382
	\$713,471	\$577,223	\$97,071

10. Reconciliation of Net Operating Surplus with Cash Flows From Operating Activities

	Group 2003 \$	Trust 2003 \$	Trust 2002 \$
Net Surplus for the Year	3,810,325	4,065,198	4,368,072
Add Non-Cash Item Included in Statement of Financial Performance – Depreciation	44,697	33,648	7,825
	3,855,022	4,098,846	4,375,897
Movements in Working Capital			
Increase in Provisions	340,000	340,000	-
Decrease in Receivables	(45,634)	-	-
Decrease in GST Refund	(29,764)	-	-
Increase in Inventory	(82,650)	-	-
Increase in Accounts Payable	669,670	480,152	97,071
Decrease (Increase) in Taxation	727,442	727,442	(727,442)
Decrease (Increase) in Accrued Interest	(4,207)	(4,207)	-
	1,574,857	1,543,387	(630,371)
Net cash Flows from Operating Activities	\$5,429,879	\$5,642,233	\$3,745,526

Trust and Group Notes to the Financial Statements cont.

11. Contingent Liabilities

There were no known contingent liabilities at balance date (2002 \$Nil).

12. Commitments

12.1. Future Distributions

At balance date, \$11,284,000 (2002 \$3,736,993) had been approved by Trustees but was either under consideration by the client or was undrawn against the accepted facilities.

12.2. Lease Commitments

As at 31 March 2003, the value of the residual portion of lease commitments of the Trust was \$184,382, classified into the following periods:

	2003	2002
	\$	\$
0 – 12 Months	38,124	-
12 – 24 Months	38,124	-
24 – 60 Months	89,392	-
> 60 Months	18,742	-
	\$184,382	

In addition the subsidiary company had the following minor lease commitments:

Three Mile, Hokitika	
Commencement Date	1st March 2000
Term	One Year
Further Terms	Annual Renewal
Renewal Date	1st March 2004
Final Expiry Date	As determined by provisions of the lease
Annual Rental	\$1,350.00 plus GST
The lease payments of the company during the period under review were:	
Tranzrail (Three Mile, Hokitika)	\$338
Vessa Holdings Limited	\$9,800
Total Lease Expense	\$10,138

13. Enquiries and Applications

For the financial year ending 31 March 2003, The West Coast Development Trust received 126 client enquiries. The following table lists the quantum of applications received, and applications approved or under consideration at balance date.

Application Summary 2002-2003	Quantity	Value
		\$
Total Applications considered	25	\$19,867,000
Advisory Body Recommended	11	\$10,347,000
Trustee Approved	11	\$10,347,000
Less Offers Lapsed or Declined by Applicants	3	\$282,000
Total Valid Offers at Balance Date	8	\$10,065,000

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Application Summary 2002-2003 cont.	Value \$
Recommendations Accepted by the Trustees	
Westpower Ltd (Loan)	4,000,000
Perfect Strangers (Loan)	230,000
Rivers Wild Ltd (Loan)	35,000
River Play Ltd (Loan)	129,000
ITP Reefton Promotions (Loan)	61,000
Forever Beech Ltd (Equity/Loan/Guarantee)	3,000,000
Franz Josef Developments (Loan)	2,500,000
G D & B H Strawbridge (Loan)	110,000
	\$10,065,000

Note: As at 31 March 2003, three applications totalling \$3,300,000 (2002 \$2,098,000) were still being progressed by the Advisory Body.

14 Subsequent Events

14.1. Westpower Ltd

By letter dated 10 June 2003, Westpower advised that the Trust's offer of assistance had been declined.

14.2. Forever Beech Ltd

On 24 June 2003, Forever Beech Ltd completed the purchase of the business of the Forever Timber Group, which resulted in the repayment of the Forever Timber Group distribution totalling \$975,000. As at 31 March 2003, the Trust had advanced to Forever Beech Ltd a deposit of \$740,000. Forever Beech Ltd is 95% owned by The West Coast Development Trust.

14.3. Other Items

There are no other events subsequent to balance date that require disclosure.

15. Related Party Transactions

- 15.1. Until the 19 July 2002, the Trust operated from the premises of F T Dooley Ltd, Chartered Accountants. F T Dooley Ltd was also contracted to provide secretarial services to the Trust. F T Dooley, the Managing Director of F T Dooley Ltd, is also the Chairman of The West Coast Development Trust. During the period, the Trust paid F T Dooley Ltd rent of \$4,125.00 (2002 \$3,375) and secretarial fees of \$5,251.50 (2002 \$21,298). Both sums are GST inclusive.
- 15.2. The Trust employed L A & J M Bamfield, Chartered Accountants, to assist with the completion of the 2002 Financial Statements. Mr L A Bamfield is a Trustee of The West Coast Development Trust. A fee of \$1,012.50 (GST inclusive) (2002 \$Nil) was paid to L A & J M Bamfield.
- 15.3. During the year, the Trust purchased office furniture totalling \$3,600.00 (GST inclusive) (2002 \$Nil) from Blackpine Stump Ltd. Mr M W Duncan is a Director/Shareholder of Blackpine Stump Ltd and also a Trustee of The West Coast Development Trust.
- 15.4. The Trust's premises at 112 Mackay Street, Greymouth are leased from HOB Holdings Mall Ltd. Mr L A Bamfield is a Director/Shareholder of HOB Holdings Mall Ltd and a Trustee of The West Coast Development Trust. Total occupancy costs paid to HOB Holdings Mall Ltd during the year ended 31 March 2003 equalled \$4,497.87 (GST inclusive) (2002 \$Nil).
- 15.5. During the period under review, Forever Beech Limited has conducted normal business transactions with West Timber Limited, whose director is Mr M J Donaldson, a director of Forever Beech Limited. West Timber Limited has purchased \$2,520.45 (excl. GST) of timber from Forever Beech Limited during the period, and Forever Beech Limited has incurred expenses from West Timber Limited of \$5,257.56 (excl. GST) during the period.
- 15.6. Mr M J Donaldson and Mr P J Coakley, directors of Forever Beech Limited also provided consultancy services to Forever Beech Limited during the period under review. The consultancy fees charged were \$NIL and \$24,765.28 (excl. GST) respectively.

Trust and Group Notes to the Financial Statements cont.

16. Taxation

Taxation in respect of the trading operations is as under:

	2003
Net Surplus/(Deficit) before Taxation	\$(254,873)
Prima Facie Taxation at 33%	(84,108)
Plus Taxation Effect of Permanent Differences	-
Tax Loss Not Recognised	84,108

Taxation Due 7th April, 2004	\$NIL
	=====
Comprising:	
Current Taxation	NIL
Deferred Taxation	NIL

	\$NIL
	=====
Tax Losses	
Unrecognised tax losses available for set off against future assessable income:	
Tax Losses	\$254,873
Tax Saving Thereon	\$84,108
The ability to utilise these tax losses depends on the generation of sufficient assessable income in the respective tax jurisdictions.	
Imputation Credit Account	
Opening Balance	\$NIL

Closing Balance Credit/(Debit)	\$NIL
	=====

17. Reserves

17.1. Investment Fluctuation Reserve

In accordance with a legal opinion obtained from Hannan & Seddon on 6 May 2002, Trustees resolved to transfer \$10,000,000 from the Initial Capital to an Investment Fluctuation Reserve. Movements during the year can be summarised as follows:

	2003	2002
	\$	\$
Transfer from Initial Capital	10,000,000	-
Balance at 31 March 2003	\$10,000,000	-

18. Additional Disclosures

	2003	2002
	\$	\$
i) Restricted Capital		
The Initial Capital as reduced from time to time by Distributions made under Clause 11.1 of the Trust Deed;		
Balance 1 April 2002	92,000,000	92,000,000
Movements in current year		
Less Transfer to Investment Fluctuation Reserve	10,000,000	
Less Distribution Fund Drawdown	2,675,027	
Balance as at 31 March 2003	\$79,324,973	\$92,000,000

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	2003 \$	2002 \$
ii) Distribution Fund		
The Income and the amount of Restricted Capital available for distribution, in accordance with Clause 11 of the Trust Deed;		
Balance 1 April 2002	7,846,668	3,478,596
Net Surplus for Year	4,065,198	4,368,072
Transferred from Initial Capital	2,675,027	0
Balance as at 31 March 2003	\$14,586,893	\$7,846,668
iii) Investment Fund		
The Property that is from time to time held by the Trustees on the trusts of this Deed except for Distribution Assets;		
Balance as at 31 March 2003	\$100,608,973	\$99,049,661
iv) Distribution Assets		
The Property that is from time to time held by the Trustees on the trusts of this Deed where that Property is the result of the Trustees making a Distribution to a Recommended Recipient in the form of subscribing for shares or by way of loan, surety or guarantee.		
Balance as at 31 March 2003	\$3,302,893	\$797,007

19. Loan – Westland District Council

This loan is secured over the assets of Forever Beech Limited and ranked pari passu with the interests of The West Coast Development Trust. On completion of the financial restructure, this loan is subject to an interest rate of 1% pa.

20. Acquisition of Business

On 1 January 2003, Forever Beech Limited, a subsidiary of The West Coast Development Trust, took control of the trading assets of Forever Timber Group. The acquisition had the following impact on the consolidated financial position of The West Coast Development Trust:

	\$
Stock on hand	600,000
Forestry Rights	1,018,779
Fixed Assets	367,650
Trade Receivables	79,791
	\$2,066,220

The purchase was completed on 24 June 2003 (refer Note 14.2).

21. Comparatives

No comparative group figures are presented, as The Trust had no subsidiaries in the prior accounting period.