

THE WEST COAST DEVELOPMENT TRUST

GROUP ANNUAL REPORT

For the Year Ending 31st March 2004



THE WEST COAST
DEVELOPMENT TRUST

Contents

- Vision 3
- Mission 3
- Values 3
- Directory 4
- Regional Profile 6
- Chairman’s Report 8
- Report of the Chief Executive Officer. 10
- Report of the Auditor-General 12
- Statement of Investment Policy & Objectives 14
- Statement of Responsibility 15
- Trust Statement of Financial Performance. 16
- Trust Statement of Movements in Equity 17
- Trust Statement of Financial Position 18
- Trust Statement of Cashflows 19
- Group Statement of Financial Performance 20
- Group Statement of Movements in Equity 21
- Group Statement of Financial Position 22
- Group Statement of Cashflows 23
- Trust & Group Notes to the Financial Statements 24



Vision

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

The Trust will foster a positive attitude to life and learning.

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

Mission

The Trust will help create an environment for sustainable investment, development and employment to which people are attracted.

Values

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

- Exhibit long term planning and good judgement to promote its intergenerational responsibility
- Have a broad perspective, understanding and interaction with the region
- Undertake effective dialogue, debate and communication
- Be proactive by showing leadership and vision
- 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

Directory

Trustees

Dooley, Mr FT Chairman
Auchinvole, Mr C J Chair, Marketing & Promotions Committee
Bamfield, Mr LA Chair, Finance and Audit Committee
Boustridge, Mr I C Chair, Trust Deed Review Committee
Brown, Mr K R
Coll, Mrs J C Chair, Investment Committee
Copeland, Mr M C
Duncan, Mr M W
Drylie, Mr J F
Pegley, Mr A J
Routhan, Mr D C Resigned February 2004
Sawyers, Mr W H M

Chief Executive Officer

Trousselot, Mr M C

Registered Office

1st Floor
112 Mackay Street
P O Box 451
Greymouth

Advisory Body

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

Legal Advisors

Hannan & Seddon
P O Box 8
Greymouth

Buddle Findlay
P O Box 322
Christchurch

Bankers

Westpac
Revell Street
Hokitika

Investment Advisors

Bancorp Treasury Services Ltd
P O Box 4270
Auckland

Goldman Sachs JBWere (NZ) Ltd
P O Box 887
Auckland

Auditors

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

Staff Directory

Michael
Trousselot
*Chief Executive
Officer*



Belinda
Lunn
*Personal
Assistant*

Wayne
Williams
*Investment
Manager*



Rachel
Fitzgerald
*Administrative
Assistant*

Conrad
Anderson
*Business
Analyst*



Jo
Hart
*E2B Project
Manager*

Timothy
King
*Marketing &
Business
Development*



Tanya
Whitmore
*Accounts
Officer*

Mark
Dawson
*Chief Financial
Officer*



Mark
Jurisich
*Enterprise
Development*



Julie
Baker
Secretary

Trustees



Left to right: (standing) Alan Pegley, Chris Auchinvole, Leigh Bamfield, Ian Boustridge, Martin Sawyers, Maxie Duncan, Mike Copeland, (seated) Michael Trousselot (CEO), Kevin Brown, Frank Dooley (Chairman), John Drylie, Jan Coll.

Advisory Body



Left to right: Wayne Mills, Bruce Gemmell, Gill Cox (Chairman), John Isles.

Regional Profile

Geographic and Demographic Profile

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

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



Economic Outlook

The West Coast has recorded an increase in its economic activity over 16 consecutive quarters. In the year to March 2004 the West Coast's annual growth rate of 4.6% was the second highest year on year growth of all New Zealand regions.

Registered unemployed for the Region is currently 937; a reduction of 55% over the last 3 years.

The region's driver industries are primary food production, extractive resources and tourism. Strong secondary and service industries also exist in manufacturing, engineering, construction, retail, education and health.

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

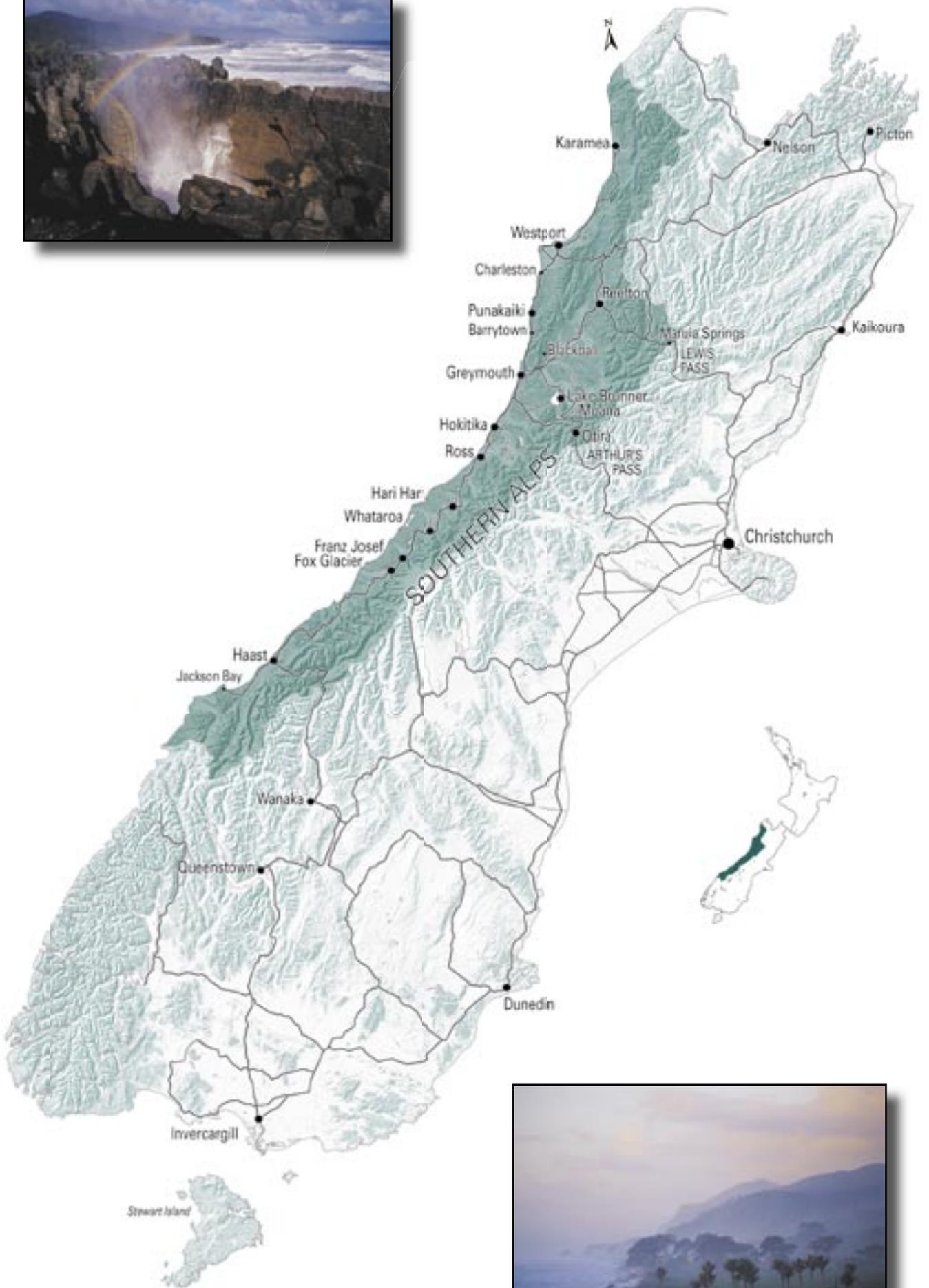
Trust Goals and Role

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

The Trust's mission is to create an environment for sustainable investment, development and employment opportunities to which people are attracted. Key services are the provision of finance and development capital, advisory, training and leadership, regional economic development and community investments. The Trust may also partner with organisations and community groups engaged in areas such as social development, environmental sustainability and infrastructure developments.

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

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



Chairman's Report

To date, the Development Trust has focused its attention on building a solid capability to successfully deliver outcomes in its strategic, capital investment, regional investment and regional development objectives before widely promoting its services and results.

This has involved a lot of discussion, hard work and healthy debate to create an efficient and professional organisation that operates to achieve the following key goals:

Goal 1

Successful Investment of Capital in Financial Markets

Outcome - The initial capital of \$92 million has been prudently invested, with net assets now currently in excess of \$107 million. The Trust has outperformed its budget income and industry benchmarks for three successive years. The Trust has no power to rate or tax and it has to firstly "make its own money" before it can support regional investment and economic development services, or run its organisation.

Goal 2

Successful Investment into West Coast Businesses

Outcome - Since commencement the Trust has processed over 300 enquiries, resulting in more than 60 applications seeking over \$85 million. Applications totalling \$23.3 million have been approved by Trustees that have promoted over 190 direct and 300 indirect jobs. The Trust is steadily becoming more proactive in approaching businesses and plans to talk to many more this year, especially in the food production, tourism, and mining areas.



Perfect Strangers

Goal 3

Promoting West Coast Regional Economic Development Initiatives

Outcomes - In its economic development role, the Trust is often requested to meet gaps in a range of services and funding provided by local and central Government and non-government organisations. Last year alone we responded by injecting over \$1,000,000 into the support of community initiatives (including grants for education, training, tourism, industry groups, horticultural, community and social development projects). The Trust looks to leverage this funding by ensuring the maximum amount of co-funding is received from both Government and private organisations.

However, I must stress that community expectations need to be kept realistic. The Trust can not distribute more than 5% of its initial capital in any one year and it has an added responsibility to preserve the real value of its capital so that future generations will also benefit from the establishment of the Trust.

The Trust is currently facing a series of community distribution requests for major initiatives throughout the region totalling over \$12 million and it is impossible for it to support these in total.

Based on current forecasting the Trust's annual expenditure in this area will be limited to around \$1 million and Trustees have a responsibility to allocate this so that the region gains the greatest overall economic benefits. The Trust's philosophy for this type of support will be outlined in its next newsletter.

Goal 4

Effective and professional Governance and Executive Functions

Outcomes - The Trust has been professionally managed and governed, outperforming its income targets, staying within its expenditure budgets and delivering on its first three key goals and objectives outlined above.

The Trust established a holding company to manage its equity investments and subsidiary companies. Subsidiaries currently include property and research and development companies.

The major equity investment to date is Forever Beech Limited which reported a loss in its establishment year of just over \$843,000. This was in line with original forecasts. The company was totally restructured during 2004 and is expected to break even from a cash perspective in 2005. Trustees remain confident about the company's long term prospects.



Friends of the Hill



E2B Students

Goal 5

Support, Communication and Consultation with Partners and Stakeholders

Outcomes - The Trust realises it is part of a larger network of public and private organisations that contribute to regional economic development. In addition to working with individual clients the Trust has actively worked with a series of other stakeholders including:

- **Venture West Coast**
The Trust takes its relationship with Venture West Coast seriously and has supported them with both finance and staff time, including jointly running their strategic planning process to eliminate any duplication of services between regional providers, reviewing overall regional economic development services and funding of several specific programmes initiated by them.
- **Ngai Tahu**
The Trust supported and presented to the Ngai Tahu Economic Development Summit in Hokitika and participated in workshops at that forum.
- **Local Authorities**
The Trust recently made submissions to all District Councils on their Long Term Community Plans and have met all Councils and discussed the Trust's priorities and performance.



- **New Zealand Trade and Enterprise**
The Trust has a robust relationship with New Zealand Trade and Enterprise, as a contracted service provider in Education to Business (E2B) and Enterprise Training. It also wishes to pursue the establishment of an ongoing partnership to manage economic development funding into the West Coast region.
- **Community Consultation**
Over the year, the Trust has presented at many community venues, conferences and Annual General Meetings, including: Ngai Tahu Economic Development Summit, NZ Institute of Surveyors (Westport), The Commonwealth Study Group, West Coast Justices of the Peace Association AGM, Motor Trade Association AGM and several Rotary and Lions meetings.
- **Regional Promotions and Communication**
The Trust has supported many initiatives in the last year including the Southern Traverse, Wildfoods and Kumara Races on the basis of their overall economic impact and regional promotion value.

The Trust has also commenced more regular communication to our stakeholders in the region with a newsletter, website and media releases.

Our Thanks and Commitment

I thank my fellow Trustees, Advisory Body members and subsidiary company directors for their contribution to what has been a very satisfactory year.

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

I assure our clients and stakeholders that we remain committed to not only providing ongoing enhancements to our client services, but also to providing ongoing support of wider regional and community needs within our budgetary limitations.



Coastwide Growers Association



DARE West Coast

Report of the Chief Executive Officer

The Trust has again had a busy and successful year across its four key operational areas: investment of capital, regional investments into clients, regional economic development services and running the Trust itself.

The Trust income of \$6.6M has been generated through investment of capital into financial markets, regional investments and through providing contracted services to other agencies.

Operating expenses of \$1.9M includes the cost of new programmes, new staff to handle our increased activity and the full years cost of initiatives introduced last year. Expenses were held at 29% of gross income and were within budget.

Net profit before community distributions was slightly up over last year at \$4.7 million.

Investment of Capital

The Trust's capital investment objectives and parameters are set out in its 'Statement of Investment Policy and Objectives' (SIPO) a summary of which is included on page 12. This is accompanied by a detailed treasury policy that adds in depth limits and controls to the SIPO.

The Trust timed its initial entry into equity markets for April 2003 and has benefited from the surge in their value over the last year. Foreign exchange gains on our portfolio through the management of hedging contracts have also been achieved.

As a result of investment and market performance the Trust held significant unrealised capital gains in its equity portfolio at year end.

The majority of the portfolio remains in fixed interest investments which have an average 3 year duration.

In summary the Trust not only had good income and liquidity but a strong real return which out performed industry benchmarks for the third successive year.

Regional Client Investment Services (Distributions)

This area is a core aspect of the Trust's business and utilises much of its resources. The Trust must continue to be vigilant in assessing, analysing and monitoring applications. Many continue to be outside traditional banking parameters. In general the quality of applications is improving with some of a very high standard and a higher percentage is being approved. On the other hand there are some applications that are virtually "con jobs" and the detection and rejection of these is easier said than done, but they continue to be submitted and exhaust the Trust's resources.

Over this year The Trust has received:

- 137 Enquiries,
- 23 Applications (totalling \$15.1M),
- 14 of the applications were approved (totalling \$7.3M) (60% by number, 48% by value)
- 96 Direct and indirect jobs have been promoted by these applications

The largest single investment to date of \$4.6M was made into Roa Mining, which has exciting development prospects. The \$2.5M Franz Josef Developments project continues to draw down funding to complete its impressive new subdivision in Franz Josef. This particular investment has been a catalyst for other major development initiatives in the Glacier region.

The Forever Beech Ltd investment has provided a blue print for industry development type initiatives of which others are under investigation. Other individual approvals have been operating successfully to date, with no write-offs, but two small turnaround "rescue" advances are at risk.

The Trust has had discussions and enquiries with many organisations which indicate potential for further large investments into the region in areas as diverse as power generation, mining, the education sector, property, agriculture, aquaculture, fishing, tourism, and forestry.

Regional Economic Development Services

The West Coast region has entered its 16th successive quarter of growth and was most recently ranked second of all regions in growth. This is an outstanding turnaround over past performance and reflects the region's strong and diverse economy. This growth leads to its own set of challenges which are around meeting shortages of skills, labour, housing and support of infrastructure services such as health and education.

Industry Support

The Trust has worked with many West Coast Industry Associations and their members to look at industry issues and work on industry strategy and research. These include Forestry, River Users, Sphagnum Moss, Horticulture, Aquaculture, Fishing, Tourism and Film.



Sunshinz gift shop

Infrastructure Support

While the Trust cannot invest in infrastructure that is the usual business of either local or central Government it has supported Venture West Coast to undertake this type of activity as they work primarily in the infrastructure area. Specific areas of Trust support to date include Project Probe (Broadband), Information and Communication Technology planning, Recruit West Coast, The Employment Action Group, regional indicator collation and the development of a Regional Economic Profile.

Infrastructure requiring further planning investment and development includes freight transport (including rail, roads and ports), power generation and transmission. Councils have been tackling other key issues such as sewerage, potable water and waste disposal.

The quantum of funding to meet regional needs will require ongoing central Government, private and local Government financial support. The Trust is only likely to be a minor funder of such projects if at all, but is a strong advocate, planner and promoter for them.

The Trust is aware there are also many gaps in community, recreation and sporting facilities in the region, and the Trust has now addressed both the quantum and process it will use to prioritise applications for these in the future.



Brunner Bridge

Education and Skills

The Trust's Education Co-Ordinator Jo Hart, has established good links with all education sectors. The Trust is particularly pleased with the outcomes of its Education to Business initiative, which will be celebrated at a youth enterprise conference in August. The Trust is also looking forward to completing a joint literacy research project this year, to form a full literacy project next year.

The Trust has supported many other education and training initiatives over the last year, including: Education West Coast's Regional Education Strategy, Mawhera Services equipment upgrade, Teacher TUANZ conference, Regional careers expo, Land use workshops, Automotive apprenticeship tutoring and a Business planning course for local professionals.

Enterprise Training

Enterprise Training has been very successful. The Trust has sub-contracted to provide these services for the West Coast region. Trust Enterprise Training Manager, Mark Jurisich, has subsequently taken the old "Biz Training" programme to new levels of participation and satisfaction. Business coaching, mentoring services and access to the Trust's business development and investment services have also been made available to attendees.

Governance and Executive Functions

The initial Trustees and Executive have had a heavy workload in building policy and processes from scratch to professionally run your Trust.

A very high standard of "best practice" material has been completed and the Trust's focus is more orientated to the core activities of investment into promotion of and the creation of an environment for economic development.

A very experienced and capable staff is now spread over our core activities of capital investment, regional distribution investment, business and economic development, education and training, finance and administration services and externally contracted and funded projects.

I thank our staff, advisors and Trustees for their invaluable input in achieving our organisational goals and outcomes this year within our budgetary limits. The ongoing personal commitment and sacrifices of time and resources made by Trustees have gone a long way to fulfilling our commitment to developing a professional and visionary organisation which will service our region with pride and success into the future.



Roa Mine

Report of the Auditor-General



AUDIT REPORT

TO THE READERS OF THE WEST COAST DEVELOPMENT TRUST AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2004

The Auditor-General is the auditor of The West Coast Development Trust (the Trust) 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 the Trust and group, on his behalf, for the year ended 31 March 2004.

Unqualified opinion

In our opinion the financial statements of the Trust and group on pages 15 to 35:

- ▲ comply with generally accepted accounting practice in New Zealand; and
- ▲ fairly reflect:
 - the Trust and group's financial position as at 31 March 2004; and
 - the results of operations and cash flows for the year ended on that date.

The audit was completed on 15 July 2004, and is the date at which our opinion is expressed.

The basis of the 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 our 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 the opinion.

Our 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 financial statement 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 the opinion above.

Responsibilities of the Trustees and the Auditor

The Trustees are responsible for preparing financial statements in accordance with generally accepted accounting practice in New Zealand. Those financial statements must fairly reflect the financial position of the Trust and group as at 31 March 2004. They must also fairly reflect the results of 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 the Trust or its subsidiary.



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



Christchurch, New Zealand

Statement of Investment Policy & Objectives

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

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

The Statement of Investment Policy and Objectives 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.

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

The Trustees' asset allocation strategy for the reported and ensuing financial years are as follows:

| Class | 2003-04 | 2004-05 |
|------------------------------|----------------|----------------|
| Australasian Equities | 10% | 5% |
| Australasian Listed Property | 10% | 5% |
| International Equities | 10% | 10% |
| Active Trading Fund | - | 5% |
| Alternative Investments | - | 5% |
| NZ Fixed Interest | 60% | 60% |
| Cash | 10% | 10% |
| Total | 100% | 100% |

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 investment returns.

Statement of Responsibility

1. The Trustees and management of The West Coast Development Trust accept responsibility for the preparation of these Financial Statements and the judgements used in them.
2. We have been responsible for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial and non-financial reporting.
3. We are of the opinion that these Financial Statements fairly reflect the financial position and operations of The West Coast Development Trust and Group for the year ended 31 March 2004.

SIGNED FOR AND ON BEHALF OF THE TRUSTEES AND MANAGEMENT.



FT DOOLEY

Chairman

14 July 2004



M C TROUSSELOT

Chief Executive Officer

14 July 2004

Trust Statement of Financial Performance

For the Year Ended 31 March 2004

| | Notes | 2004 \$ | 2003 \$ |
|--|----------|--------------------|--------------------|
| Revenue | | | |
| Interest Received | | 5,425,884 | 5,847,722 |
| Realised Gains in Investments | | 676,070 | - |
| Dividends Received | | 418,953 | - |
| Other Income | | 38,125 | 15,000 |
| Total Income | | 6,559,032 | 5,862,722 |
| Expenses | | | |
| Administration | | 186,802 | 95,948 |
| Advisory Body Fees and Expenses | | 187,532 | 118,721 |
| Audit Fees | | 32,255 | 31,350 |
| Client Services & Application Assessment Costs | | 499,091 | 324,229 |
| Depreciation | | 52,765 | 33,648 |
| Equipment Lease Payments | | 16,261 | 9,077 |
| External Consultancy Expenses | | 38,921 | 35,288 |
| Financial Expenses | | 2,976 | 422 |
| Information & Communication Technology | | 21,498 | 33,584 |
| Insurance & Risk Management | | 28,455 | 28,001 |
| Investment Advisory Expenses | | 225,385 | 37,890 |
| Legal Fees | | 66,881 | 28,268 |
| Marketing & Promotion | | 120,419 | 21,521 |
| Occupancy | | 26,544 | 8,766 |
| Provision for Asset Writedowns | | 112,491 | 140,000 |
| Recruitment Costs | | 43,186 | 43,232 |
| Trustees' Remuneration & Fees | | 211,465 | 190,194 |
| Total Operating Expenses | | 1,872,927 | 1,180,139 |
| Surplus before Community Distributions & Projects | | 4,686,105 | 4,682,583 |
| Less Community Distributions & Projects | | | |
| Interest Concessions | | 69,360 | 70,679 |
| Economic Development Grants | | 118,111 | 75,013 |
| Cultural, Community & Heritage Grants | | 512,208 | 80,000 |
| Employment Initiatives | | - | 8,791 |
| Education Initiatives | | 169,120 | 182,902 |
| Tourism Initiatives | | 149,000 | - |
| Provision for Suspensory Loan Write-Off | | (190,000) | 200,000 |
| Total Community Distributions & Projects | 3 | 827,799 | 617,385 |
| Net Surplus for the Year | | \$3,858,306 | \$4,065,198 |

Trust Statement of Movements in Equity

For the Year Ended 31 March 2004

| | 2004 | 2003 |
|--------------------------------------|---------------|---------------|
| | \$ | \$ |
| Equity as at 1 April 2003 | 103,911,866 | 99,846,668 |
| Net Surplus for Year | 3,858,306 | 4,065,198 |
| Total Recognised Revenues & Expenses | 3,858,306 | 4,065,198 |
| Equity as at 31 March 2004 | \$107,770,172 | \$103,911,866 |

Trust Statement of Financial Position

as at 31 March 2004

| | Notes | 2004 \$ | 2003 \$ |
|--|-------|----------------------|----------------------|
| Equity | | | |
| Restricted Capital | 22 | 79,324,973 | 79,324,973 |
| Distribution Fund | 22 | 18,445,199 | 14,586,893 |
| Investment Fluctuation Reserve | 19 | 10,000,000 | 10,000,000 |
| Total Equity | | 107,770,172 | 103,911,866 |
| Represented by | | | |
| Current Assets | | | |
| Cash at Bank at Call | | 6,471,402 | 3,256,184 |
| Investments | 4 | 20,050,088 | 98,076,444 |
| Distribution Assets | 7 | 1,055,628 | 370,672 |
| Sundry Debtors | | 66,340 | 4,207 |
| | | 27,643,458 | 101,707,507 |
| Non-Current Assets | | | |
| Distribution Assets | 7 | 6,061,686 | 2,932,221 |
| Less Provision for Distribution Asset Write-Offs | 8 | (262,492) | (340,000) |
| Investments | 4 | 74,737,230 | - |
| Fixed Assets | 9 | 223,403 | 189,361 |
| Intangible Asset | 10 | 404,729 | - |
| | | 81,164,556 | 2,781,582 |
| Total Assets | | 108,808,014 | 104,489,089 |
| Current Liabilities | | | |
| Accounts Payable | 11 | 1,037,842 | 577,223 |
| Total Liabilities | | 1,037,842 | 577,223 |
| Net Assets | | \$107,770,172 | \$103,911,866 |

Trust Statement of Cashflows

for the Year Ended 31 March 2004

| | Notes | 2004 \$ | 2003 \$ |
|--|-----------|--------------------|--------------------|
| Cashflows from Operating Activities | | | |
| Cash was provided from | | | |
| Interest Received | | 5,383,631 | 5,972,285 |
| Dividends Received | | 418,953 | - |
| Other Income | | 38,125 | 15,000 |
| Taxation Refund | | - | 727,442 |
| | | 5,840,709 | 6,714,727 |
| Cash was applied to | | | |
| Payments to Suppliers, Trustees & Employees | | 1,276,834 | 975,690 |
| Community Distributions & Projects | | 1,027,799 | 96,804 |
| | | 2,304,633 | 1,072,494 |
| Net Cashflows from Operating Activities | 14 | 3,536,076 | 5,642,233 |
| Cashflows from Investing Activities | | | |
| Cash was provided from | | | |
| Distribution Asset Repayments | | 1,339,315 | 12,107 |
| Investments | | 8,267,943 | - |
| Term Deposits | | 78,026,356 | - |
| | | 87,633,614 | 12,107 |
| Cash was applied to | | | |
| Term Deposits | | - | 1,861,940 |
| Fixed Asset Purchases | | 97,633 | 156,438 |
| Distribution Assets | | 5,317,736 | 2,517,993 |
| Investments | | 82,329,103 | - |
| Equity Investments | | 210,000 | - |
| | | 87,954,472 | 4,536,371 |
| Net Cashflows from Investing Activities | | (320,858) | (4,524,264) |
| Net Increase in Cash Held for Year | | 3,215,218 | 1,117,969 |
| Add Opening Cash Brought Forward | | 3,256,184 | 2,138,215 |
| Closing Cash Balance | | \$6,471,402 | \$3,256,184 |

Group Statement of Financial Performance

for the Year Ended 31 March 2004

| Notes | 2004 \$ | 2003 \$ |
|--|--------------------|--------------------|
| Revenue | | |
| Interest Received | 5,427,282 | 5,847,722 |
| Realised Gains on Investments | 676,070 | - |
| Dividends Received | 418,953 | - |
| Other Income | 38,125 | 15,000 |
| Trading Sales | 500,770 | 95,334 |
| Total Income | 7,061,200 | 5,958,056 |
| Expenses | | |
| Administration Expenses | 506,881 | 216,125 |
| Advisory Body Fees and Expenses | 187,532 | 118,721 |
| Audit Fees | 52,255 | 31,350 |
| Bad & Doubtful Debts | (1,986) | 6,287 |
| Client Services & Application Assessment Costs | 499,091 | 324,229 |
| Cost of Sales | 669,672 | 181,021 |
| Depreciation | 230,937 | 44,697 |
| Directors' Fees | 28,000 | 9,500 |
| Equipment Lease Payments | 16,261 | 9,077 |
| External Consultancy Expenses | 38,921 | 35,288 |
| Financial Expenses | 2,976 | 422 |
| Information & Communication Technology | 21,498 | 33,584 |
| Insurance & Risk Management | 28,455 | 28,001 |
| Interest & Finance Charges | 1,151 | 4,269 |
| Investment Advisory Expenses | 225,385 | 37,890 |
| Legal Fees | 88,610 | 28,268 |
| Loss on Sale of Assets | 16,339 | - |
| Marketing & Promotion | 120,419 | 21,521 |
| Occupancy | 26,544 | 8,766 |
| Provision for Asset Writedowns | 112,491 | 140,000 |
| Recruitment Costs | 43,185 | 43,232 |
| Resource Acquisition | 751 | 1,060 |
| Sales, Marketing & Despatch | 91,898 | 16,844 |
| Trustees' Remuneration & Fees | 211,465 | 190,194 |
| Total Operating Expenses | 3,218,731 | 1,530,346 |
| Surplus before Community Distributions & Projects | \$3,842,469 | \$4,427,710 |

| | Notes | 2004 \$ | 2003 \$ |
|---|-------|--------------------|--------------------|
| Less Community Distributions & Projects | 3 | | |
| Interest Concessions | | 69,360 | 70,679 |
| Economic Development Grants | | 118,111 | 75,013 |
| Cultural, Community & Heritage Grants | | 512,208 | 80,000 |
| Employment Initiatives | | - | 8,791 |
| Education Initiatives | | 169,120 | 182,902 |
| Tourism Initiatives | | 149,000 | - |
| Provision for Suspensory Loan Write-Off | | (190,000) | 200,000 |
| Total Community Distributions & Projects | | 827,799 | 617,385 |
| Net Surplus for the Year | | \$3,014,670 | \$3,810,325 |
| Minority Interests' Share of Loss in Subsidiary | | 42,182 | 12,744 |

Group Statement of Movements in Equity

for the Year Ended 31 March 2004

| | Notes | 2004 \$ | 2003 \$ |
|---|-------|----------------------|----------------------|
| Equity as at 1 April 2003 | | 103,656,993 | \$99,846,668 |
| Net Surplus for Year - Parent | | 3,858,306 | 4,065,198 |
| Net Deficit for Year - Subsidiary Trust Share | | (801,452) | (242,129) |
| Net Deficit for Year - Subsidiary Minority Interests' Share | | (42,182) | (12,744) |
| Minority Interest in Subsidiary | | 100,000 | - |
| Total Recognised Revenues & Expenses | | 3,114,672 | 3,810,325 |
| Equity as at 31 March 2004 | | \$106,771,665 | \$103,656,993 |

Group Statement of Financial Position

as at 31 March 2004

| | Notes | 2004 \$ | 2003 \$ |
|--|-------|----------------------|----------------------|
| Equity | | | |
| Restricted Capital | 22 | 79,324,973 | 79,324,973 |
| Distribution Fund | 22 | 18,445,199 | 14,586,893 |
| Investment Fluctuation Reserve | 19 | 10,000,000 | 10,000,000 |
| Minority Interest in Subsidiary | | 45,075 | - |
| Retained Deficit - Subsidiary | | (1,043,582) | (254,873) |
| Total Equity | | \$106,771,665 | \$103,656,993 |
| Represented by | | | |
| Current Assets | | | |
| Cash at Bank | | 6,493,766 | 3,282,008 |
| GST Refund Due | | 3,523 | 29,764 |
| Tax Refund Due | | 461 | - |
| Trade Receivables | | 116,707 | 113,567 |
| Sundry Receivables | | 50,859 | 11,858 |
| Stock on Hand | | 739,772 | 682,650 |
| Investments | 4 | 20,050,088 | 98,076,444 |
| Assets to be Sold | | 72,000 | - |
| Distribution Assets | 7 | 1,055,628 | 370,672 |
| Repayments | | 2,056 | - |
| Accrued Interest | | 15,730 | 4,207 |
| Total Current Assets | | 28,600,590 | 102,571,170 |
| Non-Current Assets | | | |
| Intangible Assets | 10 | 1,415,341 | 1,018,779 |
| Investments | 4 | 74,737,230 | - |
| Distribution Assets | 7 | 3,361,686 | 2,192,221 |
| Less Provision for Distribution Asset Write-Offs | 8 | (262,492) | (340,000) |
| Asset Write-Offs | | | |
| Fixed Assets | 9 | 318,218 | 550,244 |
| Total Non-Current Assets | | 79,569,983 | 3,421,244 |
| Total Assets | | 108,170,573 | 105,992,414 |
| Current Liabilities | | | |
| Accounts Payable | 11 | 1,198,908 | 713,471 |
| Forever Timber Group Ltd Current Account | | - | 391,470 |
| Sundry Creditors | | - | 11,701 |
| Loan - Westland District Council | 21 | 200,000 | 200,000 |
| Forestry Rights Purchase Payable | | - | 1,018,779 |
| Total Liabilities | | 1,398,908 | 2,335,421 |
| Net Assets | | \$106,771,665 | \$103,656,993 |

Group Statement of Cashflows

for the Year Ended 31 March 2004

| | Notes | 2004 \$ | 2003 \$ |
|--|-----------|--------------------|--------------------|
| Cashflows from Operating Activities | | | |
| Cash was provided from - | | | |
| Receipts from Customers | | 508,298 | 61,558 |
| Interest Received | | 5,159,644 | 5,972,285 |
| Dividends Received | | 418,953 | - |
| Other Income | | 38,125 | 15,000 |
| Net GST Movement | | 28,306 | - |
| Taxation Refund | | - | 727,442 |
| | | 6,153,326 | 6,776,285 |
| Cash was applied to - | | | |
| Payments to Suppliers, Trustees & Employees | | 2,240,607 | 1,219,838 |
| Interest Paid | | 1,151 | - |
| Community Distributions & Projects | | 1,027,799 | 96,804 |
| Income Tax Paid | | 461 | - |
| Net GST Movement | | - | 29,764 |
| | | 3,270,018 | 1,346,406 |
| Net Cashflows from Operating Activities | 14 | 2,883,308 | 5,429,879 |
| Cashflows from Investing Activities | | | |
| Cash was provided from - | | | |
| Sale of Fixed Assets | | 16,494 | - |
| Investments | | 1,339,315 | - |
| Distribution Asset Repayments | | 8,267,943 | 12,107 |
| Term Deposits | | 78,026,356 | - |
| | | 87,650,108 | 12,107 |
| Cash was applied to - | | | |
| Term Deposits | | - | 1,861,940 |
| Fixed Asset Purchases | | 114,571 | 160,720 |
| Investments | | 82,689,351 | - |
| Distribution Assets | | 4,517,736 | 1,777,993 |
| Repayment Forever Timber Group Ltd | | 0 | 497,540 |
| | | 87,321,658 | 4,298,193 |
| Net Cashflows from Investing Activities | | 328,450 | (4,286,086) |
| Net Increase in Cash Held for Year | | 3,211,758 | 1,143,793 |
| Add Opening Cash Brought Forward | | 3,282,008 | 2,138,215 |
| Closing Cash Balance | | \$6,493,766 | \$3,282,008 |

Trust & Group Notes to the Financial Statements

for the Year Ended 31 March 2004

1. Objects

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

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

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

2. Statement of Accounting Policies

2.1 Reporting Entity

The West Coast Development Trust was established by Deed on 18 April 2001 and these Financial Statements are General Purpose Financial Statements prepared in accordance with our Deed of Trust and generally accepted accounting principles. The Group comprises The West Coast Development Trust, its subsidiary, Forever Beech Limited, and that company's subsidiary Forever Holdings Limited.

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

2.2 Particular Accounting Policies

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

a) Reporting Period

The period covered by these Financial Statements is from 1 April 2003 until 31 March 2004.

b) 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 the Trust is advised a dividend is payable by a company in which the Trust holds equity.

c) Fixed Assets and Depreciation

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

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

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

For plant and equipment, depreciation has been calculated as follows:

| | |
|-----------------------|----------------------|
| ■ Plant and equipment | 10-50% Straight Line |
|-----------------------|----------------------|

d) **Income Tax**

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

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

e) **Goods & Services Tax (GST)**

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

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

f) **Financial Instruments**

The Group is party to financial instruments as part of its normal operations. These financial instruments include bank accounts, investments, debtors, creditors and distribution assets.

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 the Trust 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.

g) **Inventories**

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

h) **Distribution Assets**

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

i) *Classes of Distribution Assets*

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

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

ii) *Value of Distribution Assets*

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

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

Trust & Group Notes to the Financial Statements - Cont

for the Year Ended 31 March 2004

iii) Quality of Distribution Assets

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

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

i) Reporting On Policy Issues Relating to Distribution Assets

i) Securities

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

ii) Non Performing Assets

Non performing Distribution Assets are those on which repayments are overdue three months or more or on Distribution Assets where a specific potential for loss has been identified. There are no Distributions in this category as at 31 March 2004.

j) Credit Risk on Distribution Assets

i) Level of Credit Risk

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

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

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

Distribution Assets are generally secured to further reduce Credit Risk.

ii) Concentrations of Credit Risks

In line with the objective of our Trust Deed there is a geographical concentration of Credit Risk on the West Coast.

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

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

k) Interest Rate Risks

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

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

Most Distributions have been approved on a fixed interest rate.

Investment Funds are subject to interest rate risks. The Trust has established a Statement of Investment Policies 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.

l) **Currency Risk**

All Distributions are made in New Zealand Dollars and therefore 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 are 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. International Equity currency exposures, other than AUD are hedged through the NZD/USD and NZD/GBP crosses as proxies for the overall exposures.

m) **Liquidity Risk**

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

n) **Fair Value**

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

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

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

Fixed Interest Bonds are valued at cost with any premium or discount on purchase amortised over the period of the Bonds life. Any change in the market value of a Bond is not recognised as it is intended these investments will be held until maturity.

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

o) **Distribution Asset Provisioning and Bad Debts**

The Trust has resolved to apply a General Provision based on 5% of the outstanding balance of Distribution Assets (excluding equity) as at balance date.

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

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

p) **Statement of Investment Policy & Objectives and Treasury Policy**

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

q) **Intangible Assets**

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

However, the cost of cutting rights acquired and held by the 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.

The Directors of Forever Holdings Limited review at 31 March each year 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 recognised in the Statement of Financial Performance for the period ending on that date

Trust & Group Notes to the Financial Statements - Cont

for the Year Ended 31 March 2004

2.3 Changes in Accounting Policies

Depreciation of Plant and Equipment in Forever Beech Limited has been changed to the straight line method for the year ended 31 March 2004. Previously the company had used the diminishing value method of depreciation. The effect of the change was to increase depreciation by \$844 in the year under review.

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

3. Community Distributions and Projects Analysis

| | | |
|---|---------|--------------------|
| Interest Concessions | 69,360 | 69,360 |
| Economic Development Grants | | |
| West Coast Timber Industry | 20,000 | |
| Commercial Rivers Users Group | 2,611 | |
| Coastwide Growers Association | 20,500 | |
| Aquaculture | 15,000 | |
| Sustainable Farming Fund | 60,000 | |
| | | 118,111 |
| Cultural, Community & Heritage Grants | | |
| Oparara Valley Project Trust | 100,000 | |
| Left Bank Art Gallery | 5,000 | |
| Positive West Coast Stories | 2,925 | |
| Kumara Racing Club | 23,580 | |
| WC Community Foundation | 20,000 | |
| Wildfoods Celebrity Chefs | 9,000 | |
| DARE West Coast | 40,000 | |
| West Coast Cricket Assoc. | 30,000 | |
| Tai Poutini Land Use Seminar | 12,500 | |
| Buller/WC Arts | 20,000 | |
| NBR Opera | 15,000 | |
| Southern Traverse | 170,000 | |
| Promotions and Sponsorships | 44,140 | |
| Film South | 14,063 | |
| West Reap Careers Expo | 6,000 | |
| | | 512,208 |
| Tourism Initiatives | | |
| Tourism Project Committee | 50,000 | |
| Visitors Guide | 99,000 | |
| | | 149,000 |
| Education Initiatives | | |
| Greymouth High School | 7,607 | |
| Project Probe | 95,000 | |
| TUANZ | 10,000 | |
| Professional Development Course | 6,513 | |
| Strategic Literacy Plan | 50,000 | |
| | | 169,120 |
| Total Community Distributions and Projects | | \$1,017,799 |
| Less Suspensory Loan Provisions (reversal) | | (190,000) |
| Net Community Distributions and Projects | | \$827,799 |

4. Investments

During the period the Trust has made investments according to the terms of the Statement of Investment Policy and Objectives. As at balance date the funds were invested as follow;

| | Value \$ | % of Portfolio | SIPO Range Minimum / Maximum % |
|--|-------------------|-------------------|--------------------------------------|
| Cash in Short Term Money Markets | 20,050,088 | 21.2 | 10-100 |
| Fixed Interest | 55,553,173 | 58.6 | 0-60 |
| Total Cash & Fixed Interest | 75,603,261 | 79.8 | 60-100 |
| Australasian Equity | 5,793,763 | 6.1 | 0-20 |
| Australasian Listed Property | 4,004,874 | 4.2 | 0-10 |
| International Equity | 9,385,420 | 9.9 | 0-10 |
| Total Equity | 19,184,057 | 20.2 | 0-40 |
| Total Investments | 94,787,318 | 100 | |

All investments were with in the asset allocation range allowable by the SIPO.

Cash and short term deposits are classed as a current asset. All other investments are expected to be held for a period of time and so are classed as non current assets.

5. Investment Advisors

The Trust has appointed two investment advisors to assist in the management of the Trust's funds. Goldman Sachs JBWere New Zealand Limited advise on investment in equity. Bancorp Treasury Services Limited have been appointed to advise on fixed interest and cash portions of the portfolio.

6. Fair Value of Financial Instruments

As at 31 March 2004, the fair value of the financial instruments recorded at cost in the Statements were

| | Fair Value \$ |
|------------------------------|------------------|
| Australasian Equity | 6,424,209 |
| Australasian Listed Property | 4,112,159 |
| International Equity | 10,660,714 |

The fair value of financial instruments not recognised in these Financial Statements is \$201,802 (Foreign Exchange Contracts in a net receivable position).

7. Distribution Assets by Class

| Class | Group | | Trust | |
|---------------------------|--------------------|--------------------|--------------------|--------------------|
| | 2004 \$ | 2003 \$ | 2004 \$ | 2003 \$ |
| Class 1 | 3,221,874 | 1,227,893 | 4,021,874 | 1,227,893 |
| Class 2 | 1,173,000 | 1,005,000 | 1,173,000 | 1,005,000 |
| Class 3 | 22,440 | 330,000 | 22,440 | 330,000 |
| Class 4 | 0 | 0 | 1,900,000 | 740,000 |
| Total Per Accounts | 4,417,314 | 2,562,893 | 7,117,314 | 3,302,893 |
| Class 5 | 26,052 | 0 | 26,052 | 0 |
| Total | \$4,443,366 | \$2,562,893 | \$7,143,366 | \$3,302,893 |

Trust & Group Notes to the Financial Statements - Cont

for the Year Ended 31 March 2004

8. Distribution Asset Provisioning and Bad Debts

Each individual Distribution Investment was evaluated for recoverability at balance date. A provision of \$10,000 (2003 \$200,000) has been raised against Class 3 Distribution Assets (Suspensory Loans) as per note 2.2(o) above.

A specific provision of \$35,491 (2003 \$Nil) has been raised against Class 1 advances.

The Trust will adopt a statistically based provisioning methodology for its general provision for doubtful distribution assets based upon historical loss experience once such information is available covering a reliable period. Until this statistical information is held, the Trust has resolved to apply a General Provision of 5%, as per note 2.2(o) above, and have applied a General Provision against Distribution Assets (excluding Class 4 Assets) of \$217,000 (2003 \$140,000).

| | Special Provision Suspensory Loan | Special Provision Class 1 | General Provision | Total |
|-------------------------|--------------------------------------|---------------------------------|----------------------|-----------|
| Provisions 1 April 2003 | 200,000 | - | 140,000 | 340,000 |
| Plus Provisions Applied | 10,000 | 35,491 | 77,000 | 122,491 |
| Less Provision Reversed | (200,000) | - | - | (200,000) |
| Provision as at 31/3/04 | \$10,000 | \$35,491 | \$217,000 | \$262,491 |

9. Fixed Assets

| Asset | Cost \$ | Accumulated Depreciation | Book Value 2004 | Book Value 2003 |
|---|------------------|-----------------------------|--------------------|--------------------|
| Trust | | | | |
| Motor Vehicles | 122,187 | 31,979 | 90,208 | 38,500 |
| Computer Hardware | 97,418 | 37,735 | 59,683 | 63,293 |
| Computer Software | 4,239 | 915 | 3,324 | 847 |
| Office Equipment | 24,788 | 7,598 | 17,190 | 19,713 |
| Furniture & Fittings | 24,978 | 2,659 | 22,319 | 29,888 |
| Leasehold Improvements | 43,397 | 12,718 | 30,679 | 37,120 |
| Trust Total | 317,007 | 93,604 | 223,403 | 189,361 |
| Subsidiary - Plant & Equipment | 356,038 | 189,223 | 166,815 | 360,883 |
| Total | \$673,045 | \$282,827 | \$390,218 | \$550,244 |

Assets with a book value of \$72,000 are classed as current assets as they are due to be sold in the next financial year.

10. Intangible Assets

| | 2004 \$ | 2003 \$ | Estimated Life of Asset |
|---|--------------------|--------------------|----------------------------|
| Subsidiary - Forestry Rights | 1,010,612 | 1,018,779 | 20 Years |
| Parent - Intellectual Property Project 421 | 404,729 | | to be determined |
| Total | \$1,415,341 | \$1,018,779 | |

11. Accounts Payable

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 the Trust accrues community grants immediately the resolution to approve a grant is made.

| | Group | | Trust | |
|----------------------------|--------------------|------------------|--------------------|------------------|
| | 2004 \$ | 2003 \$ | 2004 \$ | 2003 \$ |
| Trade Creditors | 248,922 | 136,248 | 118,752 | - |
| Audit Fees | 38,450 | 20,000 | 18,450 | 20,000 |
| Employee Entitlements | 27,149 | 23,628 | 15,154 | 23,628 |
| Trustee Entitlements | - | 4,061 | - | 4,061 |
| Overpayment of Interest | - | 199,449 | - | 199,449 |
| Community Grants Committed | 858,594 | 299,000 | 858,594 | 299,000 |
| Other | 25,793 | 31,085 | 26,892 | 31,085 |
| Total | \$1,198,908 | \$713,471 | \$1,037,842 | \$577,223 |

12. Contingent Assets & Contingent Liabilities

There were no known contingent assets at balance date (2003 \$Nil). A guarantee of a bond of \$26,052 to the Westland District Council on behalf of a distribution recipient was the only contingent liability at balance date (2003 \$Nil).

13. Commitments

13.1 Future Distributions

At balance date, \$7,004,258 (2003 \$11,284,000) had been approved by Trustees but was either under consideration by the client or undrawn against the accepted facilities.

13.2 Lease Commitments

As at 31 March 2004, the value of the residual portion of lease commitments of the Trust was \$146,571, classified into the following periods:

| | 2004 \$ | 2003 \$ |
|--------------|------------------|------------------|
| 0-12 Months | 38,124 | 38,124 |
| 12-24 Months | 38,124 | 38,124 |
| 24-60 Months | 70,323 | 89,392 |
| > 60 Months | 0 | 18,742 |
| Total | \$146,571 | \$184,382 |

In addition, the subsidiary company had the following minor lease commitment:

Three Mile, Hokitika

Commencement Date..... 1st March 2000

Term..... One Year

Renewal Date..... 1st March 2005

Final Expiry Date..... As determined by lease provisions

Annual Rental..... \$1,350 plus GST

Further Terms..... Annual Review

Trust & Group Notes to the Financial Statements - Cont

for the Year Ended 31 March 2004

The lease payments of the company during the period under review were:

| Lessor | 2004 \$ | 2003 \$ |
|----------------------------------|-----------------|-----------------|
| Tranzrail (Three Mile, Hokitika) | 1,350 | 338 |
| Shannons Ltd | 3,120 | - |
| Marr Trust | 5,289 | - |
| Vessa Holdings Ltd | 36,650 | 9,800 |
| Total Lease Expense | \$46,409 | \$10,138 |

14. Reconciliation of Net Surplus with Cashflows from Operating Activities

| | Group | | Trust | |
|---|--------------------|--------------------|--------------------|--------------------|
| | 2004 \$ | 2003 \$ | 2004 \$ | 2003 \$ |
| Net Surplus for the Year | 3,014,670 | 3,810,325 | 3,858,306 | 4,065,198 |
| Add/(Deduct) Non-Cash Items Included in Statement of Financial Performance | 241,764 | - | - | - |
| Depreciation/Asset Write-off | - | 44,697 | 63,591 | 33,648 |
| Investment Write Down | 8,167 | - | - | - |
| Loss on Sale of Asset | 16,339 | - | - | - |
| Capitalised Distribution Interest | (30,729) | - | (30,729) | - |
| | 3,250,211 | 3,855,022 | 3,891,168 | 4,098,846 |
| Other | | | | |
| Gain included in Investing Activities | (676,070) | - | (676,070) | - |
| Movements in Working Capital | | | | |
| Increase (Decrease) in Provisions | (77,509) | 340,000 | (77,509) | 340,000 |
| Increase (Decrease) in Accounts Payable | 473,736 | 669,670 | 460,620 | 480,152 |
| (Increase)/Decrease in Inventory | (57,122) | (82,650) | - | - |
| (Increase)/Decrease in Receivables | (44,657) | (45,634) | (50,609) | - |
| (Increase)/Decrease in Taxation | - | 727,442 | - | 727,442 |
| (Increase)/Decrease in GST Liability | 26,241 | (29,764) | - | - |
| (Increase)/Decrease in Accrued Interest | (11,524) | (4,207) | (11,524) | (4,207) |
| | 309,166 | 1,574,857 | 320,978 | 1,534,387 |
| Net Cashflows from Operating Activities | \$2,883,308 | \$5,429,879 | \$3,536,076 | \$5,642,233 |

15. Enquiries and Applications

For the financial year ending 31 March 2004, The West Coast Development Trust received 137 client enquiries. The following table lists the quantum of applications received, and applications approved or under consideration at balance date.

| Application Summary 2003-04 | Quantity | Value \$ |
|---|----------|--------------------|
| Total Applications Received | 23 | 15,118,520 |
| Advisory Body Recommended | 16 | 8,197,535 |
| Trustee Approved | 14 | 7,298,031 |
| Less Offers under Consideration by Applicants | 5 | 2,233,095 |
| Less Offers Lapsed or Declined by Applicants | 1 | 175,000 |
| Total Offers Accepted by Applicants | 8 | 4,889,936 |
| Recommendations Accepted by Trustees | | |
| Roa Mine (Loan) | | 4,600,000 |
| Carla Glass (Loan) | | 30,000 |
| Grey District Council (Suspensory Loan) | | 10,000 |
| Scenicland Laundry (Loan) | | 82,000 |
| Coastpine (Loan) | | 120,000 |
| Mark Downing (Loan) | | 11,565 |
| Whiskey Creek Salmon Farm (Loan) | | 23,931 |
| Friends of the Hill (Suspensory Loan) | | 12,440 |
| | | \$4,889,936 |

Note: As at 31 March 2004, two applications totalling \$232,000 (2003 \$3,300,000) were still being progressed by the Executive.

16. Subsequent Events

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

17. Related Party Transactions

- 17.1 FT Dooley Ltd, Chartered Accountants, was contracted to provide secretarial services to the Trust. FT Dooley, a Director of FT Dooley Ltd, is also the Chairman of The West Coast Development Trust. During the period, the Trust paid FT Dooley Ltd secretarial fees of \$32,325.70 (2003 \$5,251.50). Both sums are GST inclusive.
- 17.2 The Trust's premises at 112 Mackay Street, Greymouth are leased from HOB Holdings Mall Ltd. Mr LA Bamfield is a Director/Shareholder of HOB Holdings Mall Ltd and a Trustee of The West Coast Development Trust. Total occupancy costs paid to HOB Holdings Mall Ltd during the year ended 31 March 2004 equalled \$29,282.13 (GST inclusive) (2003 \$4,497.87).
- 17.3 During the period under review, Forever Beech Limited has conducted normal business transactions with West Timber Limited, whose director is Mr M J Donaldson, a director of Forever Beech Limited. Westtimber Limited has purchased \$76,674.21 (excl. GST) of timber from Forever Beech Limited during the period (2003 \$2,520.45), and Forever Beech Limited has incurred expenses from Westtimber Limited of \$29,686.10 (excl. GST) during the period (2003 \$5,257.56).
- 17.4 Mr P J Coakley, a director of Forever Beech Limited provided consultancy services to Forever Beech Limited during the period under review. The consultancy fees charged were \$43,125.00 (excl. GST) (2003 \$24,765.28). Mr Coakley also provided consultancy services to the Trust during the year ended 31 March 2004. The fees charged were \$32,759.52 (2003 \$Nil).
- 17.5 Mr Des Routhan, a Trustee of the West Coast Development Trust until February 2004, is associated in the ownership of premises leased by Forever Beech Limited. Lease payments of \$35,933.40 (excluding GST) (2003 \$9,800) were made for year ended 31 March 2004.

Trust & Group Notes to the Financial Statements - Cont

for the Year Ended 31 March 2004

18. Taxation

Taxation in respect of the trading operations is as follows:

| | 2004 \$ | 2003 \$ |
|---|----------------|------------|
| Net Surplus/(Deficit) before Taxation | (843,634) | (254,873) |
| Prima Facie Taxation at 33% | (278,399) | (84,108) |
| Plus Taxation Effect of Permanent Differences | - | - |
| Tax Loss Not Recognised | 278,399 | 84,108 |
| Taxation Payments | (461) | - |
| Taxation Due 7th April 2004 | \$(461) | \$0 |
| Comprising: | | |
| Current Taxation | (461) | 0 |
| Deffered Taxation | 0 | 0 |

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

| | | |
|--------------------------|-----------|---------|
| Tax Losses | 1,098,507 | 254,873 |
| Tax Saving Thereon @ 33% | 362,507 | 84,108 |

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

Imputation Credit Account

| | |
|--------------------------------|-------|
| Opening Balance | 0 |
| RWT Credits on Interest Income | 461 |
| Closing Balance | \$461 |

19. Investment Fluctuation Reserve

There were no movements in the Investment Fluctuation Reserve during the year ended 31 March 2004.

| | 2004 \$ | 2003 \$ |
|------------------------------------|---------------------|---------------------|
| Opening Balance as at 1 April 2003 | 10,000,000 | 0 |
| Transfer from Initial Capital | 0 | 10,000,000 |
| Balance as at 31 March 2004 | \$10,000,000 | \$10,000,000 |

20. Acquisition of Business

On 1 January 2003, Forever Beech Limited, a subsidiary of the West Coast Development Trust, took control of the trading assets of Forever Timber Group Limited.

The purchase of Forever Beech Limited was completed on 24 June 2003.

The following assets were acquired:

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

21. Loan - Westland District Council

This loan is secured over the assets of Forever Beech Limited and ranked pari passu with the interests of the West Coast Development Trust. This loan is subject to an interest rate of 1% per annum. The date of maturity is 26 May 2005.

22. Additional Disclosures

| | 2004 \$ | 2003 \$ |
|--|----------------------|----------------------|
| i) Restricted Capital | | |
| <i>The Initial Capital, as reduced from time to time by Distributions made under Clause 11.1 of the Trust Deed.</i> | | |
| Balance at 1 April 2003 | 79,324,973 | 92,000,000 |
| Movements in Current Year | | |
| Less Transfer to Investment Fluctuation Reserve | 0 | 10,000,000 |
| Less Distribution Fund Drawdown | 0 | 2,675,027 |
| Balance as at 31 March 2004 | \$79,324,973 | \$79,324,973 |
| ii) Distribution Fund | | |
| <i>The Income and the amount of Restricted Capital available for distribution, in accordance with Clause 11 of the Trust Deed.</i> | | |
| Balance at 1 April 2003 | 14,586,893 | 7,846,668 |
| Net Surplus for Year | 3,858,306 | 4,065,198 |
| Transferred from Initial Capital | 0 | 2,675,027 |
| Balance as at 31 March 2004 | \$18,445,199 | \$14,586,893 |
| iii) Investment Fund | | |
| <i>The Property that is from time to time held by Trustees on the trusts of this Deed, except for Distribution Assets.</i> | | |
| Balance as at 31 March 2004 | \$100,626,805 | \$100,608,973 |
| iv) Distribution Assets | | |
| <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> | | |
| Balance as at 31 March 2004 | \$7,143,367 | \$3,302,893 |



Sustainable logging of beech forest



Beech Flooring
*Photos courtesy of
Timberlands West Coast Ltd.*



THE WEST COAST
DEVELOPMENT TRUST

1st Floor, 112 Mackay Street,
PO BOX 451,
Greymouth,
New Zealand

Ph: 03 768 0140

Fax: 03 768 0150

Email: trust@wcdt.org.nz

www.wcdt.org.nz