

THE WEST COAST  
DEVELOPMENT  
TRUST

INAUGURAL  
REPORT

for the Period

Ended 31 March 2002



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# DIRECTORY

## Trustees

Dooley, Mr F T (Chairman)  
Auchinvole, Mr C J P  
Bamfield, Mr L A  
Boustridge, Mr I C (Appointed 10/07/01)  
Brown, Mr K R (Appointed 12/11/01)  
Coll, Mrs J C  
Copeland, Mr M  
Duncan, Mr M W  
Drylie, Mr J F  
Pegley, Mr A J  
Routhan, Mr D C  
Sawyers, Mr W H M

Briggs, Mr D (Resigned 10/07/01)  
Truman, Mr D (Resigned 12/11/01)

## Chief Executive Officer

Trousselot, Mr M C

## Advisory Body

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

## Solicitor

Hannan & Seddon  
Lawyers  
P O Box 8  
Greymouth

## Bankers

Westpac Trust Limited  
Revell Street  
Hokitika

## Investment Advisors

William M Mercer  
P O Box 105-591  
Auckland

## Auditors

Audit New Zealand  
P O Box 2  
Christchurch

On behalf of the Controller and Auditor General

# OUR VISION

**TO PLAY AN ONGOING VALUABLE ROLE IN ENSURING THE  
WEST COAST IS A WEALTHY, GROWING, SUSTAINABLE, VIBRANT AND  
SOCIAALLY INCLUSIVE REGION.**

WEST COASTERS HAVE A POSITIVE ATTITUDE TO LIFE AND LEARNING, AND WE HAVE ASSISTED AND ENCOURAGED THEM TO SUCCESSFULLY USE THE WEST COAST'S UNIQUE PHYSICAL, CULTURAL, ENVIRONMENTAL, AND HERITAGE ENDOWMENTS AS COMPETITIVE ADVANTAGES AND CATALYSTS IN DEVELOPING A MODERN, DIVERSIFIED, SMALL REGIONAL ECONOMY.

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## CHAIRMAN'S REPORT

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

The progress of the Trust in its first year has been reasonably positive. This is a result of building on the hard work of our predecessors in the Interim Trust, benefiting from the flexibility negotiated in the Trust Deed, and the time and effort committed by Trustees, the Advisory Body, our Interim CEO (Colin Notley), our CEO (Mike Trousselot) and his staff.

I wish to sincerely thank my fellow Trustees, and particularly the Chairs of Sub Committees, who have been instrumental in developing and driving forward segments of Trust policy.

The Trustees have developed effective Governance procedures and policy documents, appointed the Advisory Body and the CEO, undertaken a formal performance review, developed an investment policy, and actively participated in the production of both a Strategic and Business Plan for the Trust.

Taken together, this establishment work has enabled the Trust to become operational and effective in a short period of time.

The Trust's activities and operations are discussed in the CEO's report, but I would like to comment on and commend Trustees specifically on the critical issue of having wisely undertaken Trust Investments to date.

In a time of international financial market uncertainty, the Trust's tactical decision to stay liquid in short term trading bank investments while it sought a second review on long term investment allocations and considered an in-house treasury policy has proved to be very astute.

The bank investments have generated income of over five million dollars, and increased the equity of the Trust to just under one hundred million dollars in the period to 31 March 2002, at virtually no risk.

Over time The Trust will progressively move its investment fund assets into a balanced portfolio aiming to achieve a real rate of return (that is after investment fees and inflation) in excess of 3% per annum.

Higher returns will bring higher but manageable risks, and the Trust proposes to address and mitigate these risks in a number of ways, namely :

- By putting an efficient asset allocation model in place which statistically minimises the risk profile, based on consideration of a wide range of advice;
- By actively placing, monitoring and managing its investments both directly, and by using high quality advisors and managers;
- By operating appropriate investment timeframes (eg taking long term perspectives on some asset classes);
- By creating an income fluctuation reserve, that will allow continued distributions, even if the Trust is exposed to short term losses; and
- Most importantly, by moving investment fund income and capital into distribution investments within the region.

The distribution investments made into West Coast businesses to create sustainable jobs are our core business activity and these will carry their own risks, such as inability to service loans, business failure, or regional recession. It is inevitable that in an environment of reasonable risk taking some losses will occur, however, the Trustees have established the following processes to manage distribution risk, namely :

- A strong internal analysis and assessment of each application;
- A comprehensive Advisory Body review and recommendation process;
- A final Trustee approval process;
- Comprehensive documentation and security requirements; and
- An internal distribution investment monitoring and reporting process.

I have dwelt on our investment and lending approach at some length, as it will be integral to the long term success of the Trust. It is this income and capital recycling stream that will be required to achieve our key strategic goals, the objects of the Trust Deed, our continual reinvestment into the region, and our vision for the West Coast.

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, other investors, the education sector and the community so as to maximise the leverage and results for the West Coast Region.

For the West Coast to continue moving forward, the Trust can only be part of the process, the challenge belongs to all of us. The Trustees and Management are personally committed to achieving The Trust's goals and being part of a wider group which will move the West Coast into a period of sustainable growth and development.

**FRANK DOOLEY**  
**Chairman**

# **OUR MARKET MESSAGE AND MISSION**

**WE WILL PROMOTE, SUPPORT, INVEST IN, GENERATE AND FACILITATE  
“SUSTAINABLE ECONOMIC BENEFITS” (DEVELOPMENT) AND “SUSTAINABLE  
EMPLOYMENT IN THE WEST COAST REGION” .**

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## **REPORT OF THE CHIEF EXECUTIVE OFFICER**

It is my privilege to give the first CEO's report of the West Coast Development Trust to our community, covering the period to 31 March 2002.

I wish to express my gratitude to the Chairman, Mr Frank Dooley, our Trustees, and our Advisory Body, for the huge amount of high quality work undertaken in the Trust's initial establishment phase, and I wish to particularly recognise the contribution of Mr Colin Notley in his interim CEO role. The strong foundation established by them, enabled me to “hit the ground running”, and launch the operations of the Trust efficiently from my commencement in October 2001. I have been ably assisted since then by Mr Mark Lockington our Business Analyst for six months, and Mrs Belinda Lunn my Personal Assistant.

The Trustees first met in April 2001 and, in the following six months of activity, completed a wide range of policy development, including the Investment and Distributions Policies, and made the initial appointments of the Advisory Body and CEO.

In the second half of the year to March 2002, following the Advisory Body and CEO appointment, my small team established a temporary base in Westport, and has developed enquiry and applications registers, application processes, checks and controls, operating and financial systems, and documentation for managing the 21 formal applications of over \$50 million that have been assessed in that six month period.

We have also established the detailed precedents, processes, and documentation to support the 9 approved applications of \$4.534 million dollars to 31 March 2002, and the in-house accounting systems to provide monthly and annual accounts to the Trustees for the financial performance of the Trust. A similar annual level of distributions of \$8-10 million per annum is sustainable, utilising a combination of income and the right to draw down up to 5 % of the initial capital per annum down to a floor of \$50 million.

I believe we have managed the affairs and investments of the Trust “in house” over the last year to good effect, and at reasonable cost. The Trust earned over \$5 million in income last year, and after expending \$675 thousand in costs (being fully operational for only half a year), achieved a very satisfactory net surplus, for reinvestment into the region of \$4.4 million.

The Trust has completed a concerted and comprehensive planning effort this year involving Trustees, Advisors, and Management that has resulted in the approval of Trust strategic, business, operational, and financial plans. A large contribution of our time has also been made submitting material into the Regional Economic Development Strategy, and to establishing the Governance Body of Venture West Coast. We have also developed organisational relationships with central and local government agencies, and many Industry leaders.

To date, we have run on a skeleton staffing of two staff and some contract support personnel, which was appropriate until we had completed our Strategic and Business Plans and defined our permanent location. These core establishment decisions and guiding documents have now been completed. The Trust is currently recruiting a Business Analyst/Accountant and Investment Manager role to complete its initial staff complement, and is currently finalising the location of its Greymouth offices.

The Trust has therefore to date run a limited suite of activity. Priority has been given to client enquiry and application processing, and essential investment, financial, accounting and secretariat services.

Other important areas such as media and communications, relationship management, marketing and promotion, information and communication technology, and human resources have been undertaken as time allows but, of necessity, have been treated as a lower priority to date.

The Trust will develop these areas to enable it to better meet its' statutory and Trust Deed obligations, and to achieve its Strategic and Business Plan goals to provide a full and efficient service to its clients and the region.

To build on and maintain the momentum of our first year will require the use of specialist contractors and consultants in addition to our permanent staff levels. We still cannot progress everything at once and priorities have been set in the Business Plan. This has meant focusing on the Trust's top priorities in the "Economic and Business" and "Education and Skills" sectors where we have identified a number of lead agency roles for the Trust. I invite you to read our "Profile of The West Coast Development Trust" where we further detail these.

I have had the opportunity to travel right through our region over the last six months, from Jackson Bay and Haast, to Karamea and Springs Junction. I have met many people, and have been received with unfailing hospitality. The region is clearly booming, especially in dairy, tourism, and mining, but it's also been great to see innovative initiatives developing and expanding in forestry, fishing, horticulture, moss, jade, deer, possum, creative, manufacturing, and service industries. It's been exciting to see the enthusiasm and original ideas first hand, and also to pick up the concern for sustainability not only of the business, but of the wider environment which supports it.

I wish to thank all of those proprietors and managers who have taken the time to show their business to myself, my staff, Trustees, and the Advisory Body, and those who have enquired or applied to the Trust. You are our key customers and your success is our success. While we can't approve all your applications, we can promise a professional and helpful service.

Almost without exception on our visits around the region, major problems flagged were lack of staff and lack of accommodation, with infrastructure, utilities, and education matters close behind. The Coast is clearly bursting at the seams in many areas, and is approaching its current productive capacity limits without substantial new investment.

The call to recruit additional staff and attract national and international migrants, must be matched by investment in housing, education, healthcare, infrastructure, and social, sporting, and community facilities which will support, attract and retain businesses, staff and their families. The Trust can assist in many of these areas, but it will require a co-ordinated effort across central and local government agencies and departments, businesses, and the community itself to really lift the confidence and attraction of the region to create a new wave of "settlers".

**MIKE TROUSSELOT**  
**Chief Executive Officer**



# 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 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 Investment Fund assets are to be managed by sector specialist Fund Managers and the Trustees' adopted asset allocation strategy in percentage terms is :

Overseas Shares	30
Overseas Fixed Interest	20
NZ Fixed Interest	30
Cash	20
<b>Total Income Assets</b>	<b>100</b>

The investment performance objective for each Fund Manager is to achieve value added returns over rolling 3 year periods.

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

Note : The recommendations above were received in November 2001, but were placed under immediate review prior to long term settlement of funds due to concerns over costs and fees proposed for Fund Manager agreements, and concerns over financial market volatility and performance, hence the Trust funds remain "cashed up" in short term deposits awaiting the completion of our SIPO review.

# **AUDITOR'S REPORT**



# 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 for the period ended 31 March 2002.

SIGNED FOR AND ON BEHALF OF THE TRUSTEES AND MANAGEMENT.

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F T DOOLEY

**Chairman**

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M C TROUSSELOT

**Chief Executive Officer**

16 July 2002

16 July 2002

# STATEMENT OF FINANCIAL PERFORMANCE

for the Period Ended 31 March 2002

	2002	2001
<hr/>		
<b><u>Revenue</u></b>		
Interest Received	5,043,352	-
<b><u>Expenses</u></b>		
Audit Fees	8,100	
Depreciation	7,825	
Interest Paid	54	
Trustees' Remuneration and Fees	115,386	
Advisory Body Fees & Expenses	65,720	
Legal Fees	23,141	
Investment Advisory Expenses	42,449	
External Consultancy Expenses	64,403	
Employee Costs	137,213	
Other Expenses	210,989	
	<hr/>	
Total Operating Expenses	675,280	-
<b>Net Surplus for the Period</b>	<b><u><u>\$4,368,072</u></u></b>	-

# STATEMENT OF MOVEMENTS IN EQUITY

for the Period Ended 31 March 2002

	2002	2001
<hr/>		
<b><u>Transferred from the Interim Trust</u></b>		
Initial Capital	92,000,000	-
Accumulated Income	3,478,596	-
	<hr/>	
	95,478,596	-
Net Surplus for the Period	4,368,072	-
Total Recognised Revenues and Expenses	<hr/>	-
	4,368,072	-
<b>Equity as at 31 March 2002</b>	<b><u><u>\$99,846,668</u></u></b>	-

*The accompanying accounting policies and notes form part of these financial statements.*

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2002

	Notes	2002	2001
<hr/>			
<b>TOTAL EQUITY</b>		<b><u><u>\$99,846,668</u></u></b>	-
Represented by			
<b><u>Current Assets</u></b>			
Cash at Bank		2,138,215	
Investments	4	96,214,504	
Taxation	3	727,442	
Distribution Assets	6	2,917	
		<hr/>	
		99,083,078	-
<b><u>Non-Current Assets</u></b>			
Distribution Assets	6	794,090	
Fixed Assets	7	66,571	
		<hr/>	
		860,661	-
<b>TOTAL ASSETS</b>		<b><u><u>\$99,943,739</u></u></b>	-
<b><u>Current Liabilities</u></b>			
Accounts Payable	8	97,071	
		<hr/>	
<b>TOTAL LIABILITIES</b>		<b><u><u>\$97,071</u></u></b>	-
<b>NET ASSETS</b>		<b><u><u>\$99,846,668</u></u></b>	-

*The accompanying accounting policies and notes form part of these financial statements.*

# STATEMENT OF CASHFLOWS

for the Period Ended 31 March 2002

	2002	2001
<hr/>		
<b><u>Cash Flows from Operating Activities</u></b>		
Cash was provided from -		
Interest Received	5,043,352	
Cash was applied to –		
Payments to Suppliers, Trustees & Employees	570,384	
Resident Withholding Tax Paid	727,442	
	1,297,826	-
<b>Net Cash Flows from Operating Activities</b>	<b>3,745,526</b>	<b>-</b>
<b><u>Cash Flows from Investing Activities</u></b>		
Cash was applied to –		
Term Deposits	96,214,504	
Fixed Asset Purchases	74,396	
Distribution Assets	797,007	
	(\$97,085,907)	-
<b>Net Cash Flows from Investing Activities</b>	<b>(\$97,085,907)</b>	<b>-</b>
<b><u>Cash Flows from Financing Activities</u></b>		
Cash was provided from :		
Settlement from Interim Trust	95,478,596	
	\$95,478,596	-
<b>Net Cash Flows from Financing Activities</b>	<b>\$95,478,596</b>	<b>-</b>
Net Increase in Cash Held for Year	2,138,215	-
Add Opening Cash Brought Forward	-	-
	\$2,138,215	-
<b>CLOSING CASH BALANCE</b>	<b>\$2,138,215</b>	<b>-</b>
	\$2,138,215	-

*The accompanying accounting policies and notes form part of these financial statements.*

# NOTES TO THE FINANCIAL STATEMENTS

for the Period Ended 31 March 2002

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

This is the first period of operation of The West Coast Development Trust.

### 2.2. Particular Accounting Policies

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

#### i) Reporting Period

The period covered by these Financial Statements is from 18 April 2001 until 31 March 2002.

#### ii) Recognition of Interest Revenue and Expenses

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



iii) Investments

Investments are stated at net realisable value.

iv) Fixed Assets and Depreciation

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

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 :

▪	Vehicles	5 years
▪	Computers	4 years

v) 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.

vi) 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.

vii) Financial Instruments

The Trust 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.

viii) Distribution Assets

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

### **2.3. Changes in Accounting Policies**

This is the first period of operation, therefore there have been no material changes in accounting policies.

## **3. Taxation Refund**

The West Coast Development Trust was registered by the Inland Revenue Department as "Exempt" for the purposes of Resident Withholding Tax on 2 April 2002. The Trust is entitled to a refund of the Resident Withholding Tax paid during the period totalling \$727,442 (2001 - \$nil).

#### 4. Investments

At balance date, The West Coast Development Trust held short-term money market investments with ASB Bank, National Bank and Westpac Trust at rates of interest between 5.25-5.26% and for periods between 30-34 days. As at 31 March 2002, the SIPO had not been fully implemented.

#### 5. Fund Managers

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

#### 6. Distribution Assets

For the financial period 18 April 2001 to 31 March 2002, The West Coast Development Trust received 52 general enquiries.

The Trust considered 20 applications totalling \$50,878,500. 11 applications were approved of which 9 offers were accepted by the applicants.

At balance date, Distribution Assets totalled \$797,007 made up as follows :

	2002	2001
Punakaiki Canoes Ltd (Loan)	35,000	
Ngahere Processing Ltd (Loan)	400,007	
Beechwood Products Ltd (Loan)	200,000	
Tourism West Coast (Suspensory Loan)	162,000	
	<u>\$797,007</u>	-

In addition, at balance date distributions totalling \$3,736,993 had been approved by the Trust but had not been drawn down. These are detailed as follows :

	2002	2001
Punakaiki Canoes Ltd (Loan)	35,000	
Ngahere Processing Ltd (Loan)	49,993	
Beechwood Products Ltd (Loan)	105,000	
Tourism West Coast (Suspensory Loan)	212,000	
GRD Macraes (Loan)	2,000,000	
Southern Alps Embroidery (Loan)	95,000	
Malcolm Brace Fishing (Loan)	50,000	
Equip Services (Loan)	215,000	
Forever Timber Group Ltd (Loan)	975,000	
	<u>\$3,736,993</u>	-

The effective rates of interest applicable to the above distributions and commitments range from 7.0% - 9.5%, with the exception of the Suspensory Loan to Tourism West Coast which has an applicable rate of 5%.

The Trust had no other commitments at balance date.

## 7. Fixed Assets

Asset	Cost	Accumulated Depreciation	Book Value	
			2002	2001
Motor Vehicle	55,000	5,500	49,500	-
Computer Hardware	18,199	2,275	15,924	-
Computer Software	1,197	50	1,147	-
<b>Total</b>	<b>\$74,396</b>	<b>\$7,825</b>	<b>\$66,571</b>	<b>-</b>

## 8. Accounts Payable

Audit Fees	8100
Employee Entitlements	12023
Trustee Entitlements	3,566
Other	73,382
	<hr/>
	\$97,071
	<hr/> <hr/>

## 9. Reconciliation of Net Surplus with Cash Flows from Operating Activities

Reconciliation of Net Operating Profit after Tax with Cash Flows from Operating Activities

Net Surplus for the Period	4,368,072	
Add Non-Cash Item included in Statement of Financial Performance - Depreciation	7,825	
	<hr/>	
	4,375,897	-
<b><u>Movements in Working Capital</u></b>		
Increase in Accounts Payable	97,071	
Increase in Taxation	(727,442)	
	<hr/>	
	(630,371)	-
	<hr/>	
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>\$3,745,526</b>	<b>-</b>

## 10. Contingent Liabilities

There are no known contingent liabilities at balance date.

## 11. Subsequent Events

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

## 12. Related Party Transactions

The Trust presently operates temporarily from the premises of F T Dooley Ltd, Chartered Accountants. F T Dooley Ltd are also contracted to provide temporary 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. For the period ended 31 March 2002, the Trust paid to F T Dooley Ltd rent of \$3,375.00, and secretarial fees of \$21,298.50. Both sums are GST inclusive.

## 13. Additional Disclosures

i) Initial Capital

The amount of money settled on the Trust by way of resettlement from the Interim West Coast Development Trust to the value of \$92million

**Balance as at 31 March 2002** **\$92,000,000**

ii) Restricted Capital

The Initial Capital as reduced from time to time by Distributions made under Clause 11.1 the of Trust Deed;

**Balance as at 31 March 2002** **\$92,000,000**

iii) Distribution Fund

The Income and the amount of Restricted Capital available for distribution, in accordance with Clause 11 of the Trust Deed;

Net Surplus for Period 4,368,072  
Plus : Accumulated Income 3,478,596

7,846,668

Less : Distributions of Income 797,007

7,049,661

Plus : Restricted Capital (5% of \$92M) 4,600,000

**Balance as at 31 March 2002** **\$11,649,661**

iv) 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 2002** **\$99,049,661**

v) 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 2002** **\$797,007**

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*The accompanying accounting policies and notes form part of these financial statements.*