

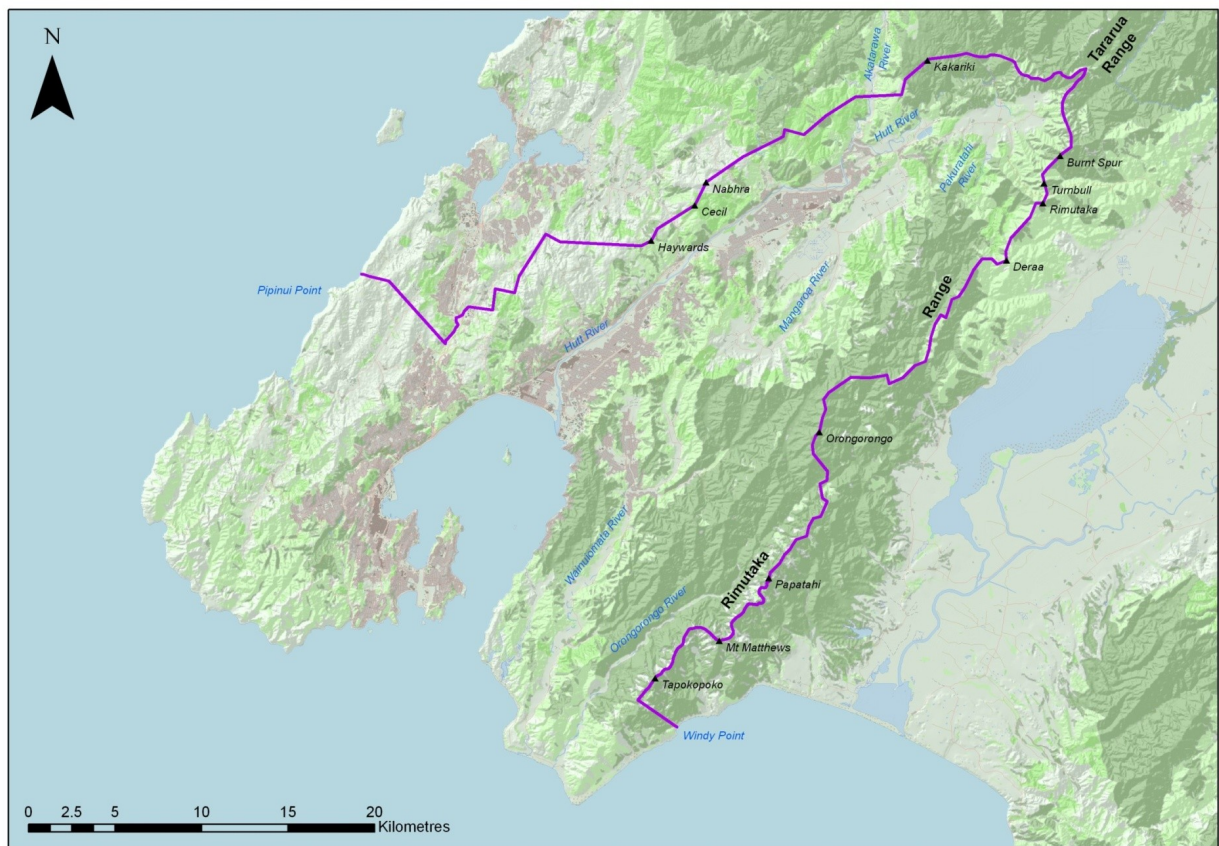
Annual Report

March 31, 2010



PORT NICHOLSON BLOCK
SETTLEMENT TRUST

Port Nicholson Block Rohe





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Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Port Nicholson Block Settlement Trust will be held on **Saturday, August 28, 2010.**

The AGM will be held at Pipitea Marae, 55 Thorndon Quay, Wellington with a start time of 10.00am.

Registration desks will be open from 8.30am and lunch will be available at the conclusion of the meeting.

Preliminary Agenda

1. Apologies (to be given at registration desk)
2. Chairman's Report
3. Financial Report
4. Appointment of Auditor
5. Presentation of Annual Plan
6. Trustee Remuneration
7. Election of Trustees
8. General Business



Sir Ngatata Love
Chairman

Trustees



Sir Ngatata Love



Sir Paul Reeves *



Neville Baker *



Hon Mahara Okeroa



Liz Mellish



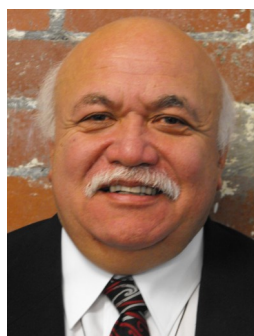
Dawn McConnell *



June Jackson



Dr Catherine Love *



Mark Te One *



Hokipera Ruakere



Kevin Amohia *

* denotes those standing for re-election

Minutes of 2009 Annual General Meeting

Saturday, September 26, 2009, 1.30pm
Pipitea Marae, Thorndon Quay, Wellington

Trustees Present:

Sir Ngatata Love (Chairman), Sir Paul Reeves, Mark Te One, Liz Mellish, Dawn McConnell, Kevin Amohia, Spencer Carr, Dr Catherine Love, June Jackson

Trustee Apologies:

Neville Baker

Trust Members:

Ritihia Hailwood, Miriama May, Alex Watson, Haerenga (Rautahi) Nicholson, Mihipeka Katene, William Russell, Tamihana Puketapu, Florence Trotter, Teresa Ngaire Etana, Lindsay Rihari McLeod, Paul Carr, Vicky Hollywell, Alexia Brown-Terris, Fazleen Bibi, Richard Goodwin, Susan Love-de Miguel, Hariesa Saroni Lorna Kanavatoa, Mairaro Pi Excabusi Orara Kanavatoa, Aroha Woller, Marina Otene, Rae Belton, Hemi Tahirangi, Pauline Owen, Anatapu Katene, Sam Tamarapa, Laurayne Mariu Peck, Louise Studd, Emma Semu, Thomas Russell, Alicia Fitzgibbon Broughton, Pareake Fitzgibbon, Elijah Turkington, Sarah Hera MacFater, Fiona Mako, John Warren, Ann Reweti, Fred Allen, Winsome Priest, Rewa Ana Maude Walker, Shamia Shariff, Sharon Wright, Hine Stevens, Craig Livingston, Takiri Cotterill, Ra Vincent, Alice Riwaka, Holden Hohaia, Lois McNaught, Marion Tonga, Lennox Love, Jan Love, Honiana Love, Newton John King, William Henry King, Ngaire Robinson, Margaret Smiler, Rata Cannon, Poiria Erskine, Te Whiti-Orongomai Pukere Mason, Kiri Gerretzen, Hemi Ngarewa, Juanita Bishop, Tahu Wilson, Thomas Whareaitu, Violet Riwaka, Allan Erskine, Morris Love, Les Brown, Maikara Kararainga Tapuke, Basil Ritoterangi Tapuke, Taiakekawe Tapuke, Teatakaukura Tapuke, Hineheohore Tapuke, Kura Marie Taylor, Dennis Erueti Taylor, Neta Rei Ngatai, Leo John Taylor, Doreen Elizabeth Taylor, Diane Leslie Hikaka, Warner Neha Tapuke, Teddy Luke, Tansley Morere Ratapu,

Rene Sharman, Mervyn Coffey, Joe Puketapu, Eddie Churton, Alice Doorbar, Tewawaro Doorbar, Mark Newton, Catherine Callaghan, Amelia Rachael McCreadie, Jo Davey, Ninian Robb, Wanda Maude Reihana-Larson, Esther Mary Harvey, Cary Fitzgerald, Charles Pehira Simon, Pirihira Joyce Te Paki, Mana Jenkins, Wayne Kingi, Frances Kingi-Katene, Jeanie Hughes, Bryan Hohaia, Bill Nathan, Brian Norton, Martha Gilbert, Whareahuru Mike Gilbert, William Graham, David Rangiwetu, Lindsay Francis Henare Ngaia, Mereana Smith Te Paki, Frances Southorn, Cherie Douglas, Connie Baker, Waikaramu Pauline Takiwa, Alice Te Punga Somerville, Te Kere Davey, Nerald Davey, Cautheu Davey, Barry Davey, Irene Patterson, Zara Wills, Michael Wills, Makere Riwaka-Love, Annie Davis, Anne Somerville, Doug Hawkins, James Wheeler, Andrea Williams, Gabrielle Brown, Eleanor Gurnick, Diane Ratahi, Marama Cock, Judith Evans, Sally Fenwick, Paul Walker, Helen Keyes, Austin Silbery, Heather Coleman, Leigh Jackson, Philip Love, Miria Mako, Rahui Tata, Elizabeth Short, Stephen Mallinder, Geoff Mallinder, Pereni Belle Tupe, Moya McConnell, Merekinepua Wakefield, Sharon Gemmell, Louise Windleborn, Joan Ellis, Jean McLeod-Ruakere, Myra Hunter, Raymond Smith, Ian Smith, Hirini Kershaw, Ben Love, Mereana Ratana, Mahuri Tipene, Alamaine McGregor, Bruce Wakefield, Wayne Brewer, Marina Mason, Julia McConnell, Timothy Wagner, Wikitoria Love, Wayne Mullinga, Theresa Rangihuna, Tera..kura Puketapu, Michelle-Ann Reynolds, Graeme Goodgame, Helen McConnell, Glenn McConnell, Kathy Katarina Tahau, Bernadine Wall, Kim Skelton, Kevin Herlihy, Joise Herlihy, Shona Coffey, Ani Parata, Peter John Anary Reweti, Ina Rangiwetu, Fay Kae, Robert Minhinick, Adrian Tangaroa Wagner, Te Okanga Mahiri Metekingi Huata Wagner, Tuhi McGregor, Marie-Nui Biss, Chris Renwick, Erini Shepherd, Malcolm Gaylard, Noel Harris, Huia Kirk, Robert Minhinick, Te Rira Puketapu, Ihaia Puketapu, Siobhan Lynch, John Lynch, Aroha Puketapu, Margaret Broughton, Vanessa

Broughton, Leonard Noble, Matiu Tar..., Stephen Pattinson, Tracey Fearn, Peter Rio-Love, Jared Knuckey, Sam Kahui, Amorose Ratcliffe, Ros Gaylard, Syd Reweti, Eugene Ratana, Kirk Terris, Rhonda Kahurangi Puke (Bisson), Wirape Ruakere, Maria Shuen, Teremoana Gae Sparks, Grant Knuckey, Terese McLeod, Linda Te Puni, Debbie Broughton, Gloria Nicholson-Hauiti, Toarangatira Pomare, Richard Te One, Vern Winitana, Robin Taylor, Te Tiwha Puketapu

Trust Member Apologies

Eden Tapuke, Travis Tapuke, Ngapera Te Teira, Mina Wharemauhau Timutimu, Te Akerama Taiaki, Wairingiringi Taiaki, Georgina Fay Taiaki, Kura Ian Tapuke, Amokura Panoho, John Coffey, Chris Johns, Allan Sidney Coffey, Matene Love, Daniel Love, Addy Love, Hamiora Love, Jenny Biss, Hokipera Ruakere, Piki Carroll

Trust Management Present:

Sam Jackson, Euan Playle, Hon Mahara Okeroa, Aroha Thorpe, Bruce Farquhar, Hon Mahara Okeroa, Jayne Conaghan, Pauline Ryan, Leigh Taggart

Kaumatua Sam Jackson opened the Annual General Meeting at 1.26pm with mihi.

Sir Ngatata Love (Chairman) took the chair and welcomed all attending to the first Annual General Meeting of the Port Nicholson Block Settlement Trust. The Chairman thanked those who had travelled and reflected briefly on the statements made by Hon Christopher Finlayson at the formal ceremony in the morning. He then introduced the Trustees present and gave the apologies of Neville Baker.

He advised those attending that we need to aim for a conclusion to the meeting by 3pm, with everybody to depart at that time so the whare can be re-set for the evening celebration function.

The Chairman then proceeded to speak to the presentation that had been prepared for the meeting. He noted the following:

- Today is about remembering those who are no longer with us – and giving thanks

- Reminding ourselves of the boundaries of the rohe of the Port Nicholson block
- Reminding ourselves of the timeline that it has taken to reach this point
- A recent statement by Hon Mahara Okeroa “we are informed by the past, we live in the present, and we focus on the future” is a poignant appraisal of our situation
- The future is now in our own hands
- Special acknowledgements were made of the Wellington Tenth Trust and Palmerston North Maori Reserve for financial support of the claim process from 1987 and for providing voluntary contributions over the past quarter of a century. Special mention was also made of Phillip Green – the barrister and solicitor who devoted around 20 years of his career working on the claim with Taranaki Whanui ki Te Upoko o Te Ika
- As of September 2, 2009, times have changed – we are now responsible for, and in control of our own destiny. We must move forward and craft a better future for our members
- Together, united in spirit and deed we can make a difference. The secret of success is to be united, to resolve differences and face the challenges as one
- The work programme is clear and has been defined with the setting of the Trust Vision, Mission and Goals
- Critical to the future is the governance of the Trust – the Chairman outlined briefly standards that are required by Trustees and key governance principles that must be adhered to – these are based on best practice models
- Assets, rights and cash have now transferred to the Trust – a brief summary of these was given by the Chairman and lists were provided in the handout for the meeting
- The Shelly Bay properties were purchased on February 19, 2009 and tenants are paying market rents for spaces being leased – together with the Chocolate Fish cafe that is opening on October 5.
- A financial overview of the current economic climate was given and Trustees have recognised that they must be vigilant in monitoring the situation. It is this climate that has resulted in the write down in valuation of the Shelly Bay properties.
- The Shelly Bay properties were purchased at an agreed market value plus interest to

March 31, 2009 of \$15,323,576 and the revaluation of the properties at March 31, 2009 resulted in a book entry write down of \$1,638,526. There is confidence that once the economy begins recovery the value will increase in the next 12-18 months.

- In respect of Note 18 (page 29 of the Annual Report) Sir Ngatata Love advised that Dr Kara Puketapu had elected not to receive any Trustee remuneration prior to this resignation on January 27, 2009.

Sir Ngatata Love then invited Mr Euan Playle, Director of BDO Spicers (Wellington) Accountant to speak to the Financial Statements of the Trust.

Financial Statements

In speaking to the slides presented Mr Playle noted the following points:

- The Financial Statements cover the eight month operation of the Trust from its established on August 11, 2008.
- Trustees and management have established procedures and accounting policies which have enabled Grant Thornton (audit company) to give an unqualified audit opinion that the Financial Statements presented fairly reflect the financial position of the Trust and Group as at March 31, 2009.
- Two significant events have occurred during the period – the Port Nicholson Block (Taranaki Whanui ki Te Upoko o Te Ika) Claims Settlement Bill was enacted by Parliament and the Trust purchased properties at Shelly Bay for which the Crown provided a loan. This loan was repaid on September 2, 2009 when the cash settlement was received.
- The Statement of Financial Performance (formerly known as the Profit and Loss) shows:
 - Interest received of \$793,491, which is backdated to December 2007 (and accrued in the 8 month period). This interest is non-taxable
 - Total income of \$742,519
 - Administration and Operating Expenses of \$692,923
 - Net surplus before taxation was \$48,763
 - The revaluation of the Shelly Bay properties resulted in a reduction of the property value by \$1,638,526 – but is a book entry only

- The Statement of Financial Position (formerly known as the Balance Sheet) shows:

- Total assets of \$14,665,036
- Total liabilities of \$16,254,799
- This resulted in net liabilities of \$1,589,763

- It was noted that if the Crown been able to finalise the legislation prior to March 31, 2009 the Trust's equity was projected to be \$20,864,518

Questions from the floor

On page 18 of the Annual Report (Statement of Movement in Trust Capital) there is an item “distribution to owners” which has no figure – why?

Mr Playle explained that as the Trust had no capital at the beginning of the period (August 11, 2008) there is an operating deficit. It is a requirement to disclose whether any distribution was made or not – and of course no distribution was made.

Are the tenants at Shelly Bay paying rent or squatting?

Sir Ngatata Love advised that all tenants at Shelly Bay are paying market rents. Meetings were held with all tenants prior to the purchase being finalised so they were comfortable with the change of ownership. The current leases are not long-term as other development opportunities will need to be considered.

Will the organisation consider making distribution payments in the future?

Mr Playle advised that at this stage the aim of the Trust is to build the assets of the Trust, so in the foreseeable future there is no intention to make a distribution payment. Sir Ngatata Love added that the Trust membership is approaching 20,000 individuals and we need to develop the asset base for our people and future generations. The concept of payment by way of a distribution to each person is a long way off, but it is something that may be considered in the future.

Are BDO Spicers (Wellington) going to advise the Trust to establish a hedge fund?

Mr Playle advised that if the question related to the establishment of for example a superannuation fund – that he would not be

advising Trustees to do that. In fact they are not able to do so as per the Trust Deed. The Trustees 'hedge fund' is effectively their bank account and property at this stage.

What archaeological finds were made on the property above the marae where the new development is taking place?

That is not a matter for this Trust or meeting as the property is not owned by the Trust. However Sir Ngatata Love did advise (assisted by Liz Mellish) that the archaeological finds were of Pakeha origins (broken crockery) and one hangi pit of indeterminate age. Access to the report through Liz Mellish could be arranged.

A query was made around a 'technical' matter of difference between the Annual Report and the presentation given – where the word 'loss' had not been printed in the Annual Report.

Mr Playle advised that while the word 'loss' had not been printed in the report the figure was shown in brackets, which indicates that it is a negative/loss amount. Both manners of stating the situation are accepted accounting practice.

Resolution

It is hereby resolved that the Trust members receive and approve the Financial Statements of the Port Nicholson Block Settlement Trust for the year ended March 31, 2009.

Moved Jared Knuckey
Seconded James Wheeler
Carried unanimously

Appointment of Auditor

As a requirement of the Trust Deed it is necessary at each Annual General Meeting for members to appoint the independent auditor for the ensuing year. Trustees recommend the re-engagement of Grant Thornton for this purpose and the recommendation is supported by BDO Spicers (Wellington).

Resolution

It is hereby resolved that the Trust members agree to the appointment of Grant Thornton as the Trust Auditors for the year ending March 31, 2010.

Moved Helen Keyes
Seconded Blair Knuckey
Carried unanimously

Annual Plan

Summarised details of the annual work plan are included in the meeting handout and Sir Ngatata Love spoke briefly to the slides that had been prepared. He noted that this plan is the basis on which reports will be provided at the next Annual General Meeting.

Trustee Remuneration

The remuneration set of \$32,000 (Chairman), \$12,000 (Deputy Chairman), \$9,000 (per Trustee) would be maintained for the next period.

Election of Trustees

Sir Ngatata Love introduced Anthony Morton of electionz.com who was present for the purpose of collecting ballot papers if anyone wished to exercise their vote by that method.

This process has been underway since August 31, 2009 and it is pleasing to see that 18 candidates have stood for five available positions.

Initial Trustees who elected to retire and offer themselves for re-election were Sir Ngatata Love, Liz Mellish and June Jackson. Spencer Carr had elected not to stand for re-election and there is the vacancy due to the resignation of Kara Puketapu in January 2009. Spencer Carr had expressed his willingness to be on a proposed kaumatua/kuia entity. The Chairman also expressed support for a rangatahi group being considered.

Voting closes at 5pm today and the final result will be declared at 5pm on Tuesday, September 29, 2009 by the Chief Returning Officer.

Revamped Website

Sir Ngatata Love announced that the revamped Port Nicholson Block Settlement Trust website will go 'live' with the announcement of the Trustee election result at 5pm on Tuesday September 29, 2009.

Educational Initiatives

Sir Ngatata Love spent a little time giving a brief summary of the educational initiatives that were provided on the back page of the meeting handout. These are the type of programmes that will be offered to Taranaki Whanui ki Te Upoko o Te Ika with some becoming available later this year and others early in 2010. Follow-up information would be provided.

Questions from the floor

In congratulating the Trustees and management on the operations of the Trust to date a request was made for a visit to the various locations that have been returned to the Trust. A general exchange also took place on the provision of educational type initiatives for those who do not live within the rohe of the Port Nicholson Block. Sir Ngatata Love advised that work is being undertaken with other educational institutions outside of the rohe to have courses provided for those living in Taranaki and other areas as well.

In response to queries about why the foreshore and seabed was not included, trustee remuneration, issues about lunch arrangements and inappropriate treatment of kaumatua and those who had spoken during the whaikorero earlier in the day, Sir Ngatata Love advised as follows:

- the ownership of the harbour islands has been returned
- land on the waterfront at Korokoro has been returned
- Shelly Bay is now in our ownership (including the wharves) and
- other developments such as the wharewaka on Taranaki wharf of which the Trust is a part are all now staking our rightful place on the harbour
- arrangements for lunch had been made clear at the conclusion of the morning's formalities together with an explanation that with a re-set of the whare things would be

'tight'. (Other comments from the floor were very supportive of the arrangements including that the organisers had done very well and attendees should be appreciative of the work done for us)

- the most appropriate people had spoken during the whaikorero, Trustees have another role to play

Hon Mahara Okeroa spoke of the arrangements which had been made clear last evening and again this morning. The kaumatua had been looked after and their place in our arrangements will again be demonstrated at the evening function.

Concern was expressed about the role of 'kaitiaki' in regard to some of the assets and that kaitiaki is just not enough. Sir Ngatata Love advised that the Trust works with other Taranaki Whanui ki Te Upoko o Te Ika entities and all are committed to ensuring the cultural matters are taken care of. This Trust however has a broader mandate than the other entities. We need kaumatua and kuia to step up and be involved in the activities of the Trust as well.

There being no further business the Annual General Meeting was closed by Sam Jackson at 3.09pm and the singing of Whakaaria Mai.

Vision

**Ki te whakahou,
whakapakari me te whakanikoniko i te ahurea
pāpori, rangatiratanga o
Taranaki Whānui ki Te Upoko o Te Ika**

Te restore, revitalise, strengthen and enhance the
cultural, social and economic well-being of
Taranaki Whānui ki Te Upoko o Te Ika

Key Goals

The three key goals of the Trust are to:

1. Maximise wealth creation and achieve economic and financial well-being
2. Achieve social and whānau well-being
3. Enhance cultural well-being

Chairman's Report

Mihi

Ko whea, ko whea tera mouna e tu mai ra? Ko Taranaki! Ko Taranaki!

Ko whea, ko whea te mouna e tu iho nei? Ko Tararua! Ko Tararua! Nukunuku mai, nekeneke mai ki taku tauaro e kikini ai!

Nei ra nga uki o Taranaki Whanui ki Te Upoko o Te Ika, mai i nga puaha o Remutaka o uta, ki nga pua o Te Moana-i-Raukawakawa ki tai na Tahurangi i maru hauroatia tona ahi mai i te whare toka ki te uru, e muramura tonu ra, e kore rawa nei e wetohia.

Where is the yonder mountain soaring high above us?

It is Taranaki! It is Taranaki!

Where is the mountain that is within our grasp?

It is Tararua! It is Tararua!

It hitherward moves, it comes to caress my cheek!

Here resides the descendants of Taranaki Whanui ki Te Upoko o Te Ika, from the internal reaches of the Remutaka, to the foaming seas of the Cook Strait region, it is Tahurangi who cast the fire emblazed cloak from within the House of Stone to the west that is continually ablaze and that shall never be extinguished.

Introduction

Trustees are pleased to present the first full year's Annual Report which covers the period

from April 1, 2009 to March 31, 2010. The report outlines the work of the Trust during its first full year together with the audited Financial Statements for the period.

After 22 years of endeavour an agreed settlement package was transferred from the Crown to the Trust on September 2, 2009.

During this period the Trustees have focussed on establishment of robust and secure processes for the future including attention to governance, management, processes and policies to safeguard and optimise opportunities going forward.

Economic Climate

The year's events have been against a back-drop of international financial and economic crisis. Although influenced by this international upheaval, New Zealand has come through well to a point where confidence is returning to many sectors of the economy.

When we survey the problems created by the financial crisis we cannot help but be saddened by the failure of so many companies in New Zealand and the consequent losses suffered by many thousands of investors who have lost their life savings and their homes.

The predictions for the next few years suggest that while the economic situation for New Zealand will be steady with expectations of growth in key sectors, it will be tempered by a pull back on government spending and consumer demand.

Implications of the Budget announced in May 2010 will be felt by the Trust and its owners.

The most significant for members will be the increase in GST from 12.5% to 15% from October 1, 2010.

A reduction to the rates of personal income tax can be summarised as follows:

Income	Current	From October 1, 2010
\$0 - \$14,000	12.5%	10.5%
\$14,001 - \$48,000	21%	17.5%
\$48,000 - \$70,000	33%	30%
Over \$70,000	38%	33%

A major consideration for the Trust is the removal of depreciation on all buildings. Previously property entities have been able to deduct tax depreciation against the taxable income of the entity. The loss of this deduction may result in additional income tax being payable.

This removal of depreciation on buildings will also have an effect on any joint venture developments that the Trust may be considering.

Trustees

I have been delighted with the way Trustees have undertaken their task with enthusiasm from day one. They have achieved the primary goal of establishing a professional organisation, which can deal effectively with the opportunities and challenges faced by a new settlement entity. They have dealt with the many challenges and opportunities in a very professional way.

The Trust Deed provided for a full rotation of all Trustees within the first 18 months of the establishment of the Trust.

The retention of experienced negotiators into the role of Trustees has ensured a positive and steady start to the Trust.

Five Trustee positions were available at the 2009 election. Those initial Trustees who stood down, but chose to stand for re-election were June Jackson, Liz Mellish and myself. Spencer Carr chose not to stand for re-election. The Trust had one vacancy due to the resignation of Ihakara Puketapu from the Board in January 2009. Those people who were elected from a pool of 18 candidates were Hon Mahara Okeroa, Hokipera Ruakere, June Jackson, Liz Mellish and myself.

At this, the 2010 election, the remaining six initial Trustees (Sir Paul Reeves, Neville Baker, Mark Te One, Kevin Amohia, Dawn McConnell and Dr Catherine Love) have all opted to stand for re-election.

In addition to the six initial Trustees, sixteen other candidates have offered themselves for election as Trustees. With a total of 21 candidates it is pleasing to see the level of interest in the Trust and the positive response from members willing to participate in the governance of the Trust.

Note: At the time of going to print, one of the candidates (James Scully) has withdrawn.

Committee Structure

A small number of committees have been established to focus on specific areas of the Trust and its

business. The committees are:

- Economic Development
- Education
- Relationships
- Cultural

The committees consider matters within their portfolio of interest and make recommendations to the Trust Board. All decisions rest solely with the Trust Board.

Settlement Package

Financial Settlement

On settlement date (September 2, 2009) the cash settlement of \$23,138,000 was paid. Deducted from this amount was:

- \$15,267,375 – the Crown Loan for the purchase of the Shelly Bay properties;
- \$222,946 – interest payable on the Crown Loan; and
- \$1,887,000 – advances already paid

Cultural Settlement

Fee simple title to the following:

- Matiu/Somes Island
- Makaro Island
- Mokopuna Island
- Bed of Lake Kohangatera and the esplanade strip
- Bed of Lake Kohangapiripiri and the esplanade strip
- Dendroglyph site at Parangarahu lakes
- 1-3 Thorndon Quay (land and improvements)
- 81-87 Thorndon Quay (land and improvements)
- Wainuiomata College (land and improvements)
- Wainuiomata Intermediate (land and improvements)
- Waiwhetu Primary School (land and improvements)
- Vacant section on Whites Line East, Waiwhetu
- Point Dorset Recreation Reserve
- Korokoro Gateway
- Wi Tako Scenic Reserve

Commercial Redress

This refers to several mechanisms within the Deed of Settlement and legislation where the Trust is able to exercise a pre-emptive right in terms of specific properties.

The mechanisms are deferred selection, sale and leaseback and right of first refusal.

Deferred Selection

These are properties which the Trust may elect to purchase at market rates.

The timeframe associated with this portfolio is two years from date of settlement. Therefore Trustees have initiated a due diligence process for each property to enable Trustees to make informed decisions on the appropriateness of any potential purchase.

Petone College
Petone Fire Station
Kelburn Properties (5)
Wellington Railway Station
Railway Social Hall
Part Korokoro School
Woodhatton School
Kaumatua flats, Wainui
Kaumatua flats, Lower Hutt
Former CYFS House, Naenae
11 Ventnor St
13 Parliament St
9 Central Terrace
Transit land alongside motorway

Sale and Leaseback

This portfolio of properties provides the Trust with the option of purchasing the land only of several Crown owned properties.

This option is in place for a period of 10 years from the date of settlement. The Trust must lease the land back to the Crown agency that is currently in occupation. The leaseback terms and conditions were agreed prior to the Deed of Settlement being signed.

Wellington Girls College
Wellington High Court
Wellington District Court
National Archives
National Library
Ontrack properties (3)
Police Electronics Workshop
Petone CPC
Eastbourne Police Station
Wainuiomata Police Station
Hutt Valley High School
Northland School
Te Aro School

Right of First Refusal

The mechanism will remain in existence for a period of 100 years from settlement date. The mechanism provides the opportunity for the Trust to have a first right of refusal to purchase any of the properties if they become surplus to requirements. There are approximately 2,000 properties in this portfolio.

Te Papa Tongarewa
Victoria University properties
Massey University properties
Wellington Institute of Technology properties
Transit New Zealand properties
Capital & Coast District Health Board properties
Housing New Zealand Corporation properties

Achievements

Historical Costs repaid

The Trust has been able to fully repay all costs contributed by the Wellington Tenth Trust and Palmerston North Maori Reserve. This amounted to \$3,591,203 during the period and included a payment for interest.

Shelly Bay

I am pleased to report that the management team and professional property managers have worked very hard to ensure that the properties at Shelly Bay “break-even” by having them tenanted at market rentals. The highlight of these tenancies is the “Chocolate Fish” cafe – a primarily seafood serving operation from the old submarine barrack.



Above: an aerial view of Shelly Bay

When the properties were purchased in February 2009 they were incurring costs of approximately \$250,000 per annum, with many ongoing costs and minimal income. So while the Financial Statements show a \$66,926 operating loss for the year ended March 31, 2010 the Trust has subsequently reached a “break-even” situation.

A strategic decision has been made to demolish what is known as the “airmen’s barracks”. The cost of renovating and refurbishing this complex was significant. Problems included the roof requiring replacement and the general deterioration of the building.

The Lodge at Shelly Bay

The former Officers’ Mess at Shelly Bay has been transformed into The Lodge at Shelly Bay. This is a high quality venue for weddings and corporate functions. The maximum capacity of the venue for a function is 100 people. The venue includes a bar, boardroom, functions area, dining room, lounge area, commercial kitchen and bathroom facilities.

Further work will be undertaken in the next year to provide accommodation in the upstairs space to support the venue. The market is already demanding bookings for this venue. To date all feedback has been very positive.



Above: the open fire at The Lodge

Shelly Bay – Looking Out

Ideas for the future development of Shelly Bay abound. It seems that every development company and citizen on the Miramar Peninsula has an idea of what should be done. Trustees however are working with the Wellington City Council and Greater Wellington Regional Council to ensure that basic services such as

water, sewage, power, roading, etc are in place.

A meeting with Wellington City Council and other land owners has seen consideration being given to the long-term ideas and possibilities for Shelly Bay and the Miramar Peninsula. The importance of Shelly Bay to the Trust and Wellington means that we must get it right.

Relationships

It is important that the Trust maintain excellent relationships with all stakeholders in the wider community. Particular relationships that will be important to the Trust are with the local body authorities throughout its rohe – Wellington City Council, Hutt City Council, Upper Hutt City Council and Greater Wellington Regional Council.

To this end regular meetings are held with Wellington City Council and Hutt City Council. Regular meetings with Upper Hutt City Council have also commenced. Meetings are also held with Greater Wellington Regional Council as required.



Above: Garry Poole and Sir Ngatata Love at The Lodge

Earlier in the year senior Wellington City Council staff were taken on a trip around various sites throughout Wellington and given some background on their significance to Taranaki Whanui. The trip concluded with a visit to The

Lodge at Shelly Bay where Council staff were taken on a tour of the facility and broad discussion held regarding the Council properties and buildings.

Property

Several properties transferred to the Trust on settlement date.

These have been valued as at March 31, 2010 and are included in the Financial Statements. Included are:

- 1-3 Thorndon Quay (Tramways), Wellington
- 81-87 Thorndon Quay, Wellington
- Waiwhetu Primary School
- Wainuiomata College
- Wainuiomata Intermediate
- Vacant section on Whites Line East

We have steadily worked on the various properties to ensure each property's economic viability is achieved, maintained and enhanced.



Above: "Tramways" building, 1-3 Thorndon Quay, Wellington

In respect of 1-3 Thorndon Quay, this was not difficult as it is a building in good physical condition and fully leased.

In relation to the former school sites and vacant section at Waiwhetu, these are very key areas in the Trust's future strategy. They represent clear and

significant development sites which we shall harness and use to achieve the best return for the Trust.

Point Dorset Recreation Reserve (Seatoun)

It was pleasing to learn that Wellington City Council had approved the Charles Plimmer Bequest be used to beautify the Point Dorset Recreation Reserve, which is now in fee simple title ownership of the Trust, with a



Above: Blue denotes Point Dorset Recreation Reserve

co-management regime between the Trust and Wellington City Council. The grant of \$400,000 (over a two year period) will see a management plan and concept plan developed over the coming 12 -18 months and then implementation will follow. A small joint PNBST/WCC project team has been established to develop the plan and progress will be reported in *Te Ngonga o te Piukara*.

Special Properties – Islands, Lakes, Reserves

The Trustees hold fee simple ownership in several pieces of land

which are to be managed under joint arrangements and under the Reserves Act.

These include the three Harbour Islands – Matiu/Somes, Makaro and Mokopuna – Wi Tako Scenic Reserve (Upper Hutt), Korokoro Gateway (Petone) and Point Dorset Recreation Reserve (Seatoun), the Parangarahu Lakes (Kohangapiripiri and Kohangatera), esplanade land around the lakes and dendroglyph site. Due to the severe encumbrances associated with these properties it has been particularly difficult to value them for Financial Statement purposes.

While their importance to the Trust is significant, from an accounting, valuation and audit perspective their value is limited.



Above: Lake Kohangatera

Pipitea Marae

The land of Pipitea Marae transferred to the Trust on settlement date and immediately vested in the new joint entity – Pipitea Marae Charitable Trust.



Above: Powhiri at Pipitea Marae

This new entity is now responsible for the governance and day-to-day management of the operation.

Whole of Government

In February 2010 Trustees met with the Prime Minister, Minister of Housing, Minister of Tertiary Education, Minister of Health, Minister of Treaty Negotiations and Associate Minister of Social Development. The purpose was to outline the Trust's vision for the Whole of Government initiatives provided for in the Deed of Settlement.

It is pleasing to report that following that meeting a central government role was established to ensure that the Trust would be able to access various departments and would provide a reporting mechanism to the Crown (via the Department of Prime Minister and Cabinet) on the initiatives.

While not in the financial year being reported on, the Trust has also secured a secondment from Work and Income (Ministry of Social Development) to work on "social" strategies for the Trust. The Trust is close to finalising an agreement with the Tertiary Education Commission and Weltec for the development of a tertiary education strategy.

This mechanism is also being used to establish relationships with various agencies. For example, discussions have been held with the New Zealand Police (Wellington area and Police Headquarters) to determine what can be done to make our communities safer. Some interesting ideas have been tabled.

An application made jointly with Wellington City Council for a rangatahi project (Youth Haa) was unsuccessful in a round of applications considered by the Ministry of Youth Affairs.

However the belief in the project developed has resulted in other funding being made available by the Ministry of Social Development to initiate the project.



Above: Waka Ama teams leaving Hikoikoi

Te Wharewaka o Poneke

A “goodwill” payment by the Crown was paid outside the settlement package but aligned to it, for the development of a wharewaka on Wellington’s waterfront.

The payment of \$7 million to the Wharewaka o Poneke Charitable Trust enabled the project to be finalised and for construction to be commenced. Wellington City Council has contributed \$800,000 with the balance of the project cost being underwritten by the Port Nicholson Block Settlement Trust, Wellington Tenth Trust and Palmerston North Maori Reserve.



This iconic development on Wellington’s waterfront (Taranaki wharf) is progressing at speed. It will be completed for an official opening to take place at dawn on Waitangi Day 2011.



Above: Construction on the wharewaka well underway

Space in the Wharewaka will include on the ground floor the waka showroom, a gallery (hui space), café facing the lagoon, a commercial kitchen in the basement, storage space for waka ama, and upstairs meeting rooms and some office space.

The Wharewaka is to be the centre of Wellington’s Rugby World Cup Village in 2011. Activities and events will be planned around the Wharewaka. A group is working closely with Wellington City Council on this particular initiative – but also to ensure that the world class venue will become a central gathering point on Wellington’s prime waterfront area. It’s proximity to Te Papa and the CBD will also be beneficial.

Financial Summary

It has been necessary for the Trust to report to International Financial Reporting Standards (IFRS) this year. Therefore a change has been required in the layout and structure in reporting the Financial Statements as well as the requirements to restate the previous years results under IFRS. Because of this requirement, readers will also notice an increase in the number of Notes to the Financial Statements.

The total comprehensive income for the year is a profit (before tax) of \$30,111,119 vs a deficit in the previous year of \$1,406,763. The

total comprehensive income is what was formerly known as the “Statement of Profit and Loss”.

(www.pnbst.maori.nz) will immediately be updated with the election result.

Trust capital at the end of March 2010 is \$28,704,356 compared to \$(1,406,763) at the end of March 2009. The Trust has loans as at March 31, 2010 of \$1,307,675. Interest is payable monthly at 6.15%. This represents a debt to equity ratio of 4.3%.

At the same time cash invested is \$7,107,945 earning interest of 5% per annum.

Property Valuations

The properties that transferred on settlement date have had valuations undertaken as at March 31, 2010. This process has included a revaluation of the Shelly Bay properties. The final position in relation to Trust properties is a gain on investment of \$10,186,886. This compares to a write down at March 31, 2009 of \$1,455,526. This previous write down was only in respect of the Shelly Bay properties.

Impediments to valuing the harbour islands (Matiu/Somes, Makaro and Mokopuna) are overwhelming, but to ensure they are recognised in the Financial Statements of the Trust (as the fee simple title holder) a value of \$1.00 has been assigned to each.

Overall at the end of the first full year of operation the Trust is performing to a satisfactory level.

Moving Forward

We look forward to the outcome of the Trustee election. electionz.com will notify the Trust of the result of the election as soon as possible on Monday, August 30, 2010. The Trust website

The focus of the Trust is now on consolidation and strategic decision making in respect of all matters relating to the Trust. Of particular importance are decisions on the various property portfolios that are available to the Trust and ensuring that the progress being made on the Whole of Government initiatives is continued.

In the coming 12 months the Trustees will be placing significant emphasis on decision making in the following areas:

- Property – particularly Deferred Selection properties
- Addressing any Right of First Refusal that present themselves
- Further development of Whole of Government initiatives
- Consolidation of properties transferred to the Trust
- Further relationship building with key stakeholders

The five-year strategic plan is being reviewed to encompass all the activities that are envisaged for the Trust.

The Trust will continue to work collaboratively with entities such as the Wellington Tenth Trust, Palmerston North Maori Reserve, Te Atiawa ki Te Upoko o Te Ika a Maui Potiki Trust, Te Runanganui o Taranaki Whanui ki Te Upoko o Te Ika a Maui Association Incorporated and other Taranaki Whanui entities.

Conclusion

In conclusion special mention is made of Sam Poutu and June Te Raumange Jackson who received the MNZM (Member of the New

Zealand Order of Merit) in the Queen's Birthday Honours for community service. This couple demonstrates on a daily basis their "special" contribution to the community – but we are particularly fortunate to have their guidance and wisdom within the Trust.



Above: Morning tea for Sam and June Jackson

I express my personal thanks to my fellow Trustees for their dedication and commitment during the first full year of operations. Strategic and at times difficult decisions have had to be made to benefit all members of the Trust – the Trustees have not wavered in their resolve to ensure the Trust sets forth into the future from a solid foundation.

To our management team and team of professional advisers, I express the thanks of members and Trustees. While small in number, you demonstrate daily your professionalism, expertise and commitment to the development of the Trust. So to Bruce Farquhar,

Jayne Conaghan, Pauline Ryan, Ben Ngaia, Claire Bruin, Edie Monardez, Mel Harrington at the office, Euan Playle and Anna Moriarty at BDO Wellington (Chartered Accountants), Paul Retimanu of KPR, Gwendoline Callaghan and Reuben Blackwell of Colliers International (valuers), Chris Ware, Allyson Pharaoh (Colliers International Property Managers) our sincere thanks.

Special thanks must go to Aroha Thorpe who has worked tirelessly during this important period of the Trust's life. Her dedication to ensure that the highest level of standards and management are in place is a key reason for our success. Her time with the claim and the Trust goes back to the period when the claim was being lodged in 1987—where she worked with Phillip Green and the team preparing the claim.

Finally – to members of the Trust – thank you for your support and belief in the Trustees over the past 12 months. We will strive to build on the foundation set and look forward to reporting further positive outcomes for the Trust next year.

*Sir Ngatata Love
Chairman*

Statement of Comprehensive Income

For the year ended March 31, 2010

		Group		Parent	
	Note	2010	2009	2010	2009
		\$	\$	\$	\$
Operating Revenue					
Rental Income		352,928	5,556	157,342	-
Less: Direct Expenses	6	(419,854)	(49,687)	(132,906)	-
Gross Profit/(Loss)		(66,926)	(44,131)	24,436	-
Less: Administration and Operating Costs	7	1,848,192	654,756	617,165	304,528
Profit/(Loss) from Operations		(1,915,118)	(698,887)	(592,729)	(304,528)
Other Income					
Crown Settlement	8	23,138,000	-	23,138,000	-
Gain/(Loss) on Investment Properties fair value	15	10,186,886	(1,455,526)	10,687,503	-
Gain on consolidation of PNBC Limited	21	670,858	-	-	-
Other Income		1,706	10,000	1,000	10,000
		33,997,450	(1,445,526)	33,826,503	10,000
Operating Expenditure					
Historical Claim Costs		3,591,203	-	3,591,203	-
Increase/(decrease) in provision for impairment		-	-	2,006,157	1,611,974
		3,591,203	-	5,597,360	1,611,974
Financing Income					
Financial Income		1,787,095	793,491	1,927,341	849,175
Financial Expense		(167,105)	(55,841)	(167,105)	(55,841)
Net Financing Income	9	1,619,990	737,650	1,760,236	793,334
Profit/(Loss) before Income Tax		30,111,119	(1,406,763)	29,396,650	(1,113,168)
Income Tax Expense	11	-	-	-	-
Profit/(Loss) for the Year		30,111,119	(1,406,763)	29,396,650	(1,113,168)
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		30,111,119	(1,406,763)	29,396,650	(1,113,168)

The accompanying notes on pages 31 to 49 form part of and are to be read in conjunction with these financial statements

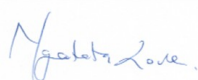
Statement of Changes in Trust Capital for the year ended March 31, 2010

	Group		Parent	
Note	2010	2009	2010	2009
	\$	\$	\$	\$
Trust Capital at Beginning of Year	(1,406,763)	-	(1,113,168)	-
Total Comprehensive Income for the Year	30,111,119	(1,406,763)	29,396,650	(1,113,168)
Trust Capital at End of Year	<u>\$28,704,356</u>	<u>\$(1,406,763)</u>	<u>\$28,283,482</u>	<u>\$(1,113,168)</u>

Statement of Financial Position as at March 31, 2010

		Group		Parent	
	Note	2010	2009	2010	2009
		\$	\$	\$	\$
Current Assets					
Cash and Cash Equivalents	12	284,399	-	220,135	-
Trade Debtors and Other Receivables	13	90,036	860,168	56,774	815,731
Prepayments		95,657	-	35,196	-
Income Tax Receivable	11	39,907	-	27,707	-
GST Receivable		62,219	1,722,954	-	-
Holding Costs		26,157	-	26,157	-
		598,375	2,583,122	365,969	815,731
Non-Current Assets					
Investment Property	15	22,447,503	12,260,000	10,687,503	-
Investments	16	7,107,945	-	7,107,945	-
Investment in Subsidiaries		-	-	11,921,200	13,918,489
Property, Plant & Equipment	17	219,852	4,914	-	-
		29,775,300	12,264,914	29,716,648	13,918,489
Total Assets		30,373,675	14,848,036	30,082,617	14,734,220
Current Liabilities					
Cash and Cash Equivalents	12	-	31,750	-	22,934
Trade Creditors and Other Payables	14	361,644	899,833	484,189	491,988
New Zealand Crown Loan	18	-	15,323,216	-	15,323,216
GST Payable		-	-	7,272	9,250
		361,644	16,254,799	491,461	15,847,388
Non-Current Liabilities					
Loans	19	1,307,675	-	1,307,675	-
Total Liabilities		1,669,319	16,254,799	1,799,136	15,847,388
Trust Capital					
Retained Earnings		28,704,356	(1,406,763)	28,283,482	(1,113,168)
Total Trust Capital		28,704,356	(1,406,763)	28,283,482	(1,113,168)
Total Trust Capital and Liabilities		\$30,373,675	\$14,848,036	\$30,082,617	\$14,734,220

On behalf of the Trustees:



Professor Sir Ngatata Love, Chairman



Sir Paul Reeves, Deputy Chairman

Date: July 5, 2010

The accompanying notes on pages 31 to 49 form part of and are to be read in conjunction with these financial statements

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 1: REPORTING ENTITY

These financial statements comprise the consolidated financial statements of the Port Nicholson Block Settlement Trust (“the Trust”) and Group entities.

Port Nicholson Block Settlement Trust and its subsidiaries (together “the Group”) represents descendants of Taranaki, Te Atiawa, Ngati Ruanui, Ngati Tama whose tupuna were resident in Wellington in 1840, collectively known as Taranaki Whanui ki Te Upoko o Te Ika. The Trust, established by the Port Nicholson Block Settlement Trust Deed, dated August 11, 2008, is the Trust to receive the settlement package relating to historical Treaty of Waitangi claims. The Crown and the Trust signed a Deed of Settlement in Wellington on August 19, 2008. The Financial Statements presented are for the year ended March 31, 2010 and were authorised for issue by the Trustees on July 5, 2010.

NOTE 2: BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Parent (the Trust) and all its subsidiary entities over which the Parent has the power to control the financial reporting and operating policies of the entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

The financial statements of subsidiaries are included in the consolidated financial statements from the date control is obtained, until the date on which control is lost.

The wholly owned subsidiaries of the Trust are:

- Shelly Bay Limited
- The Lodge at Shelly Bay Limited
- Port Nicholson Block Management Limited
- PNBC Limited (control obtained in the 2010 reporting year)

All subsidiaries have a reporting date of March 31, 2010 and accounting policies applied are consistent with the Parent.

The purchase method is used to prepare the consolidated financial statements, which involves adding together like items of assets, liabilities, equity, income and expenses on a line-by-line basis. All significant inter-group balances are eliminated on consolidation of group results and position.

NOTE 3: BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted

Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards as appropriate to profit-orientated entities that qualify for and apply differential reporting concessions. The Trust is a reporting entity for the purposes of the Financial Reporting Act 1993 and its financial statements comply with that Act.

The Trust and Group qualify for differential reporting exemptions as it has no public accountability and there is no separation between owners and the governing body. All available reporting exemptions under the Framework for Differential Reporting have been applied.

The Parent and Group has adopted NZ IFRS for the first time in its financial statements for the year ended March 31, 2009 with a transition date of August 19, 2008. An explanation of how the transition has affected the Statement of Financial Position and Comprehensive Income, previously prepared under New Zealand financial reporting standards, is provided in Note 5.

(b) Basis of measurement

The consolidated financial statements have been prepared on a historical costs basis, except that Investment Properties are stated at fair value.

Accrual accounting is used to recognise revenue and expenses. The consolidated financial statements have been prepared on a going concern basis, on the assumption that the ultimate Parent, the Trust, is committed to ensuring the Group’s obligations are met as they fall due.

(c) Presentation currency

The financial statements are presented in New Zealand dollars (\$), which is the Parent and Group’s functional currency.

(d) Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Areas of significant estimates and judgments for the consolidated financial statements presented include:

- Measurement of impairment of the Parent’s investments in subsidiaries; and
- Measurement of Investment Property fair value

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 3: BASIS OF PREPARATION continued

Estimates and underlying assumptions are reviewed on an ongoing basis. There have been no other significant areas of estimations and critical judgments in the period reported.

(e) Changes in accounting policies

The financial statements have been prepared in accordance with NZ IFRS standards effective for accounting periods commencing from April 1, 2009 for all periods reported in these statements. There has been no change in accounting policies, other than the adoption of NZ IFRS.

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all years presented in these financial statements.

(a) Business combinations

The Group has applied the acquisition method for all business combinations occurring during the years reported. The Group measures goodwill as the fair value of the consideration transferred, less the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed, all measured as of acquisition date. When the fair value of net assets acquired is in excess of the fair value of consideration transferred the difference is taken to the Statement of Comprehensive Income.

(b) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of six months or less, and bank overdrafts.

(c) Trade debtors and other receivables

Trade debtors and other receivables are measured at cost less impairment losses. A provision for impairment is established where there is objective evidence that the Parent and Group will not be able to collect all amounts due according to the original terms of the receivable. Receivables with a short duration are not discounted.

(d) Trade creditors and other payables

Trade creditors and other payables are measured at amortised cost using the effective interest method less any impairment losses.

(e) Provisions

A provision is recognised when the Parent and Group have a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the

obligations. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

A provision for onerous contracts is recognised when the expected benefits from the contract are lower than the unavoidable costs of meeting contract obligations.

(f) Financial instruments

Financial instruments are comprised of trade debtors and other receivables, cash and cash equivalents, trade creditors and other payables and borrowings. The Parent and Group held no derivative financial instruments i.e. (hedging instruments) in the years reported.

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

Financial assets and financial liabilities are measured initially at fair value plus transaction costs, except for those carried at fair value through profit or loss, which are measured at fair value.

Financial assets

The subsequent measurement of financial assets depends on their classification. The Parent and Group currently hold financial assets only in the classification of loans and receivables.

(i) Loans and receivables

Financial assets that are non-derivative 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 provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

Financial instruments classified as *loans and receivables* include: trade debtors and other receivable balances and cash and cash equivalents.

Financial liabilities

The Parent and Group's financial liabilities include loans and borrowings and trade and other payables.

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES continued

at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss. The Parent and Group does not currently have any financial liabilities held for trading or designated at fair value through profit or loss.

Borrowings are classified as current liabilities unless the Parent and Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date. Borrowing costs are expensed as incurred.

The Parent and Group have no off-balance sheet financial instruments.

Impairment of financial instruments

All financial assets are subject to review for impairment at least once each reporting date. Accounts receivable are reviewed for impairment when accounts are past due or when other objective evidence is received that a specific counterparty will default. Impairment of trade receivables are presented in the Statement of Comprehensive Income, within expenses.

(g) **Investments in subsidiaries**

All investments in subsidiaries are initially recognised at cost, being the fair value of consideration given. An allowance is made for impairment of investments in subsidiaries when the recoverable value is determined to be below cost.

(h) **Impairment**

The carrying amounts of the Parent and Group assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Comprehensive Income.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Parent and Group estimate the asset's recoverable amount, to measure the reversal of any previous period impairment charges. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversals of impairment are recognised in the Statement of Comprehensive Income.

(i) **Property, plant and equipment**

Property, plant and equipment is measured at cost, less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

(i) *Additions*

The cost of replacing part of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits or service potential will flow to the Parent and Group and the cost of the item can be measured reliably.

(ii) *Disposal*

Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Income.

(iii) *Depreciation*

Depreciation is charged on a straight-line basis on all property, plant and equipment over the estimated useful life of the asset. Depreciation is charged to the Statement of Comprehensive Income. The following depreciation rates have been applied to each class of property, plant and equipment:

Office Equipment	24% - 80.4%
Furniture & Fittings	9.6% - 48%
Motor Vehicles	36%
The Officers Mess—Leasehold Improvements	3%
The Officers Mess Level 1—Fitout Costs	30% - 48%
Corporals Club—Leasehold Improvements	3%
Commanders Residence	12% - 48%
Conference Equipment	48%

The residual value of property, plant and equipment is reassessed annually.

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES continued

(j) Employee entitlements

Annual leave and other employee entitlements are accounted for on the basis of contractual requirements.

(k) Finance income and expenses

Finance income comprises interest generated from funds invested in short-term deposits and other interest bearing bank accounts. Interest income is recognised as it accrues, using the effective interest method.

Finance expenses are incurred from interest on borrowed funds. All borrowing costs are expensed and recognised in the Statement of Comprehensive Income when incurred using the effective interest method.

(l) Revenue

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Parent and Group and revenue can be reliably measured. Revenue is measured at the fair value of consideration received. The Parent and Group assess its revenue arrangements against specific criteria to determine if it is acting as the principal or agent in a revenue transaction. In an agency relationship only the portion of revenue earned on the Parent and Group's own account is recognised as gross revenue in the Statement of Comprehensive Income.

The following specific recognition criteria must be met before revenue is recognised:

(i) Crown settlement

Crown settlement income was recognised when the settlement monies were received. Until this event had been completed no Crown settlement income was recognised.

(ii) Koha

Koha is recognised in the Statement of Comprehensive Income when received.

(iii) 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.

(iv) Interest

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

(v) Rental income

Income from the rental of property is recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

(m) Investment Property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in the Statement of Comprehensive Income.

When the use of a property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

(n) Taxation

Income tax is accounted for using the taxes payable method so that the income tax expense charged to the Statement of Comprehensive Income comprises the current year's provision only, the income tax effects of taxable or deductible temporary differences are not recognised.

(o) GST

All amounts are shown exclusive of Goods and Services Tax (GST), except for receivables and payables that are stated inclusive of GST.

NOTE 5: TRANSITION TO NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINAN- CIAL REPORTING STANDARDS (NZ IFRS)

The Group and Parent have adopted NZ IFRS for the first time in its financial statements for the year ending March 31, 2010. The adoption from previous GAAP to NZ IFRS has been made in accordance with NZ IFRS 1—*First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards*.

The change from reporting in accordance with New Zealand financial reporting standards to NZ IFRS was mandatory on this date to comply with requirement of the Accounting Standards Review Board.

In preparing its opening NZ IFRS balance sheet, the Parent and Group has adjusted amounts previously reported in financial statements prepared in accordance with its old basis of accounting (previously GAAP). An explanation to how the transition from previous GAAP to NZ IFRS has affected the Group's financial position and performance is set out in the following tables and accompanying notes.

(a) Reconciliation of equity as at April 1, 2008

The transition to NZ IFRS had no impact on the opening equity position for the comparative period, due to financial reporting activity of the Parent and Group commencing during the March 31, 2009 financial year.

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 5: TRANSITION TO NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) continued

(b) Reconciliation of Trust Capital as at March 31, 2009

	Note	Group			Parent		
		NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS	NZ GAAP	Effect of transition to NZ IFRS	NZ IFRS
		\$	\$	\$	\$	\$	\$
Current Assets							
Cash and Cash Equivalents		-	-	-	-	-	-
Trade Debtors and Other Receivables		860,168	-	860,168	815,731	-	815,731
Prepayments		-	-	-	-	-	-
Income Tax Receivables		-	-	-	-	-	-
GST Receivable		1,722,954	-	1,722,954	-	-	-
Holding Costs		-	-	-	-	-	-
		2,583,122	-	2,583,122	815,731	-	815,731
Non-Current Assets							
Investment Property	1	12,077,000	183,000	12,260,000	-	-	-
Investments	2	-	-	-	-	-	-
Investment in Subsidiary Undertakings		-	-	-	15,530,463	(1,611,974)	13,918,489
Property, Plant & Equipment		4,914	-	4,914	-	-	-
		12,081,914	183,000	12,264,914	15,530,463	(1,611,974)	13,918,489
Total Assets		14,665,036	183,000	14,848,036	16,346,194	(1,611,974)	14,734,220
Current Liabilities							
Cash and Cash Equivalents		31,750	-	31,750	22,934	-	22,934
Trade and Other Payables		899,833	-	899,833	491,988	-	491,988
New Zealand Crown Loan		15,323,216	-	15,323,216	15,323,216	-	15,323,216
GST Payable		-	-	-	9,250	-	9,250
		16,254,799	-	16,254,799	15,847,388	-	15,847,388
Non Current Liabilities							
Loans		-	-	-	-	-	-
Total Liabilities		16,254,799	-	16,254,799	15,847,388	-	15,847,388
Trust Capital							
Retained Earnings		(1,589,763)	183,000	(1,406,763)	498,806	(1,611,974)	(1,113,168)
Total Trust Capital		(1,589,763)	183,000	(1,406,763)	498,806	(1,611,974)	(1,113,168)
Total Trust Capital and Liabilities		14,665,036	183,000	14,848,036	16,346,194	(1,611,974)	14,734,220

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 5: TRANSITION TO NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) continued

(c) Reconciliation of reported net profit for the year ended March 31, 2009

	Note	Previous GAAP	Group Effect of transition to NZ IFRS	NZ IFRS	Previous GAAP	Parent Effect of transition to NZ IFRS	NZ IFRS
		\$	\$	\$	\$	\$	\$
Operating Revenue							
Rental Income		5,556	-	5,556	-	-	-
Less: Direct Costs		(49,687)	-	(49,687)	-	-	-
Gross Profit/(Loss)		(44,131)	-	(44,131)	-	-	-
Less: Administrative and Operating Costs		654,756	-	654,756	304,528	-	304,528
		(698,887)	-	(698,887)	(304,528)	-	(304,528)
Other Income							
Crown Settlement		-	-	-	-	-	-
Gain/(Loss) on Investment Properties fair value	1	(1,638,526)	183,000	(1,455,526)	-	-	-
Gain on consolidation of PNBC Limited		-	-	-	-	-	-
Other Income		10,000	-	10,000	10,000	-	10,000
		(1,628,526)	183,000	(1,445,526)	10,000	-	10,000
Operating Expenditure							
Historical Claim costs		-	-	-	-	-	-
Increase/(decrease) in provision for impairment	2	-	-	-	-	1,611,974	1,611,974
		-	-	-	-	1,611,974	1,611,974
Financing Costs							
Financial Income		793,491	-	793,491	849,175	-	849,175
Financial Expense		(55,841)	-	(55,841)	(55,841)	-	(55,841)
Net Financing Income		737,650	-	737,650	793,334	-	793,334
Profit/(Loss) before Income Tax		(1,589,763)	183,000	(1,406,763)	498,806	(1,611,974)	(1,113,168)
Income Tax Expense		-	-	-	-	-	-
Profit/(Loss) for the Year		(1,589,763)	183,000	(1,406,763)	498,806	(1,611,974)	(1,113,168)
Other Comprehensive Income		-	-	-	-	-	-
Total Comprehensive Income		(1,589,763)	183,000	(1,406,763)	498,806	(1,611,974)	(1,113,168)

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 5: TRANSITION TO NEW ZEALAND EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (NZ IFRS) continued

(d) Explanatory Notes

1 Investment Property

Under both previous GAAP and NZ IFRS the Parent and Group measured investment properties at fair value, however the determination of fair value between the two standards results in a minor difference.

2 Investment in Subsidiaries

The Parent has made loans to subsidiaries that in substance form part of the net investment in the subsidiary because settlement of loan balances is neither planned nor likely in the foreseeable future. The loan to

subsidiaries is repayable on demand at the discretion of the Parent and is therefore disclosed as an investment in subsidiary.

Under NZ IFRS it is correct to account for the investment in subsidiary at cost because there is no active market to calculate fair value of investment, this is consistent with previous GAAP treatment. However, NZ IFRS requires an impairment test be completed at each balance date for financial instruments held, when there is evidence of impairment.

Upon transition to NZ IFRS an impairment of the Parent investment in subsidiaries has been recognised where the subsidiary has negative retained earnings.

	Group		Parent	
Note	2010	2009	2010	2009
	\$	\$	\$	\$
NOTE 6: DIRECT EXPENSES				
Building WOF	1,671	-	-	-
Cleaning	6,398	-	6,398	-
Consultancy Fees	2,468	16,712	-	-
Electricity	17,914	200	3,417	-
Fire Monitoring	18,191	-	1,681	-
General	983	-	983	-
Grounds Maintenance	28,258	2,577	10,534	-
Health & Safety	619	-	-	-
Heating Ventilation & Air Conditioning	2,757	-	2,757	-
Insurance	85,572	5,433	44,257	-
Legal Fees	4,303	-	-	-
Lift Maintenance	2,679	-	2,679	-
Professional Fees	3,744	-	3,744	-
Property Management Fees	76,048	11,969	7,786	-
Rates	102,199	7,657	30,801	-
Repairs & Maintenance	42,523	1,215	10,955	-
Security	10,413	3,924	1,404	-
Water Rates	13,114	-	5,510	-
TOTAL DIRECT EXPENSES	419,854	49,687	132,906	-

Notes to the Financial Statements for the year ended March 31, 2010

		Group		Parent	
	Note	2010	2009	2010	2009
		\$	\$	\$	\$
NOTE 7: ADMINISTRATION & OPERATING COSTS					
Accountancy Fees		134,142	58,726	62,517	35,690
Advertising & PR Consulting		15,426	26,109	-	-
Annual General Meeting		117,689	-	117,689	-
Audit Fees		40,472	25,000	24,005	20,000
Other Fees Paid to Auditor		-	-	-	-
Bank Charges		2,290	89	1,508	-
Catering & Meetings		17,295	9,017	11,172	6,216
Computer Expenses		25,012	1,793	-	-
Consultancy Fees		37,355	4,444	17,728	-
Consultancy Fees—Accounting & Tax		79,058	-	53,819	-
Depreciation	10	21,776	833	-	-
Directors Meetings		-	169	-	-
Election Costs		68,347	-	68,347	-
General Expenses		19,336	20,593	4,492	8,770
HR Consultancy		37,209	-	-	-
Interest		26,755	-	26,381	-
Koha		222	-	222	-
Legal Fees		37,401	3,523	36,500	2,040
Legislation & Settlement Costs		2,882	-	2,799	-
Management Fees		16,204	-	-	-
Matauranga		10,927	-	-	-
Newsletters		25,338	36,905	23,805	16,905
Office Expenses		31,534	9,931	-	-
Printing & Stationery		41,039	18,023	-	-
Project Management Team		719,467	170,553	-	-
Rent & Power		188,285	89,167	100	-
Shelly Bay Event		-	28,027	-	28,027
Telephone & Tolls		20,746	2,828	912	-
Travel & Accommodation		55,450	30,525	45,288	29,379
Trustees' Expenses		697	1,951	697	1,951
Trustees' Fees		106,834	48,333	106,834	48,333
Valuation Fees		21,753	107,217	12,350	107,217
Recharges Recovered		(72,749)	(39,000)	-	-
TOTAL ADMINISTRATION & OPERATING COSTS		1,848,192	654,756	617,165	304,528

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 8. CROWN SETTLEMENT

The Port Nicholson Block Settlement Trust in terms of the Deed of Settlement dated August 19, 2008 received on September 2, 2009, \$23,138,000 for settlement of the historical Treaty of Waitangi claims. The settlement

consisted of cultural, financial and commercial redress. In terms of the Deed of Settlement, interest is payable by the Crown on an amount of \$23,138,000 from December 13, 2007 until settlement date. This amount is not taxable.

		Group		Parent	
	Note	2010	2009	2010	2009
		\$	\$	\$	\$
NOTE 9: NET FINANCE INCOME/ (EXPENSE)					
Crown Settlement Interest Accrual		1,561,657	793,031	1,561,657	793,031
Crown Loan—Shelly Bay Interest Received		-	-	167,105	55,841
Kiwibank—Online Call Account		1,878	-	593	-
Kiwibank—Term Deposits		198,953	-	197,965	-
Westpac—Terms Deposits and Current Account		11,563	-	-	-
IRD—Use of Money Interest		13,044	460	21	303
Crown Loan—Interest Paid		(167,105)	(55,841)	(167,105)	(55,841)
TOTAL NET FINANCE INCOME		1,619,990	737,650	1,760,236	793,334

NOTE 10: DEPRECIATION

Office Equipment	9,874	833	-	-
Furniture & Fittings	6,022	-	-	-
Motor Vehicles	921	-	-	-
The Officers Mess—Leasehold Improvements	141	-	-	-
The Officers Mess Level 1—Fitout Costs	808	-	-	-
Corporals Club—Leasehold Improvements	115	-	-	-
Commanders Residence	3,087	-	-	-
Conference Equipment	808	-	-	-
TOTAL DEPRECIATION	21,776	833	-	-

Notes to the Financial Statements for the year ended March 31, 2010

		Group		Parent	
	Note	2010	2009	2010	2009
		\$	\$	\$	\$
NOTE 11: TAXATION					
Net Surplus Before Taxation		30,111,119	(1,406,763)	29,396,650	(1,113,168)
ADD/(LESS):					
Crown Settlement		(23,138,000)	-	(23,138,000)	-
Revaluation on Investment Properties		(10,186,886)	1,455,526	(10,687,503)	-
Gain on consolidation of PNBC Limited		(670,858)	-	-	-
Increase in provision for impairment		-	-	2,006,157	1,611,974
Interest on Crown Loan		(1,561,657)	(793,031)	(1,561,657)	(793,031)
Historical Costs repaid		3,591,203	-	3,591,203	-
TAXABLE INCOME/(LOSS)		(1,855,078)	(744,268)	(393,149)	(294,225)
Taxation Expense		-	-	-	-
LESS:					
Provisional Tax Paid		-	-	-	-
RWT Paid		(39,907)	-	(27,707)	-
Prior Year Taxation Refund Due		-	-	-	-
TAXATION PAYABLE/(REFUND DUE)		(39,907)	-	(27,707)	-

NOTE 12: CASH & CASH EQUIVALENTS

Cash at Kiwibank	283,344	-	220,135	-
Cash at Westpac	1,055	(31,750)	-	(22,934)
TOTAL CASH & CASH EQUIVALENTS	284,399	(31,750)	220,135	(22,934)

Cash at bank earns interest at floating rates based on daily deposit rates

Notes to the Financial Statements for the year ended March 31, 2010

		Group		Parent	
	Note	2010	2009	2010	2009
		\$	\$	\$	\$
NOTE 13: TRADE DEBTORS & OTHER RECEIVABLES					
Trade Debtors		33,562	67,137	300	22,700
Accrued Interest		56,474	-	56,474	-
Crown—accrued interest on settlement		-	793,031	-	793,031
TOTAL TRADE DEBTORS & OTHER RECEIVABLES		90,036	860,168	56,774	815,731

All trade debtors and other receivables are subject to credit risk exposure. There is no concentration of credit risk with respect to receivables outside the entity, as the entity has a large number of customers. The carrying amount of trade debtors and other receivables approximates their fair value. As at March 31, 2010 there are no significant overdue trade debtors.

NOTE 14: TRADE CREDITORS & OTHER PAYABLES

Trade Creditors	244,537	139,041	44,369	70,042
Accrued Expenses	117,107	13,677	58,720	-
Wellington Tenth Trust	-	30,846	-	30,846
PNBC Limited	-	666,269	381,100	391,100
Palmerston North Maori Reserve Trust	-	50,000	-	-
TOTAL TRADE CREDITORS & OTHER PAYABLES	361,644	899,833	484,189	491,988

Trade creditors and other payables are non-interest bearing and are normally settled on 30 day terms, therefore the carrying value of trade creditors and other payables approximates their fair value.

Notes to the Financial Statements for the year ended March 31, 2010

	Opening Book Value	Additions at Cost	2010 Valuation	Fair Value Movement
	\$	\$	\$	\$
NOTE 15: INVESTMENT PROPERTIES (at fair value)				
Reconciliation of fair value 2010				
Parent				
1-3 Thorndon Quay, Wellington	-	-	1,900,000	1,900,000
81-87 Thorndon Quay, Wellington	-	-	2,000,000	2,000,000
Wainuiomata College	-	-	1,010,000	1,010,000
Wainuiomata Intermediate	-	-	1,790,000	1,790,000
Waiwhetu Primary School	-	-	2,300,000	2,300,000
Whites Line East, Waiwhetu	-	-	400,000	400,000
Korokoro Gateway site	-	-	205,000	205,000
Point Dorset Recreation Reserve	-	-	590,000	590,000
Wi Tako Scenic Reserve	-	-	296,000	296,000
Dendroglyph site	-	-	2,000	2,000
Bed of Lake Kohangapiripiri	-	-	37,000	37,000
Esplanade land of Kohangapiripiri	-	-	29,000	29,000
Bed of Lake Kohangatera	-	-	66,000	66,000
Esplanade land of Kohangatera	-	-	62,500	62,500
Makaro Scientific Reserve	-	-	1	1
Matiu Island	-	-	1	1
Mokopuna Scientific Reserve	-	-	1	1
Total Fair Value Movement for Parent	-	-	10,687,503	10,687,503
Subsidiaries				
Shelly Bay	12,260,000	617	11,760,000	(500,617)
Total Fair Value Movement for Group for the Year Ended March 31, 2010	12,260,000	617	22,447,503	10,186,886
Reconciliation of fair value 2009				
	Opening	Additions at	2009	Fair Value
Shelly Bay	-	13,715,526	12,260,000	(1,455,526)
Total Fair Value Movement for Group for the Year Ended March 31, 2009	-	13,715,526	12,260,000	(1,455,526)

The investment properties have been valued based on a valuation performed by independent registered public valuer, Colliers International (Wellington Valuation) Limited as at March 31, 2010. The valuation basis used was open fair value and was carried out in accordance with the international valuation standards and in accordance with NZ IFRS IAS 40. The principal Registered Valuer for Colliers International (Wellington Valuation) Limited is Gwendoline Callaghan FPINZ FNZIV.

Islands

As part of the settlement reached with the Crown and enacted with the Port Nicholson Block (Taranaki Whanui ki Te Upoko o Te Ika) Claims Settlement Act 2009, the islands known as Makaro Scientific Reserve, Mokopuna Scientific Reserve, Matiu Scientific Reserve and Matiu Historic Reserve are vested in the Trustees. Colliers International have valued the intrinsic value of these islands as follows:

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 15: INVESTMENT PROPERTIES *(at fair value)* continued

	\$
Makaro Scientific Reserve	60,000
Matiu Historic & Scientific Reserve	398,000
Matiu Lighthouse	21,000
Mokopuna Scientific Reserve	35,000
	<u>514,000</u>

NOTE 16: INVESTMENTS

The Parent and Group hold a term deposit investment at Kiwibank with a return interest of 5% per annum. This matures on February 1, 2011.

	Group		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
NOTE 17: PROPERTY, PLANT & EQUIPMENT				
Description				
Office Equipment	25,028	-	-	-
Less Accumulated Depreciation	(10,249)	-	-	-
	14,779	-	-	-
Furniture & Fittings	84,266	5,747	-	-
Less Accumulated Depreciation	(6,480)	(833)	-	-
	77,786	4,914	-	-
Motor Vehicles	30,698	-	-	-
Less Accumulated Depreciation	(921)	-	-	-
	29,777	-	-	-
The Officers Mess—Leasehold Improvements	56,507	-	-	-
Less Accumulated Depreciation	(141)	-	-	-
	56,366	-	-	-
The Officers Mess Level 1—Fitout Costs	19,085	-	-	-
Less Accumulated Depreciation	(808)	-	-	-
	18,277	-	-	-
Corporals Club—Leasehold Improvements	6,554	-	-	-
Less Accumulated Depreciation	(115)	-	-	-
	6,439	-	-	-
Commanders Residence	10,224	-	-	-
Less Accumulated Depreciation	(3,087)	-	-	-
	7,137	-	-	-
Conference Equipment	10,098	-	-	-
Less Accumulated Depreciation	(808)	-	-	-
	9,290	-	-	-
TOTAL FIXED ASSETS	219,851	4,914	-	-

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 18. NEW ZEALAND CROWN LOAN

During the year ending March 31, 2009 the Port Nicholson Block Settlement Trust entered into a loan with the New Zealand Crown to enable the Settlement Trust subsidiary, Shelly Bay Limited to purchase the investment properties at Shelly Bay Road, Shelly Bay, Wellington. This loan was repaid immediately in full from the settlement with the Crown on September 2, 2009.

NOTE 19. OTHER LOANS

The Kiwibank revolving credit loan facility is secured over the Kiwibank \$7,107,945 Term Deposit. The current interest rate is 6.15% per annum.

NOTE 20. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries

The Parent had made loans to subsidiaries that, in substance, form part of the net investment in the subsidiary because settlement of loan balances is neither planned nor likely in the foreseeable future.

	Parent	
	2010	2009
<i>The Investment in subsidiaries comprises:</i>	\$	\$
Shelly Bay Limited	11,888,769	13,918,489
The Lodge at Shelly Bay Limited	32,431	-
Port Nicholson Block Management Limited	-	-
	11,921,200	13,918,489

The Parent recognises an impairment loss on the investment in subsidiaries for the balance of the negative equity balance in the subsidiary financial statements, up to the carrying value of the Parent investment. The recoverable amount of the Parent investment in each subsidiary is based on an estimate of the investment fair value less costs to sell. Given all assets and liabilities of each subsidiary are carried at fair value, the recoverable amount has been estimated to equal the net assets disclosed in the subsidiary financial statements.

Shelly Bay Limited

Carrying value at cost

Opening balance	15,494,421	-
Crown loan monies advanced via the Parent	-	15,267,375
Crown loan interest recharged from Parent	167,105	55,841
Other monies advanced/subsidiary expenses paid by Parent	-	171,205
Funds repaid/Parent expenses paid by the subsidiary	(1,402,904)	-
Closing balance	14,258,622	15,494,421
<u>Impairment provision</u>		
Opening balance	1,575,932	-
Current year impairment expense	793,922	1,575,932
Closing balance	2,369,854	1,575,932
Carrying value of investment in subsidiary	11,888,768	13,918,489

On February 19, 2009 the Port Nicholson Block Settlement Trust entered into a Crown loan to enable the Settlement Trust's subsidiary, Shelly Bay Limited to purchase the investment properties at Shelly Bay Road, Shelly Bay, Wellington. The Crown loan monies received by the Trust were advanced to Shelly Bay Limited as an inter-group loan, any Crown loan interest paid by the Trust was on-charged to Shelly Bay Limited.

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 20: INVESTMENT IN SUBSIDIARIES continued

The Crown loan payable by the Trust was repaid in full from settlement monies on September 2, 2009. The monies advanced to Shelly Bay remain payable on demand at the discretion of the Parent. After settlement date no interest has been charged by the Parent to Shelly Bay Limited.

	Parent	
	2010	2009
	\$	\$
The Lodge at Shelly Bay Limited		
<u>Carrying value at cost</u>		
Opening balance	-	-
Monies advanced/subsidiary expenses paid by Parent	62,961	-
Closing balance	62,961	-
<u>Impairment provision</u>		
Opening balance	-	-
Current year impairment expense	30,530	-
Closing balance	30,530	-
Carrying value of investment in subsidiary	32,431	-

The balance is payable on demand at the discretion of the Parent and no interest is charged

Port Nicholson Block Management Limited

<u>Carrying value at cost</u>		
Opening balance	36,042	-
Monies advanced/subsidiary expenses paid by Parent	1,181,705	36,042
Closing balance	1,217,747	36,042
<u>Impairment provision</u>		
Opening balance	36,042	-
Current year impairment expense	1,181,705	36,042
Closing balance	1,217,747	36,042
Carrying value of investment in subsidiary	-	-

The balance is payable on demand at the discretion of the Parent and no interest is charged

Reconciliation of impairment provision for investment in subsidiaries

Opening balance	1,611,974	-
Current year impairment expense	2,006,157	1,611,974
Closing balance	3,618,131	1,611,974

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 21. ACQUISITIONS OF SUBSIDIARIES

Port Nicholson Block Settlement Trust obtained control of PNBC Limited on settlement date (September 2009). No other subsidiaries were acquired in 2010 or 2009. PNBC Limited was the entity charged with negotiating the settlement on behalf of the claimants. The mandated representatives of the Port Nicholson Block Claim were charged with responsibility for negotiating a settlement with the Crown of historical Treaty of Waitangi claims relating to Taranaki Whanui ki Te Upoko o Te Ika. The representatives formed a limited liability company, PNBC Limited.

As a result of PNBC Limited incurring expenses on behalf of claimants during negotiations, at acquisition date PNBC Limited reported negative retained earnings of \$2,920,345. The Trust had a pre-existing obligation before the acquisition to reimburse PNBC Limited for historical costs incurred when final settlement was received. Simultaneously at the date of acquisition the Trust expensed the balance of historical negotiation costs \$3,591,203 and reimbursed PNBC Limited for cost incurred.

	Group 2010 \$
Consideration transferred by the Trust	<u>-</u>
Identifiable assets acquired and liabilities assumed	
Cash at bank	12,688
GST receivable	34
Income tax receivable	7,050
Port Nicholson Block Settlement Trust receivable	391,100
Port Nicholson Block Management Limited receivable	275,169
Accounts payable	(861,672)
Loan—Wellington Tenth Trust	(1,665,774)
Loan—Palmerston North Maori Reserve Trust	(1,078,940)
	<u>(2,920,345)</u>
Plus: settlement of pre-existing relationship	3,591,203
	<u>670,858</u>

The carrying value of identifiable assets acquired and liabilities assumed in the financial statements of PNBC Limited equated to their fair value at acquisition date.

Goodwill

Total consideration transferred	-
Less fair value of identifiable assets and liabilities	670,858
Gain on consolidation	<u>670,858</u>

The fair value of net asset acquired is greater than consideration transferred and is therefore deemed to be a gain on acquisition and the difference is taken immediately to the Statement of Comprehensive Income.

Post acquisition losses

From the date of acquisition, September 2, 2009, post acquisition losses of PNBC Limited up to current reporting date was \$21,765 (excluding settlement of pre-existing relationship).

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 22. TRUSTEE REMUNERATION

Trustee remuneration paid during the year was as follows:

	2010
	\$
Professor Sir Ralph Heberley Ngatata Love (Chairman)	32,000
Sir Paul Alfred Reeves (Deputy Chairman)	12,000
Kevin Hikaia Amohia	9,000
Neville McClutchie Baker	9,000
Spencer Waemura Carr (retired September 26, 2009)	4,500
June Te Raumange Jackson	9,000
Dr Catherine Maarie Amohia Love	9,000
Hinekehu Ngaki Dawn McConnell	9,000
Rebecca Elizabeth Mellish	9,000
Hon Mahara Okeroa (appointed September 26, 2009)	4,500
Hokipera Jean Ruakere (appointed September 26, 2009)	4,500
Mark Te One	9,000
Less: Provision made in 2009	(13,666)
	<u>106,834</u>

NOTE 23. FINANCIAL INSTRUMENTS

Exposure to credit risk, liquidity risks and interest rate risks arises in the normal course of business for the Parent and Group.

Credit Risk

Concentrations of credit risk include the Group's banking arrangements and accounts receivable. Most funds are held with Kiwibank. There are no other concentrations of credit risk. Exposure to credit risk is monitored on an ongoing basis. Management has a credit policy in place under which each new customer is individually analysed for credit worthiness and assigned a purchase limit before the standard payment and delivery terms and conditions are offered.

Liquidity Risk

Liquidity risk represents the ability of the Parent and Group to meet its contractual obligations. Management evaluates liquidity requirements for the Parent and Group on an ongoing basis. In general, sufficient cash flows are generated from operating activities to meet obligations from financial liabilities. In addition, the Parent and Group has credit lines in place to cover potential shortfalls.

Interest Rate Risk

The Parent and Group has exposure to interest rate risk on the Kiwibank borrowings of \$1,307,675 (2009: Nil).

Fair Value

The fair value of each class of financial assets and liabilities is assessed to be the same as the respective carrying value shown in the financial statements.

Capital Management

The Parent and Group manages its capital through the use of cash flow and corporate forecasting models to determine the future capital requirements.

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 24. RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

The Parent and ultimate controlling party of the Group is Port Nicholson Block Settlement Trust.

		<i>Interest held by Group</i>	
<i>The Parent is related to the following subsidiary entities</i>	<i>Principal activities</i>	<i>2010</i>	<i>2009</i>
Port Nicholson Block Management Limited	Management of Operations	100%	100%
Shelly Bay Limited	Commercial Rental	100%	100%
The Lodge at Shelly Bay Limited	Commercial Rental	100%	0%
PNBC Limited	Treaty Negotiations	100%	0%

The Lodge at Shelly Bay was incorporated in 2010 and the Trust has held a 100% interest in the entity from this date. The acquisition of PNBC Limited is disclosed in Note 21, the details of the investment in subsidiaries detailed in Note 20.

All members of the Port Nicholson Block Settlement Trust Group are related parties of the Trust. During the year, the Trust has advanced loans to support its subsidiaries as required, and received loan repayments from its subsidiaries, in the normal course of business. Details of transactions between the Parent and subsidiary entities are disclosed at Note 20.

(b) Other related parties

In addition to the above, certain administrative transactions were performed between the Parent and its subsidiaries, and the following related parties:

- Palmerston North Maori Reserve Trust Group
- Wellington Tenth Trust Group
- Entrepreneurship New Zealand Trust
- Wharewaka o Poneke Charitable Trust
- Te Wananga o Aotearoa
- Pipitea Marae Charitable Trust
- Te Runanganui o Taranaki Whanui ki Te Upoko o Te Ika a Maui Association Incorporated

As at March 31, 2010 the Group had a commitment of \$1,000,000 to underwrite the construction of the wharewaka building being built by the Wharewaka o Poneke Charitable Trust.

(c) Transactions with related parties

Significant related party transactions included:

	Group		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Rents	42,432	-	-	-
Project Management	72,749	39,000	-	-
	115,181	39,000	-	-

Notes to the Financial Statements for the year ended March 31, 2010

NOTE 25. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or commitments as at March 31, 2010 (2009: Nil).

NOTE 26. SUBSEQUENT EVENTS

A small section of the Group's Investment Property, which related to a public road owned by Shelly Bay Limited was sold to Wellington City Council for \$21,000 on May 6, 2010 (2009: Nil).

NOTE 27: LEASE COMMITMENTS

	Group		Parent	
	2010	2009	2010	2009
	\$	\$	\$	\$
Not later than one year	63,676	-	-	-
Later than one year, not later than five years	7,098	-	-	-
Later than five years	-	-	-	-
	<u>70,774</u>	<u>-</u>	<u>-</u>	<u>-</u>

Audit Opinion



Grant Thornton

Audit Report

Audit
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To the stakeholders of the Port Nicholson Block Settlement Trust and Group

We have audited the consolidated financial statements of Port Nicholson Block Settlement Trust (the "Parent") and its subsidiaries (the "Group") on pages 27 to 49. The financial statements provide information about the past financial performance of the Parent and Group and its financial position as at 31 March 2010. This information is stated in accordance with the accounting policies set out on pages 32 to 34.

Trustees' Responsibilities

The Trustees are responsible for the preparation and presentation of the financial statements which fairly reflects the financial position of the Parent and Group as at 31 March 2010 and the financial performance for the year ended on that date.

Auditor's Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Trustees.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Trustees in the preparation of the financial statements; and
- whether the accounting policies used are appropriate to the Trust and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditors, we have no relationship with, or interests in, the Parent and Group.

Unqualified Opinion

In our opinion the financial statements on pages 27 to 49 fairly reflects the financial position of the Parent and Group as at 31 March 2010 and the financial performance for the year ended on that date.

Our audit was completed on 5 July 2010 and our unqualified opinion is expressed as at that date.

Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand

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PORT NICHOLSON BLOCK
SETTLEMENT TRUST