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# GROUP ANNUAL REPORT

FOR THE  
YEAR ENDED  
MARCH

# 2008

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## VISION

A growing, prospering and sustainable West Coast economy.

## VALUES

Development West Coast will incorporate these values and attributes in its policies, processes, investments, operations and decision making:

- Exhibit good judgement to enhance permanence and continuity to achieve its intergenerational role
- Have a broad perspective, understanding and interaction with the Region
- Undertake effective dialogue, debate and communication at all levels
- Build regional capability
- Show leadership and vision
- Be proactive
- Take sufficient risks to generate sustainable innovation in a supportive environment
- Be equitable and consistent in dealings with customers
- Strive for systemic, sustainable solutions
- Recognise the roles and contributions of individuals and organisations
- Not only do things right, but do the right things by prioritising our actions.
- Demonstrate social and environmental responsibility



# DIRECTORY

## Trustees (Current)

Williams, Mr A G (Chairman)  
Clayton, Mr J H  
Dooley, Mr F T  
Lockington, Mr M  
Roche, Mr B from 1 March 2008  
Smith, Mr B from 29 October 2007  
Wilson, Mr B A

## Trustees (Past)

Coll, Mrs J C to 29 October 2007  
Carruthers, Mr D L to 29 October 2007  
Kokshoorn, Mr A F to 29 October 2007  
Shahadat, Mr M to 29 October 2007  
White, Mrs C P to 29 October 2007  
Wilkinson, Mr B T to 29 October 2007  
Williams, Mrs G A to 29 October 2007

## Chief Executive Officer

Trousselot, Mr M C to 8 July 2008

## Senior Executives

Dawson, Mr M S Chief Financial Officer  
Gilbertson, Mr W Regional Development Unit Manager

## Registered Office

1st Floor  
112 Mackay Street  
P O Box 451  
Greymouth

## Advisory Body

Cox, Mr G (Chairman)  
Gemmell, Mr B  
Isles, Mr J  
Rushbrook, Mr K  
Steele, Mr D

## Legal Advisors

Hannan & Seddon Buddle Findlay  
P O Box 8 P O Box 322  
Greymouth Christchurch

## Bankers

Westpac  
Mackay Street  
Greymouth

## Investment Advisors

Bancorp Treasury Services Ltd Goldman Sachs JBWere (NZ) Ltd  
P O Box 4270 P O Box 887  
Auckland Auckland

## Tax Advisors

KPMG  
P O Box 1739  
Christchurch

## Auditors

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

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# CHAIRMAN'S REPORT

## 1. Introduction

The financial year ended 31 March 2008 was an extremely challenging time for Development West Coast (DWC). The year saw a number of changes at DWC, including:

- a name change
- alterations to the Trust Deed (which included halving the number of Trustees)
- Trustee elections
- the financial markets entering into a period of turmoil
- a Government appointment to the Board following a further Deed amendment
- a new appointment to the Trust's Chair
- the resignation of DWC's inaugural CEO subsequent to year end
- the release of the Auditor-General's Report in early August 2008.

## 2. Governance

The original Trust Deed specified an operational review of the Trust. This was undertaken by Treasury over an eighteen month period and was completed in June 2007. The then Trustees and the Settlor (Minister of Finance) agreed to changes to the Deed. These were implemented in October 2007. One of the main changes to the Deed was the reduction in the number of Trustees from 12 to 6. This was achieved through reducing the local government appointments from 4 to 1 and elected Trustees from 2 to 1 in each district.

Elections for a Trustee from each of the three Districts were held in conjunction with the Local Body Elections in October 2007 and resulted in one new Trustee joining the DWC Board.

In February 2008, Trustees and the Settlor agreed on a further change to the Trust Deed allowing for a Government appointment of a seventh Trustee. Subsequent to the change, Brian Roche was appointed as a Trustee and was elected Chair of DWC in March 2008.

Prior to the Annual Report being finalised Brian Roche stood down from the position of Chair and Tony Williams was subsequently elected to the Chair of DWC in December 2008 .

I would like to acknowledge and thank past Trustees for the significant time and effort they have spent in consolidating and strengthening the organisation during their term on the Board. It has provided a very sound base upon which we face the future.

## 3. Investment Review

The last few months of the financial year has seen a significant change in the investment environment. It is widely recognised that the international financial markets are the most turbulent they have been for several decades. Events in the United States, particularly in the credit area of the markets have flowed through to have an adverse effect on both the growth and income investments held by DWC. As at 31 March 2008, DWC had a significant mark to market loss in its equity investments of \$4.7m and a further \$2.8m against a fixed interest investment.

Fortunately, DWC's conservative asset allocation has allowed for the Trust to be well protected in this period of volatility. In addition, the decision in December 2007 to realise those profits then available and reduce exposure to the equity markets to just over 30% of the investment fund has provided further protection of the Trust's funds. With almost 70% of its funds in cash and bonds, DWC is well placed to take advantage of opportunities that may present themselves in the current market.

The investment policies adopted by DWC have positioned it very well during this time of uncertainty. The unrealised loss incurred as a result of the movement in the financial markets is disappointing albeit largely

# CHAIRMAN'S REPORT (CONTINUED)

unavoidable given the need for DWC to be actively involved in the markets. The results achieved and current positioning adopted by DWC compares favourably with the situation faced by many other investment funds.

## 4. Financial Results

For the first time DWC has recorded a loss in its annual accounts. The main factor in this year's loss (when compared to previous years) has been the mark to market adjustment of \$7.5 million. Income, although still a very good result of just on \$13 million, is down on the previous year.

Operating expenses have increased when compared to the previous year with additional expenditure particularly in legal costs concerning governance and constitutional matters. DWC continues to provision its distribution investments.

Projects and community expenditure was down slightly on the previous year. However, the expenditure of \$3.5 million on community grants and regional development is still a significant investment in the West Coast.

DWC is expecting to return to profit in the 2009 financial year – although that will be ultimately determined by how the financial markets perform over the coming months.

## 5. Staff

Subsequent to balance date Mike Trousselot resigned. Mike had been CEO since DWC's inception in 2001 and has been an integral part of the success of DWC over the last seven years. Mike helped develop and implement the policies that have formed the basis for DWC's achievements. Mike's strength in the investment area in particular, has been a real benefit to DWC and the results can be seen in the growth in DWC's income since 2001. We wish Mike well in his new role.

Despite the recent governance issues highlighted in the Auditor-General's Report, DWC's operations have continued successfully. Much of this is due to the staff's professionalism and motivation. It has been a difficult work environment at DWC and the staff are to be congratulated for their continued efforts and successes.

## 6. Distributions

At first glance it may appear the distribution area has had a quiet period in 2007-2008. It is apparent that in the first part of the year the department was affected by the level of funding readily available from banks and finance companies. However, the department was still busy responding to enquiries, analysing and processing those applications it did receive and continuing to work with existing clients.

Recently the fallout from the financial markets has seen funding from traditional lenders slow and as a result DWC has seen both an increase in the number and the quality of the applications received.

## 7. Charitable Status

Subsequent to balance date, DWC received notification it had successfully registered with the Charities Commission effective from 1 July 2008. The registration confirms the charitable status of DWC.

Staff are to be congratulated on the achievement of the registration. It is a very significant achievement for the Trust and ensures that the maximum proceeds from our investment activities can be made available to the local community.

### 8. OAG Report

The Auditor-General decided in October 2007 to conduct an inquiry into the operations of the Trust, after receiving information on the workings of the Trust, including allegations of conflicts of interest. The inquiry considered:

- the management of conflicts of interests by the Trust;
- compliance with procedures and policies for providing funding to Trust applicants;
- use of Trust resources to benefit Trust applicants; and
- roles and responsibilities in the governance and management of Trust operations.

The OAG has very carefully investigated allegations made against Trust directors and management. The OAG concluded that many of the concerns were unfounded and that others were based on minor administrative or procedural errors, or occasional errors of judgement. Overall, the OAG found that while some matters could have been handled better the Trust management and directors have done a good job.

The OAG commented further that those few errors and instance of poor judgement had to be set against the record of effective and appropriate administration during the Trust's first seven years of operation.

The issues around the OAG report has been damaging to the Trust. There has been widespread comment over recent months about the operation of DWC resulting in certain stakeholders losing confidence in the Trusts operations and integrity.

The principal finding of the report was that the Trust is dysfunctional at a governance level. The OAG identified that there is an atmosphere of suspicion and distrust amongst the Trustees, which manifest itself in hostility and accusations. The OAG highlighted those types of attitudes and behaviors are detrimental to the Trust in both the eyes of the community and those in whose interest it is required to operate.

The Auditor-General commented that until he saw evidence that trustees are able to take effective collective responsibility for the Governance of the Trust, he would be unable to provide assurance to Parliament and the wider community that the Trust is able to deliver fully on its purpose of generating sustainable employment opportunities and economic benefits for the people of the West Coast Region.

The conclusion made by the OAG with respect to the governance issues is very serious. Every effort will need to be made by all those involved over the coming months to address the matters identified.

### 9. The Year Ahead

The next year will represent a significant challenge to DWC, particularly at a governance level, as the organisation seeks to reduce the criticisms levelled at it and at a financial level as volatility continues to hit financial markets. The organisation will also be seeking to recruit a new Chief Executive.

Despite those challenges, the organisation remains committed to ensuring it plays an active role in generating sustainable employment opportunities and economic benefits for the people of the West Coast Region. As identified by the OAG, we have a very sound base on which we can discharge that role.

DWC has delivered significant benefit to the local community – it remains focused on delivering further benefits and, in doing so, restoring the confidence and respect of the local community and key commentators.



# REGIONAL DEVELOPMENT UNIT REPORT



## 1. Introduction

DWC's mission is to help create an environment for sustainable investment, development and employment to which people will be attracted for present and future generations.

## 2. Regional Development Unit (RDU)

The RDU implements and manages initiatives that help drive the development and growth of the West Coast in sustainable business which in turn drives our economy. The West Coast is now one of the stronger regional economies in New Zealand. We work co-operatively with a number of key stakeholders, including Department of Conservation, Ngai Tahu, local authorities, the education sector, driver industries and business leaders.

Through the RDU's relationship and contracts with Government agencies, the region has received significant additional funding, which in turn increases DWC's capability to extend the Literacy Programme, E4E in schools, Enterprise (business) Training and BIZ INFO, along with other industry & sector capability programmes and economic development projects.

DWC is well placed to continue building relationships with various agencies having established a successful track record in delivering on Government contracts. DWC is one of the few organisations in New Zealand with the financial capability to match or, in some cases, exceed the amount of money provided by Government for certain initiatives.

The Industry Advisory Group made up of CEO's and senior management from driver sectors and businesses continue to meet quarterly in a circuit breaking environment which allows open discussion, planning and debate, particularly where there are conflicting priorities and views on regional development matters.

## 3. The Draft West Coast Economic Development Strategy (REDS)

An evaluation and update of the 2002 REDS has been timely and appropriate to provide analysis of progress made against the identified action areas, as well as giving the opportunity for an updated document to reflect changes, not only in the global environment but also nationally and at regional and local level. The aim has been to develop a more concise, more project focused strategy with a greater level of defined leadership, well aligned resources and regional co-operation.

The update of the regional strategy follows a process established by the Ministry of Economic Development.

The revised strategy is now in its draft form with implementation of the strategy being the next and undeniably the most important stage in the process. This process is taking into consideration:

- The need to implement a system that is pragmatic in terms of long term economic development objectives for the region;
- The need to integrate the economic development strategy with other regional and local strategies (i.e. District Council LTCCP's, the Regional Tourism Strategy, the Conservation Management Strategy, along with many others);
- The need to get information out of strategy documents and on to the planning calendar of the key stakeholders; and
- The need to ensure an inclusive, transparent and accountable process.

To ensure an inclusive and transparent process, DWC is implementing a planning system known as OpenStrategy™. The OpenStrategy™ process was developed to create a better way for communities to work together. It provides an alternative to the traditional, top down management and strategic planning processes

# REGIONAL DEVELOPMENT UNIT REPORT (CONTINUED)

that often fail to achieve outcomes that benefit communities and their stakeholders. Its design is based on the basis that, given the right tools, stakeholders and communities can plan their own future options, utilising collective wisdom and intelligent communications.

The updated strategy forms the benchmark for ongoing economic development of the West Coast and will focus on the needs of our region. One of the key challenges already identified is our relative lack of population. There remains a need to attract, up-skill and retain people to ensure the strength of the local economy. This is a global issue impacting on the future of our region.

The draft strategy is available for public consultation. DWC is in the process of consulting with key stakeholder groups and identifying priority action plans which are considered to be fundamentally important to the implementation of REDS and to the future of our region.

## 4. Education Initiatives

### 4.1. E4E (Education for Enterprise)

E4E is an Education for Enterprise programme jointly funded by DWC and New Zealand Trade and Enterprise (via the Enterprise Culture and Skills Activities (ECSA) Fund) and is supported by the Ministry of Education. E4E is offered to West Coast schools and aims to foster the growth of enterprising skills and attributes in West Coast students.

The goal is to improve the environment for enterprise and is aligned with New Zealand's curriculum. There are 57 projects to date which are either active, completed or being scoped within the West Coast cluster.

### 4.2. West Coast Literacy Project

DWC has invested nearly \$1.8m on a large scale literacy research programme designed to improve the reading and writing skills of West Coast children while supporting the literacy and language development of pre school children transitioning to school.

This project achieved outstanding results, which can be directly attributed to the provision of a quality professional development programme that translated onto exemplary classroom practice producing results of national significance.

Further information on this project is provided in the Literacy Project report contained within the Annual Report.

### 4.3. The West Coast Way (Sustainable Literacy Project)

By early 2008, the West Coast Literacy project had established a strong collaborative network and it was identified that it was critical to sustain the academic progress made by students and teachers. As a result principals and literacy lead teachers have taken major leadership roles in developing "The West Coast Way", a model to sustain the gains made in literacy achievement over the time of the Literacy Project.

The West Coast Principals' Association was successful in applying for a grant of \$80,000 from DWC towards the implementation of "The West Coast Way" model, which will effectively bridge the 2008/2009 period until programme funding is available from Ministry of Education.



#### 4.4. Secondary Literacy Project

This project (currently being scoped) aligns with DWC objectives to raise regional literacy levels. The project will focus on the apparent disparity between relatively high reading comprehension and writing scores in Year 8 and the relatively low literacy achievement in NCEA at Year 11. The project timeline is 3 years in duration involving profiling and analysis, as well as content related professional development.

## 5. Enterprise Training and Advanced Business Training Programmes

DWC is the specialist training provider for the Enterprise Training Programme; a fully funded scheme offered by New Zealand Trade and Enterprise (NZTE). The programme offers a range of training workshops for managing a business, is complemented with individual follow-up coaching, and enables people to put their new knowledge into practice.

The Enterprise Training Programme is designed to help businesses develop and grow, therefore making a positive contribution to the West Coast economy.

DWC currently has 945 people registered for the service. A significant component of the Enterprise Training Programme is directed at advancing the capability of the region's high growth businesses identified in the REDS (e.g. tourism related businesses).

DWC is currently scoping advanced business training initiatives to meet the more complex needs of businesses that have already participated in the Enterprise Training Programme and are seeking a higher level training.

DWC also manages the BIZ Network contract which provides business resources for small - medium sized businesses.

## 6. Tourism Major Regional Initiative (MRI)

This project, recently renamed "Targeting Tourism", has the objective of building a world class long term sustainable tourism industry on the West Coast which will see approximately \$100 million increased spending in the region and up to 600 new jobs.

The key objectives are:

- To enhance and develop destinations
- Develop sustainability plans for the icon attractions
- Identify and develop new tourism products, and
- Develop regional capability through the building of key partnerships.

The fifteen MRI projects fall into two categories. The first is about building new facilities to enable smaller areas or smaller communities to attract more visitors and give those visitors more to do, and which can be managed by the local communities. The other is to identify opportunities for developing new tourism businesses and identify how these will fit within the Regional Tourism Strategy and improve the region's overall competitiveness.

Individual projects range from Karamea to Haast, and vary from community based projects such as Denniston Coalfields Restoration and Ross Goldfields, to destination management planning for the icon destinations, such as the Glaciers and Punakaiki. The projects are aligned with the West Coast of the Southern Alps Regional Tourism Strategy and is a co-operative regional partnership both at the governance and project management level.

Project funding is likely to exceed \$10 million over the three years (from 2006 to 2009). This is in addition to the

# REGIONAL DEVELOPMENT UNIT REPORT (CONTINUED)

\$4.1 million p.a. the Department of Conservation already spends on visitor and tourism facilities throughout the West Coast. The key partners are:

- DWC;
- Department of Conservation;
- Buller, Grey and Westland District Councils;
- Ngai Tahu, including local Runanga;
- Tourism West Coast and industry; and
- New Zealand Trade and Enterprise, through the Regional Partnership Project

## 7. West Coast Broadband and ICT Projects

The West Coast region has been active over the past five years in expanding the coverage of Broadband in the region, now at 96% of lines. It has initiated a number of projects based around enabling access and uptake, and has also promoted the use of information and communication technologies (ICT).

The region has developed the West Coast ICT Strategy as an overarching framework, incorporating both infrastructure and uptake goals. This document has laid the foundation for all of the work being undertaken.

### 7.1. Broadband Coverage Achievement

The overall goal for the region is to “future proof” it with a fibre backbone. The next priority is the Fox Glacier to Haast fibre infrastructure implementation and is the focus of the next planning stage. Key achievements to date include:

- Six new fibre extension projects, the largest being around the rugged coastline from Rapahoe to Punakaiki.
- Dslam installation into cabinets.
- A satellite extension project into South Westland enabling 20 business connections.
- A partnership with the Gloriavale Christian Community to extend their wireless network into the remote neighbouring farming valley.

### 7.2. Information Communication Technology (ICT) Projects

A community partnership funded project, which incorporates parts of the region’s ICT Strategy to advance uptake across the West Coast, is now underway. This project has a number of components, including a business and community needs analysis, “Getting Started in Broadband” workshop, “Build a PC” workshops, utilisation of video conferencing to “beam” in national coaches to assist sports codes, and a range of other community initiatives to promote uptake.

### 7.3. The Education Sector

The West Coast Education ICT Strategy has also been developed during 2007/08. This strategy identifies the need for professional development support to enhance student learning, technology support and the need for many schools to have improved infrastructure in place.

As a result of this work, the Education West Coast ICT Committee was successful in an application to the Ministry of Education for Collaborative Innovations Funding. DWC and the other funders, in partnership with 34 early childhood, primary and secondary schools, are in a position to provide support to this sector over the next three years. Karoro Learning has been contracted to assist primary and early childhood, while WestNet is providing professional development to the secondary and area schools.

# REGIONAL DEVELOPMENT UNIT REPORT (CONTINUED)

DWC has also partnered with the Ministry of Education's School Network Upgrade Project, which has offered funding support to schools with networks below an established Ministry benchmark. Within this programme, the Ministry of Education has offered up to 75% of the required funding and DWC has offered to contribute a further 80% of the schools' 25% share. Twenty-two schools from the West Coast have taken advantage of this with DWC investing approximately \$160,000 over the 2007/08 period.

## 8. Major District Initiative (MDI)

This initiative provides each of the three Councils with \$400,000 each year to assist with the provision of a range of community facilities or social infrastructure (the provision of these resources is subject to DWC receiving returns in excess of its minimum growth targets). Trustees have guaranteed MDI funding for the 2008/09 year to assist the three District Councils with the resourcing of these projects.

This initiative commenced on 1 July 2005, with funds accruing from that point for each of the District Councils. No interest is applicable to the accrued funds and each Council is required to undertake a comprehensive planning process to identify and prioritise their potential projects.

Buller District Council has gained approval for two projects, the St James Theatre and the Leisure Centre (Solid Energy Centre). Grey District Council has gained support for several projects, the Greymouth Aquatic Centre, Cobden Sports Complex, Grey United Tennis Club, West Turf Recreation Trust and the West Coast Theatre Trust (Regent Theatre).

Westland District Council is actively involved in the planning process. It is anticipated their initial MDI applications will be received later in 2008.

## 9. Community Funding

Under new guidelines, DWC now operates two community funding rounds annually. The first round for applications seeking funding of \$100,000 or greater close on 1st March and are considered by Trustees at their June meeting.

The second round for applications seeking under \$100,000 close on 1st August and are considered by Trustees at their November meeting.

## 10. Other Regional Development Initiatives Under Action During 2007/08

- a) Implementation of Event Sponsorship Strategy – "Around Brunner" Cycle Ride and "Source to Sea" Cycle Challenge.
- b) Development of a Regional Website – [www.westcoastnz.com](http://www.westcoastnz.com) – promotion of the West Coast to potential residents, local communities and interested parties.
- c) Advocacy for industry sectors and infrastructure:
  - Energy (Arnold River Hydro and Mokihinui Hydro Proposal);
  - Fishing (Quota Management Systems – Albacore Tuna);
  - Timber (Planning a sustainable timber industry on the West Coast);
  - West Coast Port Review ("future proofing" regional ports at Westport and Greymouth).

# REGIONAL ECONOMY

Over the last eight years the West Coast region has experienced positive economic growth.

Across six of the last eight years the region outperformed the average New Zealand growth rate in the National Bank's index of regional economic activity averaging 3.6% per annum compared to New Zealand's 3.0%. In the last five years the region has also grown across the GDP (2.2 % per annum), GDP per capita (1.3 % per annum), and population (0.9 % per annum) indicators. While the West Coast has over the past year recorded lower growth rates in economic activity compared to other regions, significant gains made over the 2004 – 2007 period have underpinned relatively solid levels of annual economic growth.

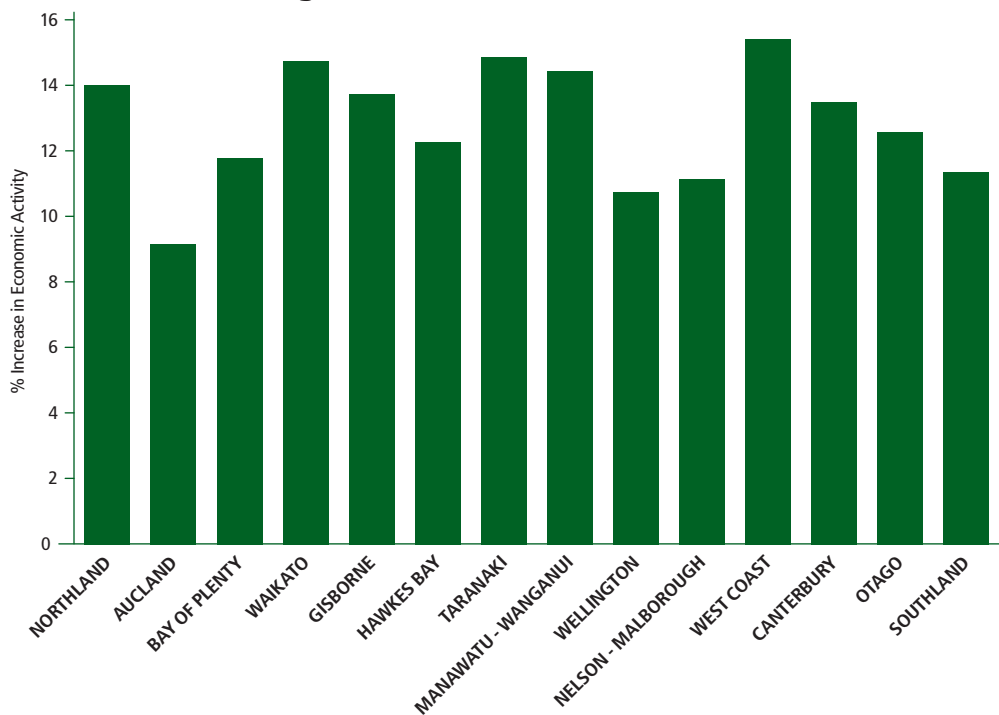
Two areas in which the West Coast has performed strongly in the last year are employment, where it has matched the national growth rate, and business size, where it has done much better. The fact that businesses are growing in size in the region is a result of strong employment growth and solid business numbers growth.

The West Coast region achieved 0.3 percent GDP growth during 2007, (1.6 % national average). Of the seven main sectors for which economic data is collected on the West Coast, six experienced GDP growth in the last year. The strongest growth occurred in the recreation services sector (11% over the year) while business services, retail and distribution and social services also grew faster than New Zealand's overall GDP. All the West Coast's key commercial indicators (dairy, coal and gold production) recorded positive growth in the latest year, with all indicators other than milk production outperforming national growth.

The West Coast region has experienced employment growth across six of the seven sectors in the last year and has grown faster than the national average in five sectors. Job opportunities on the West Coast are on the rise, largely due to increasing minerals sector and dairying activity. The region enjoyed strong employment growth in 2007, up 3.0 percent over the year before versus 2.0 percent growth nationally.

While high commodity prices for gold, coal and milk products have contributed to sound economic performance in the region, the challenge has been a shortage of experienced labour, specifically for skilled trades people within the supporting industry sectors e.g. engineering and construction.

**Regional Economic Growth. 2002-2006**



In late 2007, Development West Coast began a three-stage regional website project as a channel to promote and market the West Coast as a great place to “live, work and invest”. The website will present information about events, services, regional drivers and life on the West Coast. The focus of the website will be to provide information to people:

- Investing in the West Coast
- Moving to the West Coast for employment opportunities
- Visiting the West Coast; or
- Living on the West Coast

The objectives of the regional website are:

- Through high profile promotion, raise awareness of the West Coast
- Provide a central location of information about the West Coast region
- Showcase the economic growth and diversity of the West Coast
- Foster effective partnerships between industry and potential employees
- Encourage interaction and dialogue between Development West Coast and website visitors
- Act as a first point of contact for people intending to visit, live or invest in the region
- Deliver information about regional and community activity in the West Coast regions; and
- Deliver an easy to use and informative online experience

### **Regional Site Benefits**

- One central site for those interested in opportunities on the West Coast
- The site will act as the gateway to information about the West Coast
- The internet is the most cost effective method to reach people outside the region and internationally
- The site will lift the profile of the region by illustrating the diversity of business, environment, learning, recreation and culture
- The web is highly measurable e.g. how many visitors are using the site and where are they coming from; and
- People expect to find relevant information on the web

### **Stage Implementation**

The initial two stages of the regional website have been developed. On 6 March 2008 the initial stage was implemented with the launch of the homepage and introduction of an online events calendar for the region. The next stage (due for launch on 26 August 2008) will see the site expanded around the “live, work and invest” theme. This will include an employment directory and a comprehensive database of West Coast organisations, and provide information about regional business sectors, such as mining, tourism and dairying.

### **Marketing Plan**

A marketing plan will be implemented to promote the website locally, nationally and internationally.

Marketing methods will include display and classified newspaper advertising, direct mail, direct email and radio advertising. Visitors to the new website can register for e-newsletter communications.



# WEST COAST LITERACY PROJECT

## 1. Introduction

DWC has invested nearly \$1.8 million into a large scale literacy research programme, designed to improve the reading and writing skills of West Coast children and their transition from early childhood providers to school. This was developed in collaboration with the Woolf Fisher Research Centre (WFRC) at the University of Auckland, Learning Media Limited, participating West Coast primary schools and early childhood centres, the University of Canterbury Education Plus, and the Ministry of Education.

The project commenced in 2005 and concluded in June 2008. It involved 34 primary schools, several early childhood centres in a region-wide initiative to enhance the teaching schools and lift pupil achievements.

A key result shows that 40% of West Coast children between school years 5 and 8 have reached above average and outstanding levels in reading and comprehensive. That means four out of every ten pupils are achieving significantly higher than pupils of the same age in the rest of the country. Students are in effect six months ahead of where they would be expected to be after three years teaching.

## 2. Reading Comprehension – Years 5 to 8

Professor McNaughton has been the project director of this successful initiative and commented that the differences are the direct result of teaching practice in the classroom. It is also important to note that 573 children were followed for three years in different year levels, all made the significant six months above expected average – which signals a high level of effective teaching.

## 3. Writing Achievement - Years 5 to 8

Another key result shows that 75% of West Coast children between Years 5 and 8 are in the middle band or above for writing – well above the national average. About 50% are writing significantly above average bands.

The programme overall was equally effective for Maori students as any other students. They made similar gains over time and their achievement levels were as high as other students in writing. The programme was more effective for girls, who achieved higher than boys at all times.

## 4. Talented Teachers

Professor McNaughton has also commented that the way teachers are instructing pupils and working in the classrooms has been a significant reason for the gains in student achievement. Teachers have gained new skills and knowledge, especially the Literacy Lead Teachers, who have had several training sessions with the University of Canterbury, Ministry of Education and Literacy Advisors. All primary teachers have had training sessions on areas within the literacy and writing programmes. Licensed early childhood staff attended sessions on language development and a West Coast Literacy Website has also been made available.





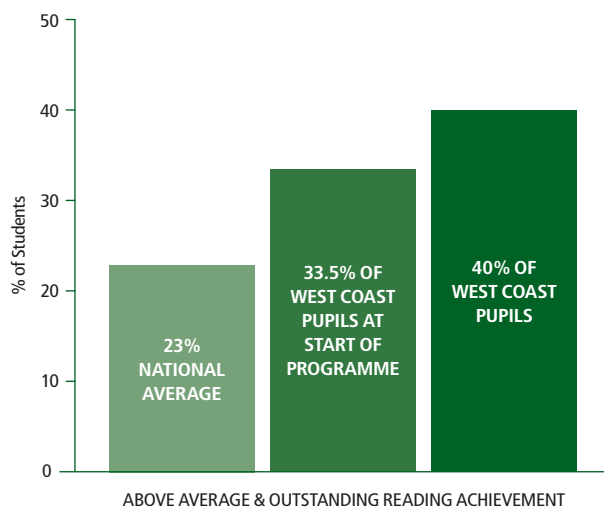
## 5. Professional Development

The region's primary teachers are now a very valuable resource and our Literacy Lead Teachers will be in demand from other areas. Teachers' skills have been developed, especially in the analysis and use of student literacy achievement data. Teachers have also gained expertise in using assessment tools, so that they will know a lot more about the reading and writing performances of their students and can work more effectively with each child. The literacy programme has been based on high quality data, and teachers have been trained so that their interpretations and understanding of performance and learning can be more consistent. It is now at a level of 95% consistency across the region, which is remarkably high and probably the highest for any region in region in New Zealand.

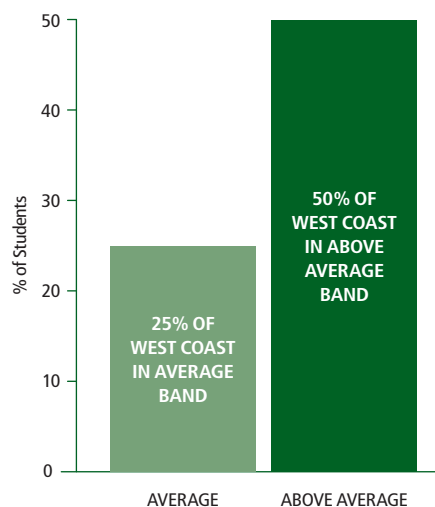
The Ministry of Education has published an "Exit" report on the West Coast Education Literacy Strategy which summarises the history of the project from its inception in August 2005 to December 2007. A copy of this report has been mailed to the Chairperson and Principal of each West Coast school, and copies can be obtained by contacting your local school or the Ministry's Nelson office.

- **A nationally significant result** is that Maori pupils have done as well as other pupils in writing, which goes against national trends. This is certain to attract a great deal of interest.
- **Another major result** was that overall the programme was very effective for boys, again something that will be of interest to the education sector.
- Children at 6 years are on average at or above national norms in the five measures of literacy taken at that age, **very high in letter identification**.
- Children have better reading and writing skills and on average are better than would normally be expected. **West Coast teachers know their pupils and communities well**, and that allows them to make connections between language and experiences which has a direct and positive impact on learning.
- Teachers were **taught how to use student achievement data** to monitor and improve both their teaching and pupil learning.

**West Coast Reading Achievements  
Between Years 5-8**



**West Coast Writing Achievements  
Between Years 5-8**



# SUMMARY FINANCIAL STATEMENTS

<b>Group Statement of Financial Performance</b>	<b>2008 \$000</b>	<b>2007 \$000</b>
<b>Revenue</b>		
Interest Received	6,486	6,256
Realised Gains in Investments	3,453	5,442
Dividends Received	1,283	1,225
Other Income	1,607	1,091
Trading Sales	721	923
<b>Total Revenue</b>	<b>13,550</b>	<b>14,937</b>
<b>Expenses</b>		
Operating Expenses	9,997	5,821
Community Distributions	3,474	3,876
Mark to Market	7,534	180
<b>Net (Deficit)/Surplus before Minority Interest</b>	<b>(7,455)</b>	<b>5,060</b>
Minority Interest	228	221
<b>Net (Deficit)/Surplus for the Year</b>	<b>(7,227)</b>	<b>5,281</b>

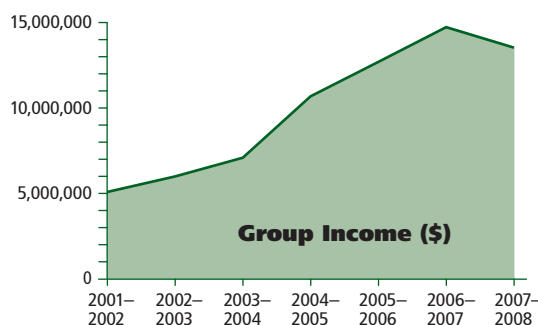
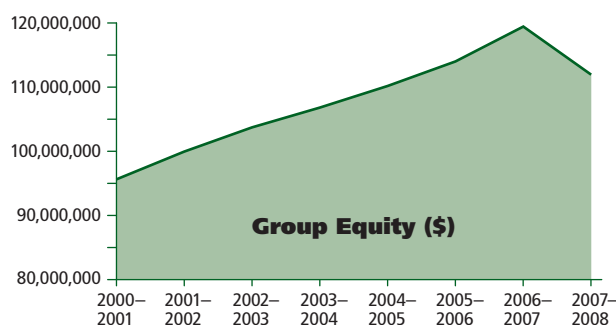
<b>Group Statement of Movements in Equity</b>	<b>2008 \$000</b>	<b>2007 \$000</b>
<b>Equity as at 1 April</b>	<b>119,513</b>	<b>114,031</b>
Net (Deficit)/Surplus for the Year	(7,227)	5,281
Minority Interest in Subsidiary	–	422
Minority Interest Share of Loss In Subsidiary	(228)	(221)
<b>Total Recognised Revenues and Expenses</b>	<b>(7,455)</b>	<b>5,482</b>
<b>Equity as at 31 March</b>	<b>112,058</b>	<b>119,513</b>

<b>Consolidated Statement of Financial Position</b>	<b>2008 \$000</b>	<b>2007 \$000</b>
<b>Equity</b>		
Restricted Capital	79,325	79,325
Distribution Fund	23,205	30,431
Investment Fluctuation Reserve	10,000	10,000
Minority Interest in Subsidiary	(472)	(243)
<b>Total Equity</b>	<b>112,058</b>	<b>119,513</b>
<b>Represented by</b>		
Current Assets	111,754	115,408
Non Current Assets	7,864	10,890
<b>Total Assets</b>	<b>119,618</b>	<b>126,298</b>
Current Liabilities	7,433	6,042
Non Current Liabilities	127	743
<b>Total Liabilities</b>	<b>7,560</b>	<b>6,785</b>
<b>Net Assets</b>	<b>112,058</b>	<b>119,513</b>

# HISTORY OF TRADING RESULTS

<b>Financial Performance</b>	2002 \$'000's	2003 \$'000's	2004 \$'000's	2005 \$'000's	2006 \$'000's	2007 \$'000's	2008 \$'000's	Total \$'000's
Group Income	5,043	5,863	7,061	10,681	12,710	14,937	13,550	69,845
Operating Expenses	675	1,436	3,218	3,519	3,787	5,821	9,997	28,453
<b>Surplus prior to Community and Mark to Market</b>	<b>4,368</b>	<b>4,427</b>	<b>3,843</b>	<b>7,162</b>	<b>8,923</b>	<b>9,116</b>	<b>3,553</b>	<b>41,392</b>
Community Distributions	–	(617)	(828)	(3,762)	(4,757)	(3,876)	(3,474)	(17,315)
Mark to Market Adjustment	–	–	–	–	–	(180)	(7,534)	(7,714)
Minority Interest	–	13	42	40	138	221	228	682
<b>Group Net Surplus</b>	<b>4,368</b>	<b>3,823</b>	<b>3,057</b>	<b>3,440</b>	<b>4,304</b>	<b>5,281</b>	<b>(7,227)</b>	<b>17,045</b>

<b>Financial Position</b>	2002 \$'000's	2003 \$'000's	2004 \$'000's	2005 \$'000's	2006 \$'000's	2007 \$'000's	2008 \$'000's
Current Assets	99,083	102,571	28,601	23,778	29,244	115,408	111,754
Non Current Assets	861	3,421	79,570	90,185	91,316	10,890	7,864
<b>Total Assets</b>	<b>99,944</b>	<b>105,992</b>	<b>108,171</b>	<b>113,963</b>	<b>120,560</b>	<b>126,298</b>	<b>119,618</b>
Current Liabilities	97	2,335	1,399	2,569	4,172	6,042	7,433
Non Current Liabilities	-	-	-	1,222	2,357	743	127
<b>Total Liabilities</b>	<b>97</b>	<b>2,335</b>	<b>1,399</b>	<b>3,791</b>	<b>6,529</b>	<b>6,785</b>	<b>7,560</b>
<b>Net Assets</b>	<b>99,847</b>	<b>103,657</b>	<b>106,772</b>	<b>110,172</b>	<b>114,031</b>	<b>119,513</b>	<b>112,058</b>
Opening Equity	95,479	99,847	103,657	106,772	110,172	114,031	119,513
Net Surplus	4,368	3,823	3,057	3,440	4,304	5,281	(7,227)
Minority Interest	-	(13)	58	(40)	(445)	201	(228)
<b>Equity</b>	<b>99,847</b>	<b>103,657</b>	<b>106,772</b>	<b>110,172</b>	<b>114,031</b>	<b>119,513</b>	<b>112,058</b>



<b>Trend Analysis</b>	2002	2003	2004	2005	2006	2007	2008
Annual Growth in Equity	4.6%	3.8%	3.0%	3.2%	3.5%	4.8%	(6.2%)
Annual Growth in Income	n/a	16.3%	20.4%	51.3%	19.0%	17.5%	(9.3%)
Realised Income on Average Assets	5.2%	5.7%	6.6%	9.6%	10.8%	12.1%	11.0%
Community Distributions as % of Income	0.0%	10.5%	11.7%	35.2%	37.4%	25.9%	25.6%
Community Distributions as % of Opening Equity	0.0%	0.6%	0.8%	3.5%	4.3%	3.4%	2.9%

**AUDIT REPORT**  
**TO THE READERS OF**  
**DEVELOPMENT WEST COAST AND GROUP'S**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2008**

The Auditor-General is the auditor of Development West Coast and group. The Auditor-General has appointed me, K J Boddy, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of Development West Coast and group, on his behalf, for the year ended 31 March 2008.

**Unqualified opinion**

In our opinion:

- The financial statements of Development West Coast and group on pages 21 to 40:
  - comply with generally accepted accounting practice in New Zealand; and
  - fairly reflects:
    - Development West Coast and group's financial position as at 31 March 2008; and
    - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 23 December 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and the Auditor, and explain our independence.

**Basis of opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.



Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Trustees;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all required disclosures are adequate.

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

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

#### **Responsibilities of the Trustees and the Auditor**

The Trustees are responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of Development West Coast and group as at 31 March 2008 and the results of its operations and cash flows for the year ended on that date.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.

#### **Independence**

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in Development West Coast or its subsidiaries.

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

#### **Matters relating to the electronic presentation of the audited financial statements**

This audit report relates to the financial statements of Development West Coast and Group for the year ended 31 March 2008 included on Development West Coast's web site. Development West Coast is responsible for the maintenance and integrity of the Development West Coast's web site. We have not been engaged to report on the integrity of Development West Coast's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 28 August 2008 to confirm the information included in the audited financial statements presented on this web site.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## STATEMENT OF INVESTMENT POLICY & OBJECTIVES

Development West Coast 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 DWC 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 was initially adopted in October 2001.

In April 2003, the Trustees developed and implemented a Treasury Policy to operationalise the Statement of Investment Policy and Objectives.

The Statement of Investment Policy and Objectives and Treasury Policy are reviewed on an annual basis.

Development West Coast has appointed two investment advisors to assist in the management of DWC's funds. Goldman Sachs JB Were New Zealand Limited advise on investment in equity. Bancorp Treasury Services Limited advise on fixed interest, cash and foreign exchange portions of the portfolio.

The Trustees' optimum asset allocation strategy for the reported and ensuing financial year is as follows:

<b>Class</b>	<b>Minimum</b>	<b>Maximum 2007–2008</b>	<b>Maximum 2008–2009</b>
Cash	10%	100%	100%
NZ Fixed Interest	0%	90%	90%
<b>Total Cash &amp; Fixed Interest</b>	<b>45%</b>	<b>100%</b>	<b>100%</b>
Australasian Equities	0%	14%	16%
Property	0%	15%	10%
International Equities	0%	17%	18%
Alternative Investments	0%	9%	11%
<b>Total Equities</b>	<b>0%</b>	<b>55%</b>	<b>55%</b>

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

# STATEMENT OF RESPONSIBILITY

1. The Trustees and management of Development West Coast 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 Development West Coast and Group for the year ended 31 March 2008

SIGNED FOR AND ON BEHALF OF THE TRUSTEES AND MANAGEMENT.



Tony Williams

**Chairman**

19 December 2008



Mark Dawson

**Chief Financial Officer**

19 December 2008

# STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 31 MARCH 2008

	DWC		Group	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Revenue</b>				
Interest Received	6,938	6,384	6,486	6,256
Realised Gains on Investments	3,453	5,442	3,453	5,442
Dividends Received	1,008	1,225	1,283	1,225
Other Income	1,592	1,091	1,607	1,091
Trading Sales	–	–	721	923
<b>Total Income</b>	<b>12,991</b>	<b>14,142</b>	<b>13,550</b>	<b>14,937</b>
<b>Expenses</b>				
Administration	308	258	833	885
Advisory Body Fees	121	82	121	82
Advisory Body Expenses	17	14	17	14
Audit Fees	44	41	88	70
Bad and Doubtful Debts	149	–	153	–
Client Services & Application Assessment Costs	1,058	854	1,058	854
Cost of Sales	–	–	1,050	1,047
Depreciation	105	113	260	217
Directors' Fees	–	–	118	117
Election Costs	18	–	18	–
Equipment Lease Payments	13	10	13	10
External Consultancy Expenses	130	104	228	223
Farm Expenses	–	–	97	110
Financial Expenses	1	1	2	5
Information & Communication Technology	40	55	40	55
Insurance & Risk Management	33	35	33	35
Intangible Asset Amortisation	105	100	154	100
Investment Advisory Expenses	240	240	240	240
Legal Fees	433	62	465	80
Loss / (Gain) on Sale of Assets	6	(2)	12	(2)
Marketing & Promotion	186	132	186	132
Occupancy	66	45	66	45
Provision for Distribution Assets	2,230	1,110	2,230	1,110
Provision for Investments in Subsidiaries	3,929	1,394	–	–
Provision for Asset Impairment	–	–	2,126	–
Recruitment Costs	59	53	59	53
Sales, Marketing & Despatch	–	–	38	77
Trustees' Remuneration	125	148	125	148
Trustees' Expenses	49	76	49	76
Write down in Asset Value	–	–	80	–
Amortisation of Goodwill on Consolidation	–	–	38	38
<b>Total Operating Expenses</b>	<b>9,465</b>	<b>4,925</b>	<b>9,997</b>	<b>5,821</b>
<b>Surplus before Community Distributions &amp; Projects</b>	<b>3,526</b>	<b>9,217</b>	<b>3,553</b>	<b>9,116</b>



# STATEMENT OF FINANCIAL PERFORMANCE (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

	Note	DWC		Group	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Less Community Distributions &amp; Projects</b>					
Interest Concessions		114	179	114	179
Community Grants	3	419	1,219	419	1,219
Enterprise Training		157	211	157	211
Education 4 Enterprise (E4E)		179	184	179	184
Regional Development Unit		894	320	894	320
Major Regional Initiative		511	563	511	563
Provision for Major District Initiative		1,200	1,200	1,200	1,200
<b>Total Community Distributions &amp; Projects</b>		<b>3,474</b>	<b>3,876</b>	<b>3,474</b>	<b>3,876</b>
<b>Surplus before Investment Mark to Market</b>		<b>52</b>	<b>5,341</b>	<b>79</b>	<b>5,240</b>
Investment Mark to Market	6	(7,534)	(180)	(7,534)	(180)
<b>Net Surplus/(Loss) before Minority Interest</b>		<b>(7,482)</b>	<b>5,161</b>	<b>(7,455)</b>	<b>5,060</b>
Minority Interests' Share of Loss in Subsidiary		–	–	228	221
<b>Net Surplus/(Loss) for the Year</b>		<b>(7,482)</b>	<b>5,161</b>	<b>(7,227)</b>	<b>5,281</b>

# STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2008

	Note	DWC		Group	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Equity as at 1 April</b>		<b>119,537</b>	<b>114,376</b>	<b>119,513</b>	<b>114,031</b>
Net Surplus/(Loss) for Year and Total Recognised Revenues and Expenses		(7,482)	5,161	(7,227)	5,281
Minority Interests' Share of Loss in Subsidiary for the year		–	–	(228)	(221)
<b>Total Recognised Revenues &amp; Expenses</b>		<b>(7,482)</b>	<b>5,161</b>	<b>(7,455)</b>	<b>5,060</b>
Minority Interest		–	–	–	422
<b>Equity as at 31 March</b>	<b>24</b>	<b>112,055</b>	<b>119,537</b>	<b>112,058</b>	<b>119,513</b>

# STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2008

	Note	DWC		Group	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Equity</b>					
Restricted Capital	24	79,325	79,325	79,325	79,325
Distribution Fund	24	22,730	30,212	23,205	30,431
Investment Fluctuation Reserve	24	10,000	10,000	10,000	10,000
Minority Interest in Subsidiary	24	–	–	(472)	(243)
<b>Total Equity</b>		<b>112,055</b>	<b>119,537</b>	<b>112,058</b>	<b>119,513</b>
Represented by					
<b>Current Assets</b>					
Cash at Bank		91	176	183	676
GST Refund Due		66	180	86	206
Tax Refund Due	22	–	–	8	4
Trade Receivables	10	696	210	561	342
Sundry Receivables		273	362	64	56
Stock on Hand	9	–	–	31	641
Fixed Assets	12	–	–	183	–
Investments	4	107,374	111,266	107,376	111,266
Distribution Assets	7	12,172	11,046	5,656	3,496
Less Provisions	8	(7,953)	(5,663)	(2,394)	(1,279)
<b>Total Current Assets</b>		<b>112,719</b>	<b>117,577</b>	<b>111,754</b>	<b>115,408</b>
<b>Non-Current Assets</b>					
Distribution Assets	7	10,239	7,359	7,365	7,359
Less Provisions	8	(3,869)	–	(1,115)	–
Intangible Assets	13	–	105	195	1,190
Fixed Assets	12	286	715	1,419	2,341
<b>Total Non Current Assets</b>		<b>6,656</b>	<b>8,179</b>	<b>7,864</b>	<b>10,890</b>
<b>Total Assets</b>		<b>119,375</b>	<b>125,756</b>	<b>119,618</b>	<b>126,298</b>
<b>Current Liabilities</b>					
Accounts Payable		614	536	762	820
Loan - Westland District Council		–	–	–	200
Guarantee		780	–	780	–
Provision for Major Regional Initiative		120	900	120	900
Provision for Major District Initiative		2,981	2,100	2,981	2,100
Sundry Creditors	14	2,698	1,940	2,790	2,022
<b>Total Current Liabilities</b>		<b>7,193</b>	<b>5,476</b>	<b>7,433</b>	<b>6,042</b>
<b>Non-Current Liabilities</b>					
Sundry Creditors	14	127	743	127	743
<b>Total Non-Current Liabilities</b>		<b>127</b>	<b>743</b>	<b>127</b>	<b>743</b>
<b>Total Liabilities</b>		<b>7,320</b>	<b>6,219</b>	<b>7,560</b>	<b>6,785</b>
<b>Net Assets</b>		<b>112,055</b>	<b>119,537</b>	<b>112,058</b>	<b>119,513</b>

# STATEMENT OF CASHFLOWS

FOR THE YEAR ENDED 31 MARCH 2008

	Note	DWC		Group	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Cashflows from Operating Activities</b>					
Cash was provided from -					
Receipts from Customers		–	–	678	902
Interest Received		5,775	6,141	5,793	6,098
Dividends Received		1,008	1,225	1,214	1,225
Other Income		1,195	758	1,195	758
GST Refund		–	–	33	–
		<b>7,978</b>	<b>8,124</b>	<b>8,913</b>	<b>8,983</b>
Cash was applied to -					
Payments to Suppliers, Trustees & Employees		2,899	2,020	4,731	3,748
Interest Paid		–	–	15	6
Community Distributions & Projects		3,116	3,178	3,116	3,178
		<b>6,015</b>	<b>5,198</b>	<b>7,862</b>	<b>6,932</b>
<b>Net Cashflows from Operating Activities</b>	17	<b>1,963</b>	<b>2,926</b>	<b>1,051</b>	<b>2,051</b>
<b>Cashflows from Investing Activities</b>					
Cash was provided from -					
Sale of Fixed Assets		630	7	96	331
Investments		59,780	53,407	59,784	53,407
Distribution Asset Repayments		3,180	5,544	2,646	5,194
		<b>63,590</b>	<b>58,958</b>	<b>62,526</b>	<b>58,932</b>
Cash was applied to -					
Fixed Asset Purchases		312	517	468	899
Investments		59,653	54,410	59,898	54,410
Distribution Assets		5,673	10,075	3,504	8,023
		<b>65,638</b>	<b>65,002</b>	<b>63,870</b>	<b>63,332</b>
<b>Net Cashflows from Investing Activities</b>		<b>(2,048)</b>	<b>(6,044)</b>	<b>(1,344)</b>	<b>(4,400)</b>
<b>Cashflows from Financing Activities</b>					
Cash was provided from -					
Issue of Share Capital		–	–	–	422
		–	–	–	<b>422</b>
Cash was applied to -					
Repayment of Advance		–	–	200	959
		–	–	<b>200</b>	<b>959</b>
<b>Net Cashflows from Financing Activities</b>		<b>–</b>	<b>–</b>	<b>(200)</b>	<b>(537)</b>
<b>Net Increase/(Decrease) in Cash Held for Year</b>		<b>(85)</b>	<b>(3,118)</b>	<b>(493)</b>	<b>(2,886)</b>
Add Opening Cash Brought Forward		176	3,294	676	3,562
<b>Closing Cash Balance</b>		<b>91</b>	<b>176</b>	<b>183</b>	<b>676</b>



# NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2008

## 1. Objects

Development West Coast 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

Development West Coast 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 Development West Coast, its subsidiary, Forever Beech Limited and that company's subsidiary Forever Holdings Limited, West Coast Development Holdings Limited and its subsidiaries, West Coast Development Trust Land Company Limited, West Coast Development Trust Research and Development Limited, West Coast Development No.1 Limited, West Coast Snowflake Limited and Cranberries New Zealand Limited.

#### 2.1.1 Basis of Consolidation

Subsidiaries are those entities controlled directly or indirectly by DWC. The financial statements of subsidiaries are included in DWC's Group financial statements by separate line-by-line aggregations of like items of assets, liabilities, equity, revenues, expenses and cashflows that are recognised in the financial statements of all entities in the consolidated Group.

#### 2.1.2 Measurement Base

With the exception of distribution assets and equity investments which are recognised at the lower of cost and net realisable value, 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.

#### 2.2.1 Reporting Period

The period covered by these Financial Statements is from 1 April 2007 until 31 March 2008.

#### 2.2.2 Recognition of Revenue and Expenses

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

Dividend revenue is accrued in the accounts when DWC is advised a dividend is payable by a company in which DWC holds equity.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008



## 2.2.3 Fixed Assets and Depreciation

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

Depreciation is provided on all fixed assets on a straight line basis at rates calculated to allocate the asset cost over the estimated useful life 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
Plant and Equipment	2 – 10 years

## 2.2.4 Income Tax

Development West Coast is registered with the Inland Revenue Department as a Charitable Trust and is therefore exempt from income tax. Subsequent to balance date DWC received notification it had successfully registered with the Charities Commission effective from 1 July 2008. The registration confirms the charitable status of DWC.

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.

## 2.2.5 Goods & Services Tax (GST)

Development West Coast is a "registered person" in terms of the Goods and Services Tax Act 1985. Where GST has been able to be claimed or charged the amounts reported are GST exclusive, otherwise the Financial Statements have been prepared inclusive of goods and services tax.

Development West Coast's subsidiaries are registered for GST purposes and profit and loss figures expressed in these financial statements relating to the subsidiaries are stated exclusive of GST.

## 2.2.6 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.

A financial asset or financial liability is recognised in the Statement of Financial Position if it is probable that any future economic benefit or service potential associated with the item will flow to or from DWC and the item has a cost or value that can be measured with reliability. Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

Unrecognised financial instruments are from time to time used to hedge underlying financial asset/liability exposures, commitments and anticipated transactions. They can include forward rate agreements and interest rate swap agreements.

## 2.2.7 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.

## 2.2.8 Distribution Assets

Distribution Assets are carried at the lower of cost and net realisable value and are net of any Specific or General Provisions made against Distribution Assets.

Where the approved distribution terms and conditions allow, some Distribution Assets at balance date may be below the maximum exposure available to the recipient.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

## a) *Classes of Distribution Assets*

Development West Coast 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.

## b) *Value of Distribution Assets*

Development West Coast 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.
Class 6	Distributions are valued at the maximum exposure less any provisions raised against specific distributions.

## c) *Quality of Distribution Assets*

The underlying sustainable development theme of our Trust Deed requires DWC to look at projects with higher risk profiles. While Development West Coast, 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.

## 2.2.9 Reporting On Policy Issues Relating to Distribution Assets

### a) *Securities*

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

### b) *Non Performing Assets*

Non performing Distribution Assets are those where repayments are overdue three months or more or where a specific potential for loss has been identified.

## 2.2.10 Credit Risk on Distribution Assets

### a) *Level of Credit Risk*

The level of Credit Risk assumed by DWC reflects the underlying objects 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, DWC uses the experience and skills of the Advisory Body in assessing any applications to reduce, where possible, any potential risks.

Distribution Assets are generally secured to further reduce Credit Risk.

### b) *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 asset classes. These maximum exposures are monitored at all times.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008



## 2.2.11 Distribution Asset Provisioning and Bad Debts

Development West Coast has resolved to provide for the write-off of Suspensory Loans over the period of those loans.

Development West Coast has resolved to raise a Specific Provision where it considers a quantifiable loss will occur against a specific Distribution Asset.

## 2.2.12 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, and is 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. Development West Coast 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.

## 2.2.13 Currency Risk

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

Unless specifically agreed by the Trustees, no fixed interest and cash investments can create a foreign currency exposure. As at balance date, all Fixed Interest Investments were in New Zealand Dollars and therefore were not subject to currency risk.

Equity investments that create a currency exposure can be hedged 100% or remain unhedged at the discretion of the Investment Sub Committee. Other than AUD, International Equity currency exposures are hedged through the NZD/USD and NZD/GBP crosses as proxies for the overall exposures.

## 2.2.14 Liquidity Risk

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

## 2.2.15 Fair Value

All Equity Investments are valued at the lower of cost or net realisable value.

Ordinarily Fixed Interest Bonds are valued at cost with any premium or discount on purchase amortised over the period of the Bond's life. Any change in the market value of a Bond, which is caused by a movement in the yield of the Bond, is not recognised as it is intended these investments will be held until maturity. A change to the market value of a Bond caused by a change in the underlying credit worthiness or rating of the Bond is recognised in the financial statements, to the extent it lowers the value of the Bond. See 2.3: Changes in Accounting Policies.

Interest Rate contracts and Hedge contracts are not recognised in the financial statements therefore no carrying amount is shown.

## 2.2.16 Statement of Investment Policy & Objectives and Treasury Policy

Development West Coast's Investment Fund is managed in accordance with its approved Statement of Investment Policy and Objectives and Treasury Policy.

## 2.2.17 Intangible Assets

Intangible Assets will ordinarily be amortised over the life of the asset.

However, the cost of cutting rights acquired and held by Forever Beech Limited's subsidiary, Forever Holdings Limited, are amortised based on volume extracted relative to the total aggregate yield covered by those rights. In accordance with FRS-4 - Accounting For Inventories, the amount per cubic metre amortised is included in inventory as a direct cost of production.

At 31 March each year, the Directors of Forever Holdings Limited review the carrying value of these cutting rights. Where any cutting rights have been forfeited or there has been an impairment to their carrying value they are written off or written down to their recoverable amount respectively and the associated expense is recognised in the Statement of Financial Performance for the period ending on that date.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

## 2.2.18 Goodwill

Goodwill arising from the acquisition of a subsidiary or associate represents the excess of the purchase consideration over the fair value of the identifiable net assets acquired. Goodwill is amortised in the Statement of Financial Performance on a straight line basis over the period during which benefits are expected to be derived (does not exceed 20 years).

## 2.2.19 Accounts Receivable

Accounts receivable are stated at their expected realisable value after provision for doubtful debts.

## 2.3 Changes in Accounting Policies

The policy relating to the fair value of Fixed Interest Bonds has been altered. Where the market value of a Bond has fallen due to a change in the Bond's rating or credit worthiness, the mark to market adjustment is recognised in the financial statements. Previously these adjustments were not recognised. The effect of the change in policy is to decrease reported profit by \$2.8m. All other accounting policies have been applied on a basis consistent with the previous period.

## 3. Community Distributions and Projects Analysis

	2008 \$		2008 \$
<b>Cultural and Heritage Grants</b>		<b>Economic Development</b>	
Art in the Park	10,000	Bowls West Coast	30,000
Blackball Museum	55,000	Buller Youthworks	26,667
CCS	20,000	Sponsorships and Promotions	54,147
Pre Hospital Emergency Services	25,000	Labour Weekend Events	50,000
West Coast Scholastics	5,000	Film South (NZ) Ltd	13,212
	<b>115,000</b>	Greymouth Golf Club	5,000
<b>Education Initiatives</b>		Hari Hari Community Association	950
DARE West Coast	40,000	Hokitika Golf Club	10,000
Literacy Project	1,047	Legge Work TV Coverage Greymouth Street Races	20,000
West Coast Principals Assn	80,000	Industry Support	6,658
West Reap	6,300	West Coast Speedway	13,333
	<b>127,347</b>	Westport Golf Club	9,444
			<b>239,411</b>
		Reversal Prior Year Grants Unspent	(62,902)
		<b>Total Community Distributions</b>	<b>418,856</b>



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008



## 4. Investments

During the period Development West Coast has made investments according to the terms of the Statement of Investment Policy and Objectives (SIPO). As at balance date the funds were invested as follows:

	DWC 2008 \$000	DWC 2007 \$000
Cash in short term money markets	15,266	11,540
Fixed Interest	62,547	63,675
<b>Total Cash &amp; Fixed Interest</b>	<b>77,813</b>	<b>75,215</b>
Australasian Equity	10,580	11,429
Australasian Listed Property	5,047	5,623
International Equity	9,990	14,421
Alternative Investments	3,944	4,578
<b>Total Equity</b>	<b>29,561</b>	<b>36,051</b>
<b>Total Investments</b>	<b>107,374</b>	<b>111,266</b>

In addition to DWC's Investments, the Group had additional investments of \$1,000.

All investments were within the asset allocation range allowable by the SIPO.

Investment percentages can fluctuate by no more than 20% of the maximum within the portfolio of equity investments

All investments are classed as current assets.

## 5. Investment Advisors

Development West Coast has appointed two investment advisors to assist in the management of DWC's funds. Goldman Sachs JB Were New Zealand Limited advise on investment in equity. Bancorp Treasury Services Limited advise on fixed interest, cash and foreign exchange portions of the portfolio.

## 6. Fair Value of Financial Instruments

As at 31 March 2008, the fair value of financial instruments reported at the lower of cost and net realisable value in the Statements were:

	Fair Value 2008 \$000	Fair Value 2007 \$000
Australasian Equity	10,580	11,429
Australasian Listed Property	5,047	5,623
International Equity	9,990	14,421
Alternative Investments	3,944	4,578
Fixed Interest	59,386	61,972
Cash in short term money markets	15,266	11,540
<b>Total Fair Value of Financial Instruments</b>	<b>104,213</b>	<b>109,563</b>

The fair value of financial instruments not recognised in these Financial Statements is \$80,743 (2007 \$50,789) (Interest Swap and Foreign Exchange Option Contracts in a net payable position).

DWC is reporting a mark to market adjustment (loss) of \$7,534,227 in the Financial Statements. This is the difference between the cost and the value of the investments at balance date. An additional mark to market loss of \$4,459,131 caused by a movement in the yield of the Fixed Interest investments has not been reported.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

## 7. Distribution Assets by Class

Class	DWC		Group	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Class 1	7,939	9,101	6,451	7,163
Class 2	396	4,173	396	1,983
Class 4	1,522	4,982	–	1,560
Class 5	780	–	780	–
Class 6	11,774	149	5,394	149
<b>Total Per Accounts</b>	<b>22,411</b>	<b>18,405</b>	<b>13,021</b>	<b>10,855</b>
Current Distributions	12,172	11,046	5,656	3,496
Non Current Distributions	10,239	7,359	7,365	7,359
<b>Total</b>	<b>22,411</b>	<b>18,405</b>	<b>13,021</b>	<b>10,855</b>

## 8. Distribution Asset Provisioning

A specific provision of \$2,378,620 (2007 \$1,129,975) has been raised against non subsidiary distribution investments. Development West Coast has raised a specific provision against investments in its subsidiaries of \$3,928,852 (2007 \$1,393,585).

	DWC		Group	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Provisions 1 April 2008	5,663	3,160	1,279	169
Plus Provisions Applied	6,308	2,523	2,379	1,130
Less Provision Reversed	(149)	(20)	(149)	(20)
<b>Provision as at 31 March</b>	<b>11,822</b>	<b>5,663</b>	<b>3,509</b>	<b>1,279</b>

## 9. Stock on Hand

	Group	
	2008 \$000	2007 \$000
At Cost	536	641
Less Provision for Impairment	(505)	–
<b>Total Fair Value of Stock</b>	<b>31</b>	<b>641</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

## 10. Trade Receivables

	DWC		Group	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Debtor's Ledger Balance	696	210	611	342
Less Provision for Doubtful Debts	–	–	(50)	–
<b>Expected Realisable Value</b>	<b>696</b>	<b>210</b>	<b>561</b>	<b>342</b>

## 11. Subsidiary Investments

Subsidiary	Ownership Interest		Balance Date	Principal Activity
	2008 %	2007 %		
Forever Beech Limited	100	100	31 March	Harvesting, Milling, Processing & Marketing of Beech Timber
Forever Holdings Limited	100	100	31 March	Holder of Forestry Rights
West Coast Development Holding Company Limited	100	100	31 March	Ownership Company
West Coast Development Trust Land Company Limited	100	100	31 March	Property Ownership Company
West Coast Development Trust Research & Development Company Limited	100	100	31 March	Research & Development
West Coast Snowflake Limited	100	100	31 March	Manufacturer of Ice Cream
Cranberries New Zealand Limited	50	50	31 March	Horticulture, principally cranberry growing and marketing
West Coast Development No.1 Ltd	100	100	31 March	Shelf company

The Group's equity in Cranberries New Zealand Limited was purchased on 1 April 2005. Goodwill of \$307,422 arising from the acquisition of Cranberries New Zealand Limited will be written off on a straight line basis over an 8 year period, being the period of development of the Cranberry cultivation prior to full commercial operation.

West Coast Snowflake Limited ceased operations in December 2007. All trade creditors of the company have been paid. The assets of West Coast Snowflake Limited are in the process of being realised.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

## 12. Fixed Assets

<b>Asset</b>	<b>Cost \$000</b>	<b>Accumulated Depreciation \$000</b>	<b>Provision for Impairment \$000</b>	<b>Book Value 2008 \$000</b>	<b>Book Value 2007 \$000</b>
<b>DWC</b>					
Art Collection	7	–	–	7	7
Motor Vehicles	307	156	–	151	194
Computer Hardware	178	146	–	32	46
Computer Software	22	16	–	6	10
Office Equipment	37	30	–	7	7
Furniture and Fittings	93	24	–	69	69
Leasehold Improvements	66	52	–	14	23
Plant and Machinery	–	–	–	–	359
<b>DWC Total</b>	<b>710</b>	<b>424</b>	<b>–</b>	<b>286</b>	<b>715</b>
<b>Subsidiaries</b>					
Plant & Equipment	1,458	262	759	437	740
Land & Buildings	992	120	2	870	847
Office Equipment	23	14	6	3	8
Motor Vehicles	21	15	–	6	31
<b>Group Total</b>	<b>3,204</b>	<b>835</b>	<b>767</b>	<b>1,602</b>	<b>2,341</b>

## 13. Intangible Assets

	<b>2008 \$000</b>	<b>2007 \$000</b>
<b>DWC</b>		
Project 421	–	105
<b>Group</b>		
Forestry Rights	803	803
Brands and Logos	2	51
Goodwill on Consolidation	193	231
Provision for Impairment	(803)	–
<b>Total</b>	<b>195</b>	<b>1,190</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008



## 14. Sundry Creditors

The payment of community grants may be subject to meeting certain criteria and/or may not be made for a period of time following Trustee approval. However, given it is likely that grants approved will be paid DWC accrues community grants upon resolution approving a grant.

	DWC		Group	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Audit Fees	41	40	74	69
Employee Entitlements	154	68	193	120
Community Grants Committed	2,521	2,413	2,521	2,413
Other	109	162	129	163
<b>Total</b>	<b>2,825</b>	<b>2,683</b>	<b>2,917</b>	<b>2,765</b>
Current Creditors	2,698	1,940	2,790	2,022
Non Current Creditors	127	743	127	743
<b>Total</b>	<b>2,825</b>	<b>2,683</b>	<b>2,917</b>	<b>2,765</b>

## 15. Contingent Assets & Contingent Liabilities

At 31 March 2008 (and 2007) Development West Coast had a contingent liability for Major District Initiative funding of \$1.2 million per annum subject to DWC's financial performance and receipt of suitable applications.

Development West Coast reviews its Distribution Asset class each balance date to reflect the Trustees' best estimate of the current recoverable amount for the class. Where the historical cost of Distribution Assets is considered impaired, provisions are made against the historical cost amount to reflect the current best estimate of the recoverable amount. In certain circumstances Development West Coast will have contingent assets in respect of Distribution Assets provided for due to negotiations being undertaken in respect of those assets. Given the inherent uncertainties associated with such negotiations Development West Coast is not able to reliably predict the possible outcomes nor reliably estimate the possible financial effects.

## 16. Commitments

### 16.1 Future Distributions

At balance date, \$835,339 (2007 \$4,214,579) of the total funding approved by Trustees was either under consideration or was undrawn against the accepted facilities. DWC has committed to the accrual of \$1.2m under the Major District Initiative for the year ended 31 March 2008, see note 20.

### 16.2 Lease Commitments

As at 31 March 2008, the value of the residual portion of lease commitments of DWC was \$77,374 (2007 \$104,418), classified into the following periods:

	2008 \$000	2007 \$000
0-12 Months	45	52
12-24 Months	16	41
24-60 Months	16	8
> 60 Months	–	3
<b>Total</b>	<b>77</b>	<b>104</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

## 17. Reconciliation of Net Surplus with Cashflows from Operating Activities

	DWC		Group	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>Net Surplus for the Year</b>	(7,482)	5,161	(7,227)	5,281
<b>Minority Interests' share of loss in Subsidiary</b>	–	–	(228)	(221)
<b>Add/(Deduct) Non-Cash Items Included in Statement of Financial Performance</b>				
Depreciation/Asset Write-off	105	113	552	217
Write down of Intangible Asset	105	100	957	100
(Gain)/Loss on Sale of Assets	6	–	6	2
Mark to Market Adjustment	7,534	–	7,534	–
Amortisation of Goodwill on Consolidation	–	–	38	38
Capitalised Distribution Interest	(987)	(84)	(529)	–
Debt Forgiveness	15	–	–	–
	(704)	5,290	1,103	5,417
<b>Other</b>				
<b>Gain included in Investing Activities</b>	(3,453)	(5,262)	(3,453)	(5,262)
<b>Movements in Working Capital</b>				
Increase/(Decrease) in Provisions	6,260	2,703	3,441	1,310
Increase/(Decrease) in Accounts Payable	219	553	(6)	688
(Increase)/Decrease in Inventory	–	–	104	61
(Increase)/Decrease in Receivables	(396)	(333)	(177)	(124)
(Increase)/Decrease in GST Asset	113	(46)	119	(60)
(Increase)/Decrease in Accrued Interest	(76)	21	(76)	21
(Increase)/Decrease in Tax Refund Due	–	–	(4)	–
	6,120	2,898	3,401	1,896
<b>Net Cashflows from Operating Activities</b>	<b>1,963</b>	<b>2,926</b>	<b>1,051</b>	<b>2,051</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008



## 18. Enquiries and Applications

For the financial year ending 31 March 2008, Development West Coast received 106 client enquiries. The following table lists the quantum of applications received, and applications approved or under consideration at balance date.

<b>Application Summary 2007-08</b>	<b>Quantity</b>	<b>Value \$</b>
Total Applications Received	14	5,718,000
Advisory Body Recommended	9	2,013,000
Trustee Approved	7	1,599,000
Offers under Consideration by Applicants	–	–
Offers Lapsed or Declined by Applicants	4	3,109,000
Applications Withdrawn	2	4,675,000
Applications in Progress	2	700,000
<b>Trustee Approved and Accepted by Client</b>		
Berlins Bar & Cafe	Loan	60,000
Coastpine Limited	Loan	300,000
Coastpine Limited	Guarantee	780,000
West Coast Snowflake Limited	Loan	50,000
West Coast Snowflake Limited	Loan	165,000

## 19. Subsequent Events

There are no events subsequent to balance date that materially affect the accounts other than in marking to market the equity portfolio. At 31 March 2008 the value of the portfolio was \$29,561,082. The same portfolio at 30 November 2008 is valued at \$24,105,404. If the valuation decrease is not reversed by 31 March 2009 the additional fall in value of \$5,455,678 will be recognised in the 2008-2009 annual accounts.

## 20. Major District Initiatives

DWC has undertaken, subject to certain criteria including its own annual financial performance, to fund each West Coast District Council \$400,000 p.a. for approved major district initiatives (MDI). Certain capital projects are eligible for consideration as MDI projects including sport and recreational facilities, theatres, museums and art galleries.

Although DWC has not met the growth target specified in its MDI policy, Trustees have resolved to commit to funding the MDI for the 2008-2009 financial year. This commitment will be accrued in the 2008-2009 financial year.

Subsequent years' funding is still subject to DWC exceeding its growth target and so is classed as a contingent liability (Note 15).

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

## 21. Related Party Transactions

### DWC

- 21.1 During the year, Development West Coast advanced the sum of \$4,150,000 to its subsidiary West Coast Development Holdings Limited. Interest is payable on this amount at the rate of 8% p.a. As at 31 March 2008 \$7,964,428 (2007 \$3,460,143) was owing to Development West Coast. Development West Coast is the parent of West Coast Development Holdings Ltd.
- 21.2 Development West Coast's investment in its subsidiary Forever Beech Limited was restructured during the year. As at 31 March 2008 DWC had invested equity of \$3,700,000 (2007 \$1,900,000) and advanced \$1,686,211 (2007 \$2,100,000). Interest is charged on the advance at 10%.
- 21.3 At 31 March 2008, West Coast Development Holdings Ltd owed Development West Coast \$165,338 (2007 \$112,801) for expenses paid by DWC on the Company's behalf. Development West Coast is the parent of West Coast Development Holdings Limited.
- 21.4 At 31 March 2008 Development West Coast was owed \$41,047 (2007 \$31,390) by West Coast Development Trust Land Co. Ltd, \$18,441 (2007 \$18,413) by West Coast Development Trust Research and Development Ltd and \$44,598 (2007 \$36,209) by West Coast Snowflake Limited, for expenses paid by DWC on these Companies' behalf. West Coast Development Trust Land Co. Ltd, West Coast Development Trust Research and Development Ltd and West Coast Snowflake Limited are all subsidiaries of West Coast Development Holdings Limited. Development West Coast is the parent of West Coast Development Holdings Limited.
- 21.5 Development West Coast provides accounting and other services to Forever Beech Limited, West Coast Development Trust Land Co. Limited, West Coast Development Trust Research and Development Limited, West Coast Snowflake Limited and West Coast Development Holdings Limited. No management fees are currently charged for these services. Interest owing of \$15,197 from West Coast Development Holdings Limited to DWC was forgiven during the year. No other debts owing to DWC by a subsidiary were forgiven during the year.
- 21.6 All transactions between DWC and a party that a Trustee has an interest in have been entered into on an arms length basis.
- 21.7 During the year Development West Coast sold plant and machinery to the value of \$606,196 to Forever Beech Limited. Forever Beech had initially leased this equipment from DWC.
- 21.8 During the year development West Coast advanced the sum of \$189,000 (2007 \$90,000) to West Coast Snowflake Limited. As at 31 March 2008 \$279,000 (2007 \$90,000) was owing to Development West Coast by West Coast Snowflake Limited. No interest is charged on this advance.

### Group

- 21.9 Forever Beech Limited has conducted normal business transactions with Beechwood Products Limited, whose director is Mr M J Donaldson, a director of Forever Beech Limited. Beechwood Products Limited has purchased \$90,759 of timber from Forever Beech Limited during the period (2007 \$99,656), and Forever Beech Limited has incurred expenses from Beechwood Products Limited of \$229 during the period (2007 \$848). Included in Trade Receivables is an amount of \$10,211 (2007 \$6,407) which is owed by Beechwood Products Limited to Forever Beech Limited. During the period under review the Forever Beech Limited has conducted normal business transactions with Westtimber Limited, whose director is Mr Maurice John Donaldson. Westtimber Limited has had purchases of \$5,220 (2007 \$2,679) from Forever Beech Limited during the period.
- 21.10 During the period under review Cranberries New Zealand Limited has engaged Bromark Limited to provide consultancy services and to complete the sales and marketing function on behalf of the company. Mr Roger Brough, a director of Bromark Limited is also a director of Cranberries New Zealand Limited. Bromark Limited were paid \$18,148 (2007 \$19,862) for their services. Cranberries New Zealand Limited owed \$1,525 to Bromark Limited at 31 March 2008 (2007 \$3,695).
- 21.11 During the year West Coast Snowflake Limited leased property from West Coast Development Trust Land Company Limited. The companies had previously entered into a three year lease with an annual rental of \$36,000 plus GST. Rent ceased being charged in December 2007. West Coast Snowflake Limited and West Coast Development Trust Land Company Limited are both owned by West Coast Development Holdings Limited. A director of the Company until November 2007, Ms Jan Darley, was the manager of West Coast Snowflake Limited until December 2007. Ms Darley was remunerated by West Coast Snowflake Limited in her role as Manager. Subsequent to the closure of the operation, Ms Darley purchased the company vehicle.
- 21.12 During the period under review Strawbridge and Associates, Chartered Accountants of Nelson provided accountancy and taxation services to Cranberries New Zealand Limited. Mr Ross Strawbridge, principal of Strawbridge and Associates is also a director of Cranberries New Zealand Limited. Strawbridge and Associates were paid \$50,361 (2007 \$2,841) for their services. The company owed \$2,447 to Strawbridge and Associates at 31 March 2008 (2007 \$2,852).
- 21.13 During the year West Coast Development Holdings Limited was repaid (net) \$2,023 by its subsidiary, West Coast Development Trust Land Co Ltd. As at 31 March 2008, \$558,820 (2007 \$544,640) was owing to West Coast Development Holdings Limited. Interest is payable on this amount at the rate of 8% p.a.



# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008



## 22. Taxation

Taxation in respect of the trading operations is as follows:

	2008 \$000	2007 \$000
Net Surplus/(Deficit) before Taxation	(2,888)	(1,495)
Prima Facie Taxation at 33%	(953)	(493)
Add Prima Facie Taxation – costs not deductible	379	–
Tax Loss Not Recognised	577	493
Taxation Payments	5	4
<b>Taxation Refund Due</b>	<b>8</b>	<b>4</b>
Comprising:		
Current Taxation Asset	8	4
Deferred Taxation	–	–

Unrecognised tax losses available for set off against future assessable income:

	2008 \$000	2007 \$000
Tax Losses	5,721	3,982
Tax Saving Thereon @ 33%	1,888	1,314

The ability to utilise these tax losses depends on the generation of sufficient assessable income in the respective tax jurisdictions.

Imputation Credit Account

	2008 \$000	2007 \$000
Opening Balance	4	1
Tax Refunds Received	(1)	–
RWT Credits on Interest Income	5	3
<b>Closing Balance</b>	<b>8</b>	<b>4</b>

## 23. New Zealand International Financial Reporting Standards

In September 2007 the Accounting Standards Review Board decided that mandatory adoption of International Financial Reporting Standards (NZ IFRS) should be delayed for certain small entities. Development West Coast falls into the category of entities that can delay the adoption of NZ IFRS.

The reason for the delay was the Government announced a review of the reporting requirements for small and medium sized companies under the Financial Reporting Act. The review will commence in mid 2008 and could remove the requirement for small companies to prepare GAAP compliant accounts.

The Trustees are unsure of the impact the Government review and subsequent delay in the adoption of NZ IFRS will have on the preparation and presentation of the future annual accounts.

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2008

## 24. Equity

	DWC		Group	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
<b>i) Restricted Capital</b> <i>The Initial Capital (\$92 million), as reduced from time to time by Distributions made under Clause 11.1 of the Trust Deed</i>				
Closing Balance as at 31 March	79,325	79,325	79,325	79,325
<b>ii) Distribution Fund</b> <i>The Income and the amount of Restricted Capital available for distribution, in accordance with Clause 11 of the Trust Deed</i>				
Opening Balance as at 1 April	30,212	25,051	30,432	25,151
Net Surplus/(Loss) for Year	(7,482)	5,161	(7,455)	5,060
Add Minority Interest Share of Loss	–	–	228	221
Closing Balance as at 31 March	22,730	30,212	23,205	30,432
<b>(iii) Investment Fluctuation Reserve</b>				
Opening Balance as at 1 April	10,000	10,000	10,000	10,000
Closing Balance as at 31 March	10,000	10,000	10,000	10,000
<b>(iv) Minority Interest</b>	–	–	(472)	(244)
<b>Total Equity</b>	<b>112,055</b>	<b>119,537</b>	<b>112,058</b>	<b>119,513</b>

	DWC	
	2008 \$000	2007 \$000
<b>i) Investment Fund</b> <i>The Property that is from time to time held by Trustees on the trusts of this Deed, except for Distribution Assets</i>		
Closing Balance as at 31 March	101,466	106,795
<b>ii) Net Distribution Assets</b>		
Distribution Assets	22,411	18,405
Less Provisions	(11,822)	(5,663)
<i>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.</i>		
Closing Balance as at 31 March	10,589	12,742
<b>Total Equity</b>	<b>112,055</b>	<b>119,537</b>



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