

Consolidated Statement of Comprehensive Revenue and Expenses

Port Nicholson Block Settlement Trust

For the year ended 31 March 2018

	Note	Group 31 March 2018 \$	Group 31 March 2017 \$	Parent 31 March 2018 \$	Parent 31 March 2017 \$
Revenue from non-exchange transactions					
Koha received		8,234	-	1,310	-
Total revenue from non-exchange transactions		8,234	-	1,310	-
Revenue from exchange transactions					
Rent received from properties owned		476,871	492,684	-	-
Lease revenue Rymans agreement		100,000	66,667	-	-
Cost recovery - Shelly Bay		-	15,000	-	-
Other revenue	9	1,019,128	262,216	1,015,688	262,216
Fair value adjustment - investment properties	14	3,960,188	-	105,000	-
Interest received from funds on call	8	55,404	51,109	34,894	47,624
Sale of development property		3,000,000	3,589,565	-	-
Total revenue from exchange transactions		8,611,591	4,477,241	1,155,582	309,840
Expenses					
Costs of running the office	10	1,156,175	1,664,689	849,518	1,220,133
Increase in provision for impairment		-	-	-	126,024
Deferred selection property expenses		-	33,557	-	-
Depreciation		24,460	35,446	-	-
Maintenance cost for the properties owned	7	170,051	210,151	19,424	-
Interest expense		56,600	18,779	-	176
Loss on investment properties		1,558,776	-	-	-
Cost of development property sold	15	2,079,414	3,289,967	-	12,778
Total expenses		5,045,476	5,252,590	868,942	1,359,111
Total surplus/(deficit) for the year before taxation		3,574,349	(775,348)	287,950	(1,049,270)
Taxation expense		-	-	-	-
Total after taxation		3,574,349	(775,348)	287,950	(1,049,270)
Other comprehensive revenue and expenses		-	-	-	-
Total comprehensive revenue and expenses		-	-	-	-
Total comprehensive revenue and expenses for the year		3,574,349	(775,348)	287,950	(1,049,270)

This financial statement should be read in conjunction with the notes to the financial statements.



Consolidated Statement of Changes in Net Assets
Port Nicholson Block Settlement Trust
For the year ended 31 March 2018

Group	Note	Accumulated comprehensive revenue and expense	Total equity
		\$	\$
Opening balance 1 April 2017		15,121,966	15,121,966
Surplus for the year		3,574,349	3,574,349
Other comprehensive revenue		-	-
Closing equity 31 March 2018		18,696,315	18,696,315
Opening balance 1 April 2016		15,897,314	15,897,314
Loss for the year		(775,348)	(775,348)
Other comprehensive revenue		-	-
Closing equity 31 March 2017		15,121,966	15,121,966

Parent		Accumulated comprehensive revenue and expense	Total equity
		\$	\$
Opening balance 1 April 2017		14,172,562	14,172,562
Surplus for the year		287,950	287,950
Other comprehensive revenue		-	-
Closing equity 31 March 2018		14,460,512	14,460,512
Opening balance 1 April 2016		15,221,832	15,221,832
Loss for the year		(1,049,270)	(1,049,270)
Other comprehensive revenue		-	-
Closing equity 31 March 2017		14,172,562	14,172,562

This financial statement should be read in conjunction with the notes to the financial statements.




Consolidated Statement of Financial Position
Port Nicholson Block Settlement Trust
As at 31 March 2018

	Note	Group 31 March 2018 \$	Group 31 March 2017 \$	Parent 31 March 2018 \$	Parent 31 March 2017 \$
Current assets					
Cash and cash equivalents	12	2,354,767	1,643,434	1,176,285	1,577,374
Receivables from exchange transactions	18	1,108,478	239,120	108,058	238,139
Deposits from sales held on Trust account	18	306,256	215,675	-	-
Inter-entity advances	18	-	-	13,626,384	11,620,672
Prepayments		-	8,950	-	8,950
Development property	15	2,152,942	3,261,312	-	-
Goods and services tax receivable		71,717	-	9,224	108,330
Income tax refund due	11	12,493	41,742	6,206	39,566
		6,006,653	5,410,233	14,926,157	13,593,030
Non-current assets					
Investment properties	14	13,913,756	14,665,000	540,000	2,005,000
Property, plant and equipment	13	171,779	191,721	-	-
Non-trade receivables	18	1,152,656	-	-	-
		15,238,191	14,856,721	540,000	2,005,000
Total assets		21,244,844	20,266,955	15,466,157	15,598,030
Current liabilities					
Trade and other creditors	18	345,234	2,220,840	47,036	159,725
Goods and services tax payable		-	397,279	-	-
PNBC Limited	18	-	-	365,717	365,717
PNBST Investments Limited Partnership	18	-	-	483,635	483,635
Advance to Ryman Healthcare	18	693,504	796,944	-	-
Nomination income received in advance		-	171,500	-	171,500
Loan due to ASB	18	1,100,000	1,100,000	-	-
Deposits held on Trust account	18	300,518	213,518	-	-
Grant money received but not yet spent	18	109,273	244,907	109,257	244,891
		2,548,529	5,144,988	1,005,645	1,425,468
Total liabilities		2,548,529	5,144,988	1,005,645	1,425,468
Net assets		18,696,315	15,121,966	14,460,512	14,172,562
Equity					
Accumulated comprehensive revenue and expense		18,696,315	15,121,966	14,460,512	14,172,562
Total equity		18,696,315	15,121,966	14,460,512	14,172,562

Signed for and on behalf of the Board of Trustees who authorised these financial statements for issue on 30 August 2018:

Trustee  Wayne Mulligan (Chair)

Trustee  John Coffey

This financial statement should be read in conjunction with the notes to the financial statements.



Consolidated Statement of Cash Flows
Port Nicholson Block Settlement Trust
For the year ended 31 March 2018

Note	Group 31 March 2018 \$	Group 31 March 2017 \$	Parent 31 March 2018 \$	Parent 31 March 2017 \$
Cash flows from operating activities				
<i>Receipts</i>				
Receipts from other grants	-	397,827	-	397,827
Receipts from non-exchange transactions	8,234	-	1,310	-
Receipts from exchange transactions	2,904,160	4,985,902	998,409	182,812
Income tax receipts	29,249	-	33,360	-
Interest received	55,404	48,952	34,894	47,624
	<u>2,997,047</u>	<u>5,432,681</u>	<u>1,067,973</u>	<u>628,263</u>
<i>Payments</i>				
Payments to suppliers	4,224,596	6,604,064	1,033,350	1,332,545
Interest paid	56,600	18,779	-	176
	<u>4,281,196</u>	<u>6,622,843</u>	<u>1,033,350</u>	<u>1,332,721</u>
Net cash flows from operating activities	(1,284,149)	(1,190,162)	34,623	(704,458)
Cash flows from investing activities				
<i>Receipts</i>				
Sale of property, plant and equipment	2,406	-	-	-
Sale of investment property	2,000,000	-	-	-
Net funds received from related parties	-	-	-	664,368
	<u>2,002,406</u>	<u>-</u>	<u>-</u>	<u>664,368</u>
<i>Payments</i>				
Purchases of property, plant and equipment	6,924	3,765	-	-
Net funds received from related parties	-	-	435,712	-
	<u>6,924</u>	<u>3,765</u>	<u>435,712</u>	<u>-</u>
Net cash flows from investing activities	1,995,482	(3,765)	(435,712)	664,368
Cash flows from financing activities				
<i>Receipts</i>				
Proceeds from borrowings	-	1,100,000	-	-
	<u>-</u>	<u>1,100,000</u>	<u>-</u>	<u>-</u>
<i>Payments</i>				
Repayment of borrowings	-	-	-	72,947
	<u>-</u>	<u>-</u>	<u>-</u>	<u>72,947</u>
Net cash flows from financing activities	-	1,100,000	-	(72,947)
Net increase/(decrease) in cash and cash equivalents	711,333	(93,927)	(401,089)	(113,037)
Cash and cash equivalents at 1 April	1,643,434	1,737,361	1,577,374	1,690,411
Cash and cash equivalents at 31 March	<u>2,354,767</u>	<u>1,643,434</u>	<u>1,176,285</u>	<u>1,577,374</u>

This financial statement should be read in conjunction with the notes to the financial statements.



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2018

1) Reporting entity

The reporting entity is Port Nicholson Block Settlement Trust (the "Trust"). The Trust is domiciled in New Zealand and was established as the Post Settlement Governance Entity (PSGE) to receive the settlement redress from the Crown as part of the historical claim made under the Treaty of Waitangi. The financial statements comprising of the Trust and its controlled entities (together the "Group"):

Shelly Bay Limited
The Lodge at Shelly Bay Limited
Taranaki Whanui Limited (previously Port Nicholson Block Management Limited)
TWL Management Limited
TWL Trust Limited
Muritai Project Limited Partnership
RFR Projects Limited Partnership
RFR General Partner Limited
Lowry Bay Section One Limited
Port Nicholson Block Properties Limited
Education PNBST Limited
Tramways Limited
Whites Line East Limited
PNBST Investments Ltd Partnership
SBL Management Limited
Tai-Kuru Limited Partnership
Tai-Kuru Trust Limited

All subsidiaries have a reporting date of 31 March 2018.

These Group financial statements and the accompanying notes summarise the financial results of activities carried out by the Group. The Group represents the descendants of Taranaki, Te Atiawa, Ngati Ruanui and Ngati Tama whose Tupuna were residents in Wellington in 1840, collectively known as Taranaki Whanui ki Te Ika. The Trust, established by the Port Nicholson Block Settlement Trust Deed dated 11 August 2008, receives the settlement package relating to historical Treaty of Waitangi Claims. The Crown and Port Nicholson Block Settlement Trust signed a Deed of Settlement in Wellington on 19th August 2008. The Trust and all entities within the Group have elected to be Maori authorities under the Income Tax Act 2007 on the basis they received and manage the settlement package received from the Crown.

During the 2017/2018 year, the Group undertook a rationalisation of its trading activities, most operations are now performed under the banner of Taranaki Whanui Limited whilst the daily administration and governance is performed by the Trust, which collects the income and pays the expenses on behalf of the other entities within the Group.

These consolidated financial statements have been approved and were authorised for issue by the Board of Trustees on 30 August 2018.

2) Statement of compliance

The Group financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with Public Benefit Entity International Public Sector Accounting Standards ("PBE IPSAS") and other applicable financial reporting standards as appropriate that have been authorised for use by the External Reporting Board for Not-For-Profit entities. For the purposes of complying with NZ GAAP, the Group is a public benefit not-for-profit entity and is eligible to apply Tier 2 Not-For-Profit PBE IPSAS on the basis that it does not have public accountability and it is not defined as large.

The Board of Trustees has elected to report in accordance with Tier 2 Not-For-Profit PBE Accounting Standards and in doing so has taken advantage of all applicable Reduced Disclosure Regime ("RDR") disclosure concessions.



3) Statement of accounting policies

The significant accounting policies used in the preparation of these financial statements as set out below have been applied consistently to both years presented in these financial statements except where explicitly noted.

3.1 Basis of measurement

These consolidated financial statements have been prepared on the basis of historical cost with the exception of investment properties which have been measured at fair value.

3.2 Functional and presentational currency

The consolidated financial statements are presented in New Zealand dollars (\$), which is the Group's functional currency. All financial information presented in New Zealand dollars has been rounded to the nearest dollar.

3.3 Basis of consolidation

Controlled entities are all those entities over which the controlling entity has the power to govern the financial and operating policies so as to benefit from its activities. The controlled entities are consolidated from the date on which control is transferred and are de-consolidated from the date that control ceases. In preparing the consolidated financial statements, all inter entity balances and transactions, and unrealised gains and losses arising within the consolidated entity are eliminated in full. The accounting policies of the controlled entity are consistent with the policies adopted by the Group and have a 31 March reporting date.

3.4 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Revenue from exchange transactions

Rendering of Services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the reporting date. The Group considers revenue from project management, grants for services, memorandum of understanding and other similar revenue streams as rendering of services as they are considered exchange transactions by the Group and represent services provided by the Group to external parties.

Interest

Interest revenue is recognised as the interest accrues (using the effective interest method).

Rental income

Income from the rental of property is recognised within surplus and deficit in the Statement of Comprehensive Revenue and Expense on a straight line basis over the term of the lease.

Sale of Property

Revenue from the sale of property is recognised within surplus and deficit in the Statement of Comprehensive Revenue and Expense when the sale takes place.

Other Revenue

Other revenue is recognised on an accruals basis.

Revenue from non-exchange transactions

Koha

Koha is recognised within surplus and deficit in the Statement of Comprehensive Revenue and Expense when receipted.



Consolidated Notes to the financial statements
Port Nicholson Block Settlement Trust
For the year ended 31 March 2018

3.5 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

The Group derecognises a financial asset or, where applicable, a part of a financial asset or part of a group of similar financial assets when the rights to receive cash flows from the asset have expired or are waived, or the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either:

- (a) the Group has transferred substantially all the risks and rewards of the asset; or
- (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Financial Assets

Financial assets within the scope of NFP PBE IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets. The classifications of the financial assets are determined at initial recognition.

The categorisation determines subsequent measurement and whether any resulting revenue and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses. The Group's financial assets are classified as loans and receivables. The Group's financial assets include: cash and cash equivalents, deposits from sales, investments, receivables from non-exchange transactions and receivables from exchange transactions.

All financial assets are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is any objective evidence that a financial asset or group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. The Group's cash and cash equivalents, receivables from non-exchange transactions and receivables from exchange transactions fall into this category of financial instruments.

Impairment of financial assets

The Group assesses at the end of reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

For financial assets carried at amortised cost, if there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in the surplus or deficit for the reporting period.



Consolidated Notes to the financial statements
Port Nicholson Block Settlement Trust
For the year ended 31 March 2018

In determining whether there is any objective evidence of impairment, the Group first assesses whether there is objective evidence of impairment of financial assets that are individually significant, and individually or collectively significant for financial assets that are not individually significant. If the Group determines that there is no objective evidence of impairment for an individually assessed financial asset, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment for impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. If the reversal results in the carrying amount exceeding its amortised cost, the amount of the reversal is recognised in surplus or deficit.

Financial liabilities

The Group's financial liabilities include trade and other creditors (excluding GST and PAYE), employee entitlements, loans and borrowings and deferred revenue (in respect to grants whose conditions are yet to be complied with).

All financial liabilities are initially recognised at fair value (plus transaction cost for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

3.6 Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash which are subject to an insignificant risk of changes in value.

3.7 Property, plant and equipment

Depreciation is charged on a straight line basis over the useful life of the asset. Depreciation is charged at rates calculated to allocate the cost or valuation of the asset less any estimated residual value over its remaining useful life:

Land	0% SL
Office equipment	8% - 67% SL
Tramways Building: fitout at cost	7%-13.5% SL
Furniture and fittings	6% - 10.5% SL
The Officers Mess: leasehold improvements	7% SL
The Officers Mess level 1: fit out costs	8.5% - 17.5% SL
Corporals Club: leasehold improvements	3% SL
Base Commander residence	7% - 8.5% SL
Seminar facility	7% SL
LBSO: leasehold improvements	7% SL

Depreciation methods, useful lives and residual values are reviewed at each reporting date and are adjusted if there is a change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset.

Heritage assets with no future economic benefit or service potential other than heritage value are not recognised in the Statement of Financial Position.

3.8 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, for supply of goods or services or for administrative purposes. Investment properties are measured initially at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value with any change recognised in the reported surplus or deficit in accordance with PBE IPSAS 16.



3.9 Leases

Payments on operating lease agreements, where the lessor retains substantially the risk and rewards of ownership of an asset, are recognised as an expense on a straight-line basis over the lease term.

3.10 Employee benefits

Wages, salaries and annual leave

Liabilities for wages and salaries and annual leave are recognised in surplus or deficit during the period in which the employee provided the related services. Liabilities for the associated benefits are measured at the amounts expected to be paid when the liabilities are settled.

3.11 Income Tax

Current Income Tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Income Tax

Deferred tax is provided for using the liability method on temporary tax differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred income tax liabilities are recognised for all taxable temporary differences except:

- When the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting surplus or deficit nor taxable surplus or deficit.
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable surplus will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except:

- When the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting surplus or deficit nor taxable surplus or deficit.
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable surplus will be available against which the temporary differences can be utilised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable surplus will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.



Consolidated Notes to the financial statements
Port Nicholson Block Settlement Trust
For the year ended 31 March 2018

3.12 Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except for receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a net basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Inland Revenue Department is classified as part of operating cash flows.

3.13 Equity

Equity is the net assets of the Group, measured as the difference between total assets and total liabilities. Equity is made up of the following components:

Accumulated comprehensive revenue and expense

Accumulated comprehensive revenue and expense is the Group's accumulated surplus or deficit since its formation, adjusted for transfers to/from specific reserves.

3.14 Development properties

Development property is specifically held to be developed and subsequently sold as part of the ordinary course of business for the Group. It is measured at cost and recorded on the Statement of Financial Position until such time that development is completed, after which it will be recorded through the Statement of Comprehensive Revenue and Expenses. It is classified as a current asset as they are expected to be sold within one year.

4) Changes in accounting policy

Management have voluntarily changed the basis for measuring investment properties to a fair value model as it provides a more relevant basis of valuation for these assets held by the Group. This policy has been applied prospectively from 1 April 2017 as it has been considered impracticable to historically apply the policy to previous years as data was not captured that allows the identification of the specific prior period and cumulative affects upon these assets without significant estimates and the benefit of hindsight. The impact of applying this policy to the 2018 year sees an increase of \$3,960,188 to net assets attributable to the fair value movement of investment properties, and an increase in the surplus and deficit of \$3,960,188 which is disclosed in Note 14. All other accounting policies are consistently applied to all periods presented in these financial statements.

5) Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Judgements

In the process of applying the Group's accounting policies, management have made the following significant judgements.

Management have recognised revenue in relation to the part sale of Shelly Bay that has arisen from entering a profit share agreement with the purchaser of the property over the next 10 years. The profit share agreement stipulates that the minimum receivable amount the Group will receive within 10 years from this arrangement is \$1,500,000. Accordingly, Management have recorded this income as further consideration for the sale of the property and applied a discount rate to record the equivalent present value (\$1,152,656) of this amount as income in the current year. This has been reflected in the Statement of Comprehensive Revenue and Expenses through a reduction of the loss on investment properties.

Management have used judgement in classifying investment and development property within the Group. This has been based on current use, and intention in relation to the future use of property. This assessment could be subject to change depending on market conditions or other changes that may or may not be within the Group's control.



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2018

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives and residual values

The useful lives and residual values of assets are assessed using the following indicators to determine potential future use and value from disposal:

- (a) The condition of the asset
- (b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes
- (c) The nature of the processes in which the asset is deployed
- (d) Availability of funding to replace the asset
- (e) Changes in the market in relation to the asset

The estimated useful lives of the asset classes held by the Group are listed in Note 3.7.



Consolidated Notes to the financial statements
Port Nicholson Block Settlement Trust
For the year ended 31 March 2018

6) Group information Subsidiaries

The consolidated financial statements of the Group include the following wholly-owned subsidiaries.

Name of subsidiary	Principal activities	Country incorporated
Shelly Bay Limited	Commercial Rental	NZ
The Lodge at Shelly Bay Limited	Commercial Rental	NZ
Taranaki Whanui Limited	Operations Management	NZ
TWL Management Limited	Operations Management	NZ
TWL Trust Limited	Operations Management	NZ
Muritai Project Limited	Project	NZ
Partnership	Management	NZ
RFR Projects Limited	Project	NZ
Partnership	Management	NZ
RFR General Partner Limited	Project Management	NZ
Lowry Bay Section One Limited	Commercial Rental	NZ
Port Nicholson Block Properties Limited	Commercial Rental	NZ
Education PNBST Limited	Project Management	NZ
Tramways Limited	Shelf Company	NZ
Whites Line East Limited	Shelf Company	NZ
PNBST Investments Limited	Commercial	NZ
Partnership	Rental	NZ
SBL Management Limited	Shelf Company	NZ
Tai-Kuru Limited Partnership	Shelf Company	NZ
Tai-Kuru Trust Limited	Shelf Company	NZ

The reporting date of the Trust and all subsidiaries is 31 March.

There are no significant restrictions on the ability of the subsidiaries to transfer funds to the Parent Trust in the form of cash distributions or to repay loans or advances.



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2018

	Group 31 March 2018 \$	Group 31 March 2017 \$	Parent 31 March 2018 \$	Parent 31 March 2017 \$
7) Maintenance costs for properties owned				
Building WOF	539	1,359	-	-
Cleaning and Pest Control	-	7,226	-	-
Consultancy Fees	-	47,127	-	-
Electricity	13,711	10,286	2,632	-
Fire Monitoring	3,047	3,788	-	-
General	-	10,278	-	-
Grounds Maintenance	3,394	6,869	-	-
Health & Safety	1,552	2,304	1,552	-
Heating Ventilation/Air Conditioning	-	2,624	-	-
Insurance	58,465	30,370	11,704	-
Lift Maintenance	-	7,347	-	-
Property Management Fees	993	140	993	-
Rates	38,148	37,744	1,787	-
Repairs & Maintenance	36,375	21,809	756	-
Security	4,928	2,976	-	-
Water Rates	8,899	14,953	-	-
Valuation Fees	-	2,950	-	-
Total Rental Costs	170,051	210,151	19,424	-
8) Interest received from funds on call				
KiwiBank Interest	34,796	1,627	34,796	1,554
Other Interest	98	89	98	87
Interest on Property Transactions	20,510	3,411	-	-
Interest on Term Deposits	-	45,983	-	45,983
Total interest received from funds on call	55,404	51,109	34,894	47,624
9) Other revenue				
Other Income (Incl. Project Management Fees)	26,078	73,597	26,078	73,597
Grant income	155,347	-	155,347	-
Memorandum of Understanding	261,100	103,000	261,100	103,000
Other Income - historical adjustment	-	85,620	-	85,620
Nomination Fees	171,500	-	171,500	-
Income from Voluntary Disclosure	401,663	-	401,663	-
Other revenue - Rymans	3,440	-	-	-
Total other revenue	1,019,128	262,216	1,015,688	262,216



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2018

	Group 31 March 2018 \$	Group 31 March 2017 \$	Parent 31 March 2018 \$	Parent 31 March 2017 \$
10) Costs of running the office				
Accountancy Fees - Annual & Periodic Work	118,109	82,711	101,827	67,450
ACC Levies	1,821	1,171	1,720	1,171
Annual General Meeting / Election Costs	28,027	74,693	28,027	74,693
Hui & SGM Costs	481	10,701	429	8,444
Audit Fees	26,278	52,593	26,278	50,093
Bad debts / Doubtful debts	-	154,902	-	-
Bank Charges	387	417	221	297
Catering	446	1,658	419	1,627
Change Manager	167,022	-	167,022	-
Cleaning	9,646	7,162	3,994	7,162
Commercial Advisor	96,800	-	-	-
Computer Expenses	11,867	13,900	11,867	13,900
Consultancy Fees	13,066	34,674	5,360	27,500
Consultancy Fees - Accounting & Tax	-	25,555	-	25,555
Copying & Printing	5,566	-	5,566	-
Cultural Services	14,086	13,812	14,086	13,812
Direct Matiu Island expenses	90,344	-	90,344	-
Directors Fees	55,000	39,729	-	-
Employment Costs	-	8,811	-	8,811
Entertainment	702	447	702	447
Events	566	-	566	-
File storage & destruction	1,703	-	1,703	-
General Expenses	13,182	12,681	11,054	12,681
Health & Safety	-	287	-	287
HR Consultancy	-	1,749	-	1,749
Insurance	-	15,293	-	10,800
KiwiSaver Contributions	4,831	15,712	4,554	15,712
Koha	-	221	-	221
Legal Fees	35,092	219,793	12,267	100,368
Office Expenses	2,458	14,859	2,458	14,859
Penalties - IRD	-	1,263	-	1,225
PR Consultant	-	7,807	-	7,807
Parking & Motor Vehicle expenses	-	224	-	224
Postage	3,072	2,389	3,072	2,389
Photocopying, Printing & Stationery	-	7,990	-	7,990
Rent, Rates & Power	-	6,409	-	6,409
Repairs & Maintenance	-	942	-	942
Sale & Leaseback	10,800	27,900	10,800	27,900
Security	-	145	-	145
Software	120	-	120	-
Staff Expenses	258	1,862	258	1,862
Staff training	669	-	669	-
Stationery	2,308	-	2,308	-
Sub-contractor	41,181	-	-	-
Sub-committee Expenses	87	-	87	-
Subscriptions	11,121	-	11,121	-
Telephone & Tolls	13,654	17,589	11,494	17,589
Travel & Accommodation	4,935	41,573	2,830	40,984
Trustees' Fees	53,250	122,500	53,250	122,500
Trustee Expenses	3,024	1,694	3,024	1,694
Valuation Fees	11,130	1,650	-	1,650
Waitangi Day Events	-	4,840	-	4,840
Wages, Salaries & Project Management	306,102	614,387	263,079	516,349
Website	2,010	-	1,968	-
Prior period adjustment	(5,024)	-	(5,024)	-
Total costs of running the office	1,156,175	1,664,689	849,518	1,220,133



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2018

	Group 31 March 2018 \$	Group 31 March 2017 \$	Parent 31 March 2018 \$	Parent 31 March 2017 \$
11) Taxation				
Net surplus (deficit) as per Financial Statements	3,574,349	(775,348)	287,950	(1,049,270)
<i>Timing differences</i>				
Add Back - Closing Balance Audit Accrual as at 31 March	40,000	36,500	40,000	36,500
Less: Opening balance Audit Accrual as at 1 April	(36,500)	(36,500)	(36,500)	(36,500)
Total Timing Differences	3,500	-	3,500	-
<i>Permanent differences</i>				
Fair value adjustment - investment properties	(3,960,188)	-	(105,000)	-
Deduct - Accounting profit from PNBST Investmt Pship	-	(66,667)	-	-
Non Deductible Entertainment	702	-	702	-
Non Deductible Legal	7,035	180,365	4,401	124,574
Historical Adjustment	-	(85,620)	-	(85,620)
Total Permanent Differences	(3,952,451)	28,078	(99,897)	38,954
Net Surplus (Deficit) as per Tax Return	(374,602)	(747,270)	191,553	(1,010,316)
Tax Losses Brought Forward	(9,258,744)	(8,511,474)	(5,281,245)	(4,270,929)
Net Tax Losses to carry forward	(9,633,346)	(9,258,744)	(5,089,692)	(5,281,245)
Taxation Expense	-	-	-	-
Opening Tax Balance	41,742	32,795	39,566	31,247
Tax Refunds Received	(39,510)	(518)	(39,510)	-
RWT Paid	10,200	9,465	6,089	8,319
Use of money interest received	61	-	61	-
Taxation Refund Due	12,493	41,742	6,206	39,566

Tax losses amounting to \$5,089,692 (2017: \$5,281,245) are to be carried forward to be offset against future taxable income by the Parent. The Group has \$9,633,346 (2017: \$9,258,744) of tax losses to be carried forward.

A deferred tax asset may be recognised by the Group and Parent for the carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses will be utilised. Due to net losses incurred during the preceeding periods and uncertainty of future results the Group and Parent have not recognised a deferred tax asset in relation to unused tax losses.

Reconciliation of net surplus (deficit) to taxation expense

Net surplus (deficit) per financial statements	3,574,349	(775,348)	287,950	(1,049,270)
Tax expense (17.5%)	625,511	(135,686)	50,391	(183,622)
Plus: deferred tax asset not recognised on temporary differences	613	-	613	-
Less: deferred tax asset not recognised on permanent differences	(691,679)	4,914	(17,482)	6,817
Plus: deferred tax asset not recognised on tax losses	65,555	130,772	-	176,805
Less: utilisation of previously unrecognised tax losses	-	-	(33,522)	-
Taxation expense	-	-	-	-



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2018

	Group 31 March 2018 \$	Group 31 March 2017 \$	Parent 31 March 2018 \$	Parent 31 March 2017 \$
12) Cash and cash equivalents				
Cash and cash equivalents include the following components:				
Kiwibank Bank Accounts	120,521	29,298	96,736	24,461
Kiwibank Investment Accounts	1,079,549	1,552,913	1,079,549	1,552,913
ASB Bank Accounts	60,627	61,223	-	-
BNZ Bank Accounts	48,257	-	-	-
Brookfield Trust Account	1,045,813	-	-	-
Total cash and cash equivalents	2,354,767	1,643,434	1,176,285	1,577,374



Consolidated Notes to the financial statements
Port Nicholson Block Settlement Trust
For the year ended 31 March 2018

13) Property, Plant and Equipment

Group								
31 March 2018	Office Equipment	Furniture and Fittings	Leasehold Imp.	Fit Out costs	Corporals Club	Commander Residence	Seminar Facility	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Cost/Valuation	84,909	43,584	172,022	19,085	26,281	10,225	21,484	377,588
Accum. Depn	(82,228)	(22,693)	(58,712)	(19,085)	(5,756)	(8,637)	(8,699)	(205,810)
Net book value	2,681	20,891	113,309	-	20,525	1,587	12,784	171,779
31 March 2017								
Cost	102,966	55,086	172,022	19,085	26,281	10,225	21,483	407,147
Accum. Depn	(95,675)	(34,005)	(46,214)	(19,085)	(4,967)	(8,284)	(7,195)	(215,426)
Net book value	7,291	21,080	125,808	-	21,314	1,941	14,288	191,722
1 April 2016								
Cost	101,922	55,086	169,300	19,085	26,281	10,225	21,483	403,382
Accum. Depn	(81,717)	(29,274)	(33,780)	(17,573)	(4,179)	(7,766)	(5,691)	(179,980)
Net book value	20,205	25,811	135,519	1,512	22,102	2,459	15,792	223,402

Reconciliation of the carrying amount at the beginning and end of the period:

31 March 2018	Office Equipment	Furniture and Fittings	Leasehold Imp.	Fit Out costs	Corporals Club	Commander Residence	Seminar Facility	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	7,291	21,080	125,808	-	21,313	1,941	14,289	191,721
Additions	-	6,925	-	-	-	-	-	6,925
Disposals	(188)	(2,218)	-	-	-	-	-	(2,406)
Depreciation	(4,421)	(4,896)	(12,499)	-	(788)	(354)	(1,504)	(24,462)
Closing	2,681	20,891	113,309	-	20,525	1,587	12,784	171,779
31 March 2017								
Opening balance	20,205	25,811	135,520	1,512	22,102	2,459	15,792	223,402
Additions	1,044	-	2,722	-	-	-	-	3,766
Disposals	-	-	-	-	-	-	-	-
Depreciation	(13,959)	(4,732)	(12,434)	(1,512)	(788)	(518)	(1,504)	(35,446)
Closing	7,291	21,080	125,808	-	21,313	1,941	14,289	191,722



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2018

14) Investment properties

	Group 31 March 2018 \$	Group 31 March 2017 \$	Parent 31 March 2018 \$	Parent 31 March 2017 \$
1 - 3 Thorndon Quay, Wellington	2,000,000	1,570,000	-	1,570,000
Whites Line East, Waiwhetu	540,000	435,000	540,000	435,000
Shelly Bay Road	6,033,756	9,850,000	-	-
Wainuiomata College	2,400,000	1,160,000	-	-
Wainuiomata Intermediate	2,460,000	1,270,000	-	-
Petone College	480,000	380,000	-	-
	13,913,756	14,665,000	540,000	2,005,000

Group							
31 March 2018	1 - 3 Thorndon Quay \$	Whites Line East Waiwhetu \$	Shelly Bay Road \$	Wainui. College \$	Wainui. Intermediate \$	Petone College \$	Total \$
Cost/Valuation	2,000,000	540,000	6,033,756	2,400,000	2,460,000	480,000	13,913,756
Accum. Depn	-	-	-	-	-	-	-
Net book value	2,000,000	540,000	6,033,756	2,400,000	2,460,000	480,000	13,913,756
31 March 2017							
Cost/Valuation	1,570,000	435,000	9,850,000	1,160,000	1,270,000	380,000	14,665,000
Accum. Depn	-	-	-	-	-	-	-
Net book value	1,570,000	435,000	9,850,000	1,160,000	1,270,000	380,000	14,665,000

Reconciliation of the carrying amount at the beginning and end of the period:

31 March 2018	1 - 3 Thorndon Quay \$	Whites Line East Waiwhetu \$	Shelly Bay Road \$	Wainui. College \$	Wainui. Intermediate \$	Petone College \$	Total \$
Opening balance	1,570,000	435,000	9,850,000	1,160,000	1,270,000	380,000	14,665,000
Fair value adjustment	430,000	105,000	895,188	1,240,000	1,190,000	100,000	3,960,188
Disposal	-	-	(4,711,432)	-	-	-	(4,711,432)
Closing	2,000,000	540,000	6,033,756	2,400,000	2,460,000	480,000	13,913,756
31 March 2017							
Opening balance	1,570,000	435,000	9,850,000	1,160,000	1,270,000	380,000	14,665,000
Net movements	-	-	-	-	-	-	-
Closing	1,570,000	435,000	9,850,000	1,160,000	1,270,000	380,000	14,665,000

The investment properties are currently being held for either rental or capital appreciation. Management have decided to voluntarily change the valuation basis for investment properties from historical cost to a fair value model to provide more reliable and relevant information. The methods applied in determining fair values include reviewing relevant lease documentation, rates information, recent market evidence and valuations prepared by registered valuers.



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2018

14) Investment properties (Continued)

Shelly Bay

Shelly Bay Road has been valued using a hypothetical subdivision as at 6 August 2018 by Chris Barnsley (ANZIV, SPINZ) of Telfer Young. The significant assumption in the valuation is an estimation of the gross realisation of residential units plus other commercial properties on the basis of the Special Housing Area being granted.

1 - 3 Thorndon Quay

1-3 Thorndon Quay has been valued using capitalisation of rental income and discounted cash flow approaches as at 25 June 2018 by Reuben Blackwell (MPINZ) of Colliers International. The significant assumptions in the valuation are (1) a capitalisation rate of 7.66%; (2) a discount rate in the discounted cash flow approach of 9.00%; and (3) a terminal yield in the discounted cash flow approach of 8.00%.

Wainuiomata Intermediate and College

Wainuiomata Intermediate and College has been valued using hypothetical subdivision as at 20 July 2018 by Reuben Blackwell (MPINZ) of Colliers International.

Other properties

Management have determined that the ratings valuation for Whites Line East is reflective of fair value of the property at 31 March 2018. Management have also assessed the fair value of Petone College based on the residual land value in conjunction with the ratings valuation and the current lease agreement.



Consolidated Notes to the financial statements
Port Nicholson Block Settlement Trust
For the year ended 31 March 2018

14) Investment properties (Continued)

Parent			
	1 - 3 Thorndon Quav \$	Whites Line East Waiwhetu \$	Total \$
31 March 2018			
Cost/Valuation	1,570,000	435,000	2,005,000
Fair value adjustment at 31 March 2018	-	105,000	105,000
Transferred to Group during the year	(1,570,000)	-	(1,570,000)
Accum. Depn	-	-	-
Net book value	-	540,000	540,000
31 March 2017			
Cost/Valuation	1,570,000	435,000	2,005,000
Accum. Depn	-	-	-
Net book value	1,570,000	435,000	2,005,000

Reconciliation of the carrying amount at the beginning and end of the period:

	1 - 3 Thorndon Quav \$	Whites Line East Waiwhetu \$	Total \$
31 March 2018			
Opening balance	1,570,000	435,000	2,005,000
Net movements	(1,570,000)	105,000	(1,465,000)
Closing balance	-	540,000	540,000
31 March 2017			
Opening balance	1,570,000	435,000	2,005,000
Net movements	-	-	-
Closing balance	1,570,000	435,000	2,005,000

Investment Property comprises a number of commercial properties that are leased to third parties. Each of the leases contain individual non-cancellable periods of which subsequent renewals are negotiated with the lessee. No contingent rents are charged.



Consolidated Notes to the financial statements
Port Nicholson Block Settlement Trust
For the year ended 31 March 2018

15) Development properties

31 March 2018	HNZ properties \$	Muritai Rd \$	Jackson St \$	Total \$
Opening balance	-	1,209,625	2,051,687	3,261,312
Development costs capitalised	-	943,317	27,727	971,044
Cost of development property sold	-	-	(2,079,414)	(2,079,414)
Closing balance	-	2,152,942	-	2,152,942

31 March 2017	-	-	-	-
Opening balance	-	-	-	-
Purchases	3,079,413	1,075,000	2,000,000	6,154,413
Development costs capitalised	210,554	134,625	51,687	396,866
Cost of development property sold	(3,289,967)	-	-	(3,289,967)
Closing balance	-	1,209,625	2,051,687	3,261,312

Development property is measured at cost and held for sale in the ordinary course of business. The Jackson St development property was sold during the year and the development costs capitalised were transferred to the surplus and deficit. Muritai Road is pledged as security for the ASB Term Loan.

16) Heritage assets

The Group holds the following heritage assets:

Honiana Te Puni Reserve	Korokoro Gateway, local purpose reserve
Te Oruaiti	Recreational Reserve, formerly known as Point Dorset Recreation Reserve
Wi Tako Ngatata Scenic Reserve	Scenic Reserve located in Upper Hutt
Dendroglyph Site	Site of tree carvings located near freshwater lake Pencarrow
Bed of Lake Kohangapiripiri	Freshwater lake bed near Pencarrow
Esplanade Land of Kohangapiripiri	Area of land around freshwater lake near Pencarrow
Bed of Lake Kohangatera	Freshwater lake bed near Pencarrow
Esplanade Land of Kohanagatera	Area of land around freshwater lake Pencarrow
Makaro Scientific Reserve	Scientific Island Reserve (formerly Ward Island)
Matiu Island	Scientific Island Reserve (formerly Somes Island)
Mokopuna Scientific Reserve	Scientific Island Reserve (formerly Leper Island)

Heritage assets have not been included with the Statement of Financial Position as they are difficult to value. Management have determined that due to their cultural significance the value is unlikely to be fully reflected in a valuation.



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2018

17) Related party transactions

a) Parent and Ultimate controlling party of the Group is Port Nicholson Block Settlement Trust

All members of the Port Nicholson Block Settlement Trust group are related parties of the Trust. During each reporting period, the Trust has advanced loans to support its subsidiaries as required, and received loan repayments from its subsidiaries.

A net balance of \$12,777,032 (2017: \$10,771,320) is owing from the wholly-owned subsidiaries of the Trust. The terms of these advances are current, unsecured, and interest free. A significant movement in this balance occurred during the year and related to the transfer of the title of 1-3 Thorndon Quay from the Trust to a subsidiary (\$1,570,000) as disclosed in Note 14.

b) Key management personnel

The key management personnel, as defined by PBE IPSAS 20 Related Party Disclosures, are the members of the governing body which is comprised of the Board of Trustees of The Parent, and Directors of the Commercial Board of Taranaki Whanui Limited. Remuneration of key management personnel is as follows:

	Group 31 March 2018 \$	Group 31 March 2017 \$
Remuneration of Key Management Personnel (excluding trustees)		
Total Remuneration	96,000	259,517
Total Number of persons	1 FTE	2 FTE
Trustee Remuneration		
Neville McClutchie Baker	3,750	26,250
Toarangatira Pomare	3,750	11,250
Wayne Mulligan	22,083	10,083
Howard Kevin Tamati	(3,000)	9,000
Morris TeWhiti Love	3,750	9,000
Holden Hohaia	3,750	9,000
Sam Kahui	-	6,000
Kura Moeahu	-	6,000
Mark Te One	-	6,000
Te Rira Puketapu	-	6,000
Hokipera Jean Ruakere	-	6,000
Peter Jackson	6,500	4,500
Hannah Buchanan	1,417	4,417
John Coffey	3,750	3,000
Kara Puketapu-Dentice	3,750	3,000
Mahina Puketapu	3,750	3,000
	53,250	122,500

Trustees agreed not to accept fees from 17 October 2017 onward until further notice.

Directors Remuneration (for Taranaki Whanui Limited)

Toarangatira Pomare (Chairman)	15,000	15,000
Peter Allport	12,500	7,500
Jamie Tuuta	17,500	6,667
Bryan Jackson	10,000	10,562
	55,000	39,729

The 2018 Directors remuneration disclosed above included back payments to Directors of \$10,000 (Peter Allport \$2,500 and Jamie Tuuta \$7,500) for services provided in 2017 that were not previously accrued or paid for.

Other remuneration and compensation provided to key management personnel and/or close family

During the reporting period, total remuneration and compensation was provided by the Group to key management personnel or employees who are close family members of key management personnel.

Total other remuneration	-	12,570
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Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2018

18) Categories of financial assets and liabilities

The carrying amounts of financial instruments presented in the statement of financial position relate to the following categories of assets and liabilities:

	Group 31 March 2018 \$	Group 31 March 2017 \$	Parent 31 March 2018 \$	Parent 31 March 2017 \$
Financial assets				
<i>Loans and receivables</i>				
Cash and cash equivalents	2,354,767	1,643,434	1,176,285	1,577,374
Receivables from exchange transactions	1,108,478	239,120	108,058	238,139
Non-trade receivables	1,152,656	-	-	-
Deposits from sales held on Trust account	306,256	215,675	-	-
Inter-entity advances	-	-	13,626,384	11,620,672
	4,922,157	2,098,229	14,910,727	13,436,185
<i>At amortised cost</i>				
Trade and other creditors	345,234	2,220,840	47,036	159,725
Advances from related entities	-	-	849,352	849,352
Advance from Rymans	693,504	796,944	-	-
ASB loan	1,100,000	1,100,000	-	-
Deposits held on Trust account	300,518	213,518	-	-
Grant Funding in Advance	109,273	244,907	109,257	244,891
	2,548,529	4,576,209	1,005,645	1,253,968

The ASB loan is secured over the properties at 117 Muritai Road and 1-3 Thorndon Quay.

19) Capital commitments

The Group has entered into a construction contract with Friday Homes for the development of the four units at Muritai Rd to the value of \$1,134,963 (plus GST and variations). During the period ended 31 March 2018 \$891,554 (plus GST and variations) had been spent leaving an amount of \$243,409 (plus GST and variations) yet to be spent as per the contract.

20) Contingent assets and liabilities

Shelly Bay Limited (SBL) - Potential Lessor Liability

SBL is only liable for expenditures incurred and approved in accordance with the terms of the Lease, where early termination of the Lease occurs, and the amount has been approved, an amount will be payable to recompense the Lessee for new improvements that have been approved by the Lessor at the reporting date. Management estimate that the maximum liability at the reporting date is unable to be quantified at 31 March 2018. This estimate has yet to be approved in accordance with the terms of the lease.

There are no other contingent liabilities or commitments as at 31 March 2018 (2017: \$Nil).

21) Events after the reporting date

On 21 March 2018, Port Nicholson Block Settlement Trust and RFR Projects Limited Partnership signed a Deed of Nomination for the purchase of 1A Holloway Road. No transactions have been recorded in the current year as a sale and purchase agreement was not finalised and signed by the parties before the reporting date.



INDEPENDENT AUDITOR'S REPORT

To the Beneficial Owners of Port Nicholson Block Settlement Trust

Opinion

We have audited the consolidated and separate financial statements of Port Nicholson Block Settlement Trust ("the Trust") and its controlled entities (the "Group") on pages 1 to 23 which comprise the consolidated and separate statement of financial position as at 31 March 2018, and the consolidated and separate statement of comprehensive revenue and expense, consolidated and separate statement of changes in net assets/equity and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Trust and Group as at 31 March 2018, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements* section of our report. We are independent of the Trust in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Port Nicholson Block Settlement Trust or any of its controlled entities.

Information Other Than the Consolidated and Separate Financial Statements and Auditor's Report

The Trustees are responsible for the other information. Our opinion on the consolidated and separate financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.

In connection with our audit of the consolidated and separate financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially

misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditors' report, we concluded that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Trustees for the Consolidated and Separate Financial Statements

The Trustees are responsible on behalf of the entity for the preparation and fair presentation of the consolidated and separate financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board, and for such internal control as the Trustees determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the Trustees are responsible for assessing the Trust's and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Trust and Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial

statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust and Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Matter

The consolidated and separate financial statements of the Trust and Group for the year ended 31 March 2017 were audited by another auditor who expressed an unmodified opinion on those consolidated and separate financial statements on 8 August 2017.

The engagement partner on the audit resulting in this independent auditor's report is Les Foy.

For and on behalf of:



Crowe Horwath New Zealand Audit Partnership
CHARTERED ACCOUNTANTS
30 August 2018