

Annual Report

Year Ended March 31, 2013



PORT NICHOLSON BLOCK
SETTLEMENT TRUST

Moemoea

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

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

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Minutes of 2012 Annual General Meeting

Saturday 8 September 2012, 10am
Pipitea Marae, Thorndon Quay, Wellington

Trustees Present:

Hon Mahara Okeroa (Interim Chair), Mark Te One, Liz Mellish, June Jackson, Dr Catherine Love, Peter Love, Neville Baker, Teri Puketapu, Hokipera Ruakere

Trustee Apologies:

Sir Ngatata Love (leave of absence)

Trust Adviers and Staff Present:

Aroha Thorpe, Bruce Farquhar, Euan Playle, Nigel Moody, Sam Jackson, Tracey Betham, Edie Monardez, Ben Ngaia, Neavin Broughton, Mere Tahuparae-Luinstra, Jane Dawson, Mel Harrington, Pekaira Rei

Attendance List:

Peter Charleton, Vaughan Puketapu. Kara Puketapu, Frances Kingi Katene, Mana Jenkins, Helen McConnell, Dawn McConnell, Laura Taepa, Kararaina Luke, Riria Utiku, Josie Coffey, Luana Fruean, Gay Puketapu-Andrews, Nuku Chesley, Margaret Rawaka-Love, Sam Kahui, Sam Tamarapa, Eddie Churton, Fred Allen, David Graham, Sian Andrews-Warmuth, Roena Ruakere Te Uira, C Thomas, Ngaire Jenkins, Lee Rauhina-August, Kura Moehau, Holden Hohaia, Wayne Mulligan, Maraea Ropata, Brendon Baker, James Wheeler, Adrienne Fruean, Jason Warren, Louise Studd, Ataahua Tirikatene, Julia McConnell, Nathan Graham, Brendon Andrews-Warmuth, Adrian Tangaroa Wagner, Rachel Buchanan, Joan Aratema, Mereana Ratana, Jo Takarangi-Firmin, Lois McNaught, Neville McNaught, Reni Rio Graham, Judy Erb, Stewart Erb, Ashley Ede, Anahera Coleman Watson, Siobhan Lynch, John Lynch, Rangiaroha Huhana Clark, Sandra Julian, Matehuirua Limmer, Huia Puketapu, Mututehapi Puketapu-Barnett, Miriama Gram, Susan Love-de Miguel, Karena Efairaimo, Diane Kotua, Capreece Kotua, Kuini Puketapu, Mahanga Williams, Terese McLeod, Aaron Te One, Ann Rewiti, Poiria Erskine, Allan Erskine, Te Rangikauhoe Tamaki Thorpe, Marama Cock, Melvyn Cock, Huia

Kirk, KP Maaka Rio, Wayne Kingi, Hinga Harris, Morris Love, Merehinepua Wakefield, Graeme Marshall, Lee Hunter, Hinemoa Priest, Mynetta Erueti, Jason Fox, Michael O'Connor, Shamia Shariff, Wayne Makarini, Wikitoria Morehu, Wayne Peters, Blair Knuckey, Felicity Buchanan, Roz Gaylard, Richard Te One Snr, Anne Somerville, Lennox Love, Joan Ellis, Kahurangi Puke, Wiki Beamish, Jean McLeod-Ruakere, Shona Coffey, **S Marina page 5**, Rae Belton, Neville McNaught, Hina Luke, Peggy Luke-Ngaheke, Jamie Tuuta, Aroaro Tamati, Howie Tamati, Terangi Hiroa Herlihy, Phillipa Fairclough, Marie Niu Biss, Maara Peters, Warren Skerrett, Aaron Titter, Cherie Douglas, Gilbert Douglas, Ngaere Makowharemahiti, Megan Matui Somerville, Sally Fenwick, Ani Parata, Uria Annette Jenkins, Paul Jenkins, Turuhira Bailey-Moki, Raitatukia Bailey-Tomlinson, Kataraina Bailey-Millin, Lisa Ngaia, Donna Phillips, Tegan Sturney, Hemi Tahurangi, Takiri Cotterill, Sarah Cotterill, Winsome Priest, Ina Rangiwhetu, Whareahuru Gilbert, Pirihiara Joyce Te Pahi, Vicki Hollywell, Torehakura Puketapu, Alanna Puketapu, Sarah Hunter-Love, Edwina Love-Hanson, Maaia Ranginui-Love, Cesare Matich, Kim Skelton, Reena Huntley, Judy Allen, Erini Shepherd, Alison Robins, Montgomery T Ahie, Hannah Harrison, Tania Tanaki, Leo Buchanan, Hera Hailwood, Austin Silbery Coleman, Julia Schafer Coleman, Miria Mako, Koha Mako, Martha Gilbert, William Owen, Pauline Owen, Marion Tonga, Honiana Love, Joe Puketapu, Tamihana Puketapu, Kaira Ranginui-Love, John Warren, Paul Carr, Alice Riwaka, Ngawai King, Dione King, Marama Butler-Monu, John Rei, Grant Knuckey, Alamaine Mcgregor, Alejandro Miguel, Tuffy Churton, Atta Rauhina, Richard Carroll, Marina Mason, Paea Dentice, Timothy Wagner, William (Bill) Nathan, Raymond Te Tiwha Marshall, Teremoana Sparks, Eugene Western Ratana, Vanessa Joy Riwaka, Russ Cook, Toa Pomare, Wikitoria Michalanney, N Watts, Rauhira Walsh, Glenn McConnell, Erueti Brown, Hayden Turoa, Trina Coffin, Dan Ratahi, Jan Love, Sautosh Kuman, Bikki Saikumer

Apologies:

Sydney Mephram, Warren Skerrett, Laurayne Mariu Peck, Heather McPhee, Adam Te Paki, Vaughan Kingi Gooch, Kovan Jason Gooch, Kereama Leith, Wikitoria Pahemala, Meneana Te Pohi, Sina Rangiwhetu, Noel Woods, Ben Rangiwhetu, Johnnie Rangiwhetu, Karlana Woods, John Owen, Emily John, Ngametua John, Heni Owen, Paratene John, Richard Owen, Ngataki John, Addy Love, Moia Love, Takarangi Love, Mereana Riwaka, Bevlah Fox, Paul Fox, Kargn Fox, Linaire Fox, June Ngaia, Tuhi McGregor, Desiree Sturme, Alice Somerville, Keri Cameron, Jean Cameron, June Hagan, Matthew Reweti, Peki Reweti, Joe Jones, Witako Love, Renee Love, Alastair Love, Rosemarie McNaught, Gabrielle Brown, Michelle McNaught, Noel Kirk, Joy Kirk, Robin Kirk, Sean Kirk, Micheal Jenkins, Josephine Love, Moya McConnell, Peter Moeahu, Ngapera Moeahu, Raima Moeahu, Hinehau Moeahu, Kerewai Moeahu, Poia Moeahu, Myra Hunter, Tame Ngaheke, Te Rae Ngaheke, Otanare Ngaheke, Niki Weebe, John Edward Stubb, John Tarawara Stubb, Dorothy Andrews, William Graham, Jared Knuckey, Eleanor Gurnick, Raukura Maxwell, Raakai Maxwell, Te Awa Puketapu, Ihakara Dentice, Aroha Morehu, Vicki Love, Hine Love Thompson, Tui Love, Ngawhakakeke Wetere, Mike Walsh, Raymond Tetiwha Marshall, Kaye McLeod, Essie Whanau, Lee-Ora Mohi Lusi, Wendy Moana Mohi, Gary Mohi, Ariana Mohi, Tane Mohi, Tracey Matthews, Matthew Tomlinson, Meshia Matthews, Gemma Matthews, Venessa Ede, Marlene Love, Daniel Love, Matene Love, Adam Love, Tyrone Love, Ben Love, Hami Love, Karen Ramsbottom, Julia Marino, Te Karanga Marino, Peter Jackson

Sam Jackson opened the meeting at 10am with mihi and E Nga Iwi was sung. Tiki Raumati responded and offered karakia for the hui with the singing of He Honore.

In commencing the meeting the Interim Chairman noted the article in The Dominion Post this morning. He stated that the matter had been discussed at the Trustee meeting yesterday. No Trustee in attendance had any knowledge of what is reported in the paper.

The Interim Chair then spoke to the house-keeping matters for the meeting, including that ample time for questions will be given, questions will be accepted and statements will not. Matters will not be duplicated. Everyone is to treat each other with due respect. If the Chair is compelled to intervene, he will do so, but made it clear he does not want to have to do that. He asked that everyone register at the front desks to ensure the attendance for the minutes is accurate and that apologies be lodged at the desk as well.

The Interim Chair then stated that the meeting is a private one and if any media are present they are requested to leave now (an appropriate short pause was given). It was noted that two members of the media in Wellington are also trust members and we are aware of their presence, but they are here as Trust members

The Interim Chair advised those present that it had been appropriate for Sir Ngatata Love to take a leave of absence.

The Interim Chair then spoke of the election process which has been conducted and that legal advice had been that the Trustees did not have the power to postpone, cancel or in any manner interfere with the electoral process. The representative of electionz.com on site today is Aaron Titter, who is responsible for the ballot box, so if anyone has their voting papers to deposit look for Aaron at the table at the back of the meeting. The election remains open until the end of the Annual General Meeting today.

Minutes of the Previous AGM:

The Minutes of the Annual General Meeting held on Saturday 10 September had been distributed in the Annual Report (pages 7 to 14). The Trustees have reviewed these and aside from typographical corrections, recommend that they be accepted as a correct record of proceedings.

Resolution

It is hereby resolved that the members of the Trust accept the Minutes of the Annual General Meeting held on September 10, 2011 as a correct record of proceedings.

Moved Martha Gilbert

Seconded James Wheeler

Carried unanimously

Matters Arising from Previous Minutes:

Hon Mahara Okeroa advised that Trustees have attempted to cover any matters arising from the last meeting and reports will be given as we progress through the meeting. He particularly noted:

- Wai 2235
- Te Raukura
- Lowry Bay Section One Limited
- Property Matters
- Financial Matters

Trustees Report:

Pipitea Marae

Neville Baker spoke to the prepared slide and noted the work that has been completed and upcoming work to be done. He reminded members that the marae trustees are Mahara Okeroa, Aroha Thorpe, Puti Mackey, Anaru Smiler, Dale Stephens and himself. He also noted that ex-gratia payment from the Crown at the time of settlement is largely still in place.

Harbour Islands Kaitiaki Board

Mark Te One spoke to the slide that had been prepared. He was pleased to advise that the Harbour Islands Kaitiaki Management Plan has been finalised and is currently at the printers. He thanked Morrie Love and Kim Skelton for the work that they had done in creating the management plan. The cost of the plan was borne by the Department of Conservation. Mark also noted that consideration is being given to revamping the “entry” to Matiu. He also referred to the solar panels that had been installed and the wind turbine for electricity and relocation of birds and animals.

Roopu Tiaki

Teri Puketapu spoke to the slide that had been prepared. He advised that this is the newly formed committee to manage the two lakes of which the Trust own the lakebeds and esplanade strips around them – Kohangatera and Kohangapiripiri. The joint committee membership is Liz Mellish, Mark Te One, Teri Puketapu and three appointees from the Wellington Regional Council. Crown own the water and air space. Perhaps at some time there is hope we will own the water. The committee is working through the development of a joint management plan with the help of Kim Skelton and officials from the council. The regional council is carrying the cost of developing the

management plan and it is hoped to be completed and available at the next AGM. The tuna fishery is a matter of concern and caused the banning of fisherman. Public access is maintained for the area through the settlement. Kim Skelton invited all present to collect the information sheet at the front desk which includes a questionnaire and to make a contribution to the development of the plan.

Oruaiti Reserve

Liz Mellish spoke to the presentation and reminded those attending that the beautification of the reserve was due to the Plimmer Bequest of \$400,000 through Wellington City Council. Some interpretation work has been done but more is yet to be completed. It is expected that all work will be completed by the end of October. There has been no cost to the iwi.

Honiana Te Puni Reserve

Liz Mellish also spoke to this matter and explained that it is the entry to the Hutt Valley from Wellington in a prime beachfront position. It is a local purpose reserve which allows building on the site. A memorandum of understanding with Hutt City Council is being worked on as to how and what a development on the site might be. Some ideas revolve around waka, waka ama and other water sport activities. Meetings have been held with all representatives of these groups and there is support for an initiative based around water sport.

Wi Tako Ngatata Reserve

One of our members - Mana Huntley lives next door to this reserve. It is mostly pristine forest. There has been issues with pine trees but Upper Hutt City Council has removed these and there is ongoing work in respect of this. Work with the council is also ongoing in terms of pest control, etc. Consideration is still being given as to other options on the site. It is a 59 hectare area.

Lowry Bay Section One Limited

Liz Mellish spoke to the slides that had been prepared. She noted that the operational costs of the property are approximately \$250,000 per annum. There are positive things happening at the site. Rod Maxwell is the company onsite contractor who continues to work hard to keep the site clean. The older derelict buildings have

been the target of vandals but the demolition work undertaken has lessened some of this undesirable behaviour. This site is a very good example of how the Crown badly treat settlement entities in settling properties such as closed school sites. There are community groups using the facilities and we are working to keep them. The land and buildings on the property are in the ownership of the Trust and were settled on the Trust at settlement date. There are ongoing discussions in terms of the kohanga tenancy and rental. The court decision is clear that the tenant should be paying market level rental and a framework has been set by the court for the matter to be settled. In addition the court awarded costs to the Trust against the kohanga. A question from the floor was asked if any rent has been paid by the kohanga to date and was advised that there has been no payment. The tenant is aware of how much is outstanding. We continue to work through the issues. Huia Puketapu inquired as to who and what is Lowry Bay Section One Limited. Members were advised that the company was established by resolution of the Trustees to develop and consider options for the future of the property. The company was established by the Trust with three directors – Liz Mellish, Keith Hindle and Peter Love. It is a wholly owned subsidiary company of the Trust and the Trust is the only shareholder of the company. The directors report to each Trustee meeting on activity. The company is not outside the framework of the Trust.

Thorndon Quay properties

Mahara Okeroa spoke to these two slides and advised that the properties are fully tenanted commercial properties.

83 Waterloo Quay

Mahara Okeroa and Euan Playle spoke to this matter and advised members that the debt as at 31 March 2012 was \$750,000 as reported in the Financial Statements. Since balance date a payment of \$150,000 has been received and a payment plan for the remainder. That plan has not been held by Redwood Group. A second statutory demand (first was issued in late 2011) has been issued and Trustees have resolved to pursue this matter through all legal avenues available. Mr Playle was asked if it was his belief that bankruptcy of the Redwood Group

was the best course of action and he stated that he did not believe it was as the Trust would not receive any further funds.

David Churton said that on the face of it, it is a good deal and Trustees should be congratulated for it. However it does show how tight money is and generating income is challenging.

Jason Fox said that he is here about the transparency and commercial transactions related to the Trust and how we deal with commercial activities. Should we be setting up a commercial board? Mahara Okeroa responded that the Trustees have an Economic Development Committee which is advised by a working group. Mr Fox said that he would like to put a motion to the meeting and was advised that this could be done under General Business.

Wellington Railway Station and Social Hall

Mahara Okeroa spoke to the slides and advised members that the total cost of the due diligence process had been in the vicinity of \$250,000. This was a good investment particularly given the outcome of the peer review process. Martha Gilbert asked given the decision not to purchase where would the Trust locate? Mahara Okeroa advised that the Trust is on a month to month lease so there is no urgency but alternatives are being considered.

Ryman

Ina Rangiwhetu said she was concerned at the long term lease and asked if a shorter term would be better. Euan Playle explained several options are worked on until discussions get to a point where an agreement in principle is achieved and then you work through direct negotiations.

Shelly Bay Limited

Mark Te One spoke to the slide.

Huia Puketapu asked who the directors of the company were and was advised they are Mark Te One, Dr Catherine Love and Sir Ngatata Love. She then asked if it is the same as the other companies. David Churton asked if the Trust can continue to hold this property or should consideration be given to its sale given that it had cost around \$15m to purchase and is only getting a 2% return? The Trust will

consider all options in respect of the property – sale, development, etc. Currently the property is incurring a loss in the order of \$126,000 per annum. There were varying comments from members as to whether the property should be retained or sold. It is a matter for Trustees to consider going forward. The discussion also generated comments around the fact that the Trustees are elected by the members of the Trust, based on their capabilities. The members have the ability to change Trustees during the democratic electoral process.

Motu Kairangi

Mahara briefly spoke to the matter of Motu Kairangi and the creation of a national park on the peninsula, however the right of first refusal remains in place for the Trust for the land into the future.

Relationships

Liz Mellish explained briefly about working with the local territorial authorities within the rohe. The position established through the Ministry for the Environment is important for input to each council's district planning. Dr Leo Buchanan asked if dealings with councils have become more difficult given the Ngati Toa situation. Liz responded that it has already been making an impact. Of major concern are the statutory acknowledgements over the harbour and Hutt River and its tributaries. The impact of these in particular is severe for Taranaki Whanui as it means any development we want to do Ngati Toa will be consulted on in terms of the Resource Management Act. We do need to put our pou in the whenua and have it included in district plans. Liz then also briefly spoke to the new National War Memorial Park being established in Buckle Street and Ngati Toa have a right to take koiwi and archaeological finds from an area that is distinctly Taranaki Whanui, with Wellington Tenth's Trust being an affected land owner.

Ina Rangiwhetu asked for an update on the Town Belt matter that had been raised at last year's meeting. Liz reminded attendees that an attempt had been made to have the Town Belt returned through the settlement process however this was not permitted as it was deemed private land (i.e. owned by Wellington City Council). This has direct relevance to Wai

2235. We have worked diligently with Council and particular thanks need to go to Morrie Love for the work that has been done particularly in respect of getting a co-management programme developed. Ngati Toa has made representations to council wanting to be involved in the Town Belt.

There was a general discussion around ahi kaa roa with a particular focus on the Palmerston North Maori Reserve. Liz advised that the reserve trust had never claimed to have ahi kaa roa in Palmerston North, the local iwi have always been recognised as the mana whenua of the area. Any commercial activity is the business of that trust.

David Churton asked if this Trust now superceded the Wellington Tenth's Trust or do they work in parallel on matters. Liz advised that the settlement trust take a lead role but in addressing councils, etc we acknowledge and represent all Taranaki Whanui. It is a collective responsibility. It is important that we maintain the settlement trust in Wellington.

Whole of Government

Mahara Okeroa spoke to the slides that had been prepared which were self-explanatory. David Churton said that the Whole of Government provision in the legislation was where we would see real benefit outside of the settlement as it would give a capacity to deal with a range of issues. Mahara responded that the focus has been on increasing our capabilities to deal with the raft of issues we face and used the example of the resource management area which is a huge portfolio

Kaumatuā

Peter Love spoke briefly about the kaumatua activities, particularly the weekly hui held at Hikoikoi, trips such as attending Pomare Day, the Freephone and the fridge magnets which are available at the front desks.

Waka Ama

Hokipera Ruakere spoke to the slide and advised members that the activity has experienced a 200% increase on the numbers participating. Waka ama is operated from both Te Raukura and Hikoikoi. Chris Fox is the coordinator and if anyone is interested in waka

ama they should see Chris. A video of waka ama activity will be shown over lunch

Te Taiohitoa o Te Awe

Hokipera Ruakere also spoke to this slide which is encouraging for taiohi. Mel Harrington is leading this work and is available if anyone is interested or wants more information on the initiative which is conducted in conjunction with Te Awe Maori Business Network and funding from Te Puni Kokiri.

Education and Training

Dr Catherine Love spoke to the three slides prepared. She spoke of the programmes conducted in conjunction with Te Wananga o Aotearoa (Te Ara Reo Maori and Sports Academy). She also spoke about the Education Working Group which is a group of people passionate about education who given voluntarily of their time and expertise. She explained it had been from this process that the approach to the Ministry of Education was made and the resulting contract was secured which is about educating ourselves and other and ensuring the history of the area is told. The group meets about 4 times per year and is currently chaired by Gay Puketapu-Andrews. If you are interested in participating Neavin Broughton at the Trust office can provide further detail. Catherine then spoke about the Accelerated Learning Centre based at the former Waiwhetu school site for students and their whanau. Particular focus is for students who find mainstream challenging and fast tracking their learning in areas of particular interest to them. Was started in February this year and currently has over 170 participants. Questions from the floor included:

- where and when are the te reo classes held which is Monday mornings at Hikoikoi and also through enrolments at Te Kura, they also get supported learning at other times during the week
- how is the contract between the Trust and Ministry administered. Education PNBST Limited is the wholly owned subsidiary company which is responsible for the contract. The directors of the company are Mark Te One, Liz Mellish, Mahara Okeroa, Hokipera Ruakere and Sir Ngatata Love
- how is the location managed? It is through a licence to occupy of the premises entered into by Entrepreneurship New Zealand Trust

and the settlement trust. The trust's property managers (Colliers Property Managers) manage this process and determined the rental (\$5,600 per annum).

- What is difference between this rental and that being put to the kohanga reo in Wainuiomata? The buildings in use at Waiwhetu are run down, only part of the site is used, the tenants have undertaken significant repairs and maintenance at no cost to the landlord. The kohanga is a brand new building with funding provided directly from the Ministry of Education by way of a grant. The kohanga is receiving rent from others using their facility – but not paying the landlord anything.
- how many of the 170 are Taranaki Whanui? About 85-90% of those at the learning centre are Taranaki Whanui. It was noted that not all are at the site at one time as there are weekend and night programmes too
- Who is Entrepreneurship New Zealand (ENZ) Trust? Sir Paul Reeves was an original trustee. Since December/January the board of ENZ are Jim Meates, Atarina Awarau, Gaye Puketapu-Andrews and Dr Michael Roguski
- Catherine Love advised that her role is to manage the ENZ Trust activities. And for clarity no part of her salary comes from the Ministry of Education contract. Her salary is funded from other sources of funding to ENZ Trust.

Review of the Trust Deed

The slides were presented by Mahara Okeroa. Rachel Buchanan made a statement around Trustees needing to be trustable. She was advised that the journey over the past few weeks has been difficult for everyone.

Howie Tamati asked at what stage was the full board informed about the deal and who negotiated the deal? The board was informed early on of the negotiations and the earlier structure that was explained was used.

Kura Moeahu asked if the review of the Trust Deed will be a regular event and was advised that this will be taken into consideration.

Mana Jenkins stated that she regularly attends these meetings and hears about what is going on and the work being done on our behalf. She

takes her role of electing Trustees seriously and studies the candidate profiles before making her decision. We, the members voted the Trustees in and they are doing the best they can

Wai 2235

Mahara Okeroa advised those attending that the total local of recognition or acknowledgement of Taranaki Whanui as the people in Wellington by the Crown is appalling. The action taken was a principled stand to ensure the mana and cultural integrity of Taranaki Whanui was protected and maintained. There was a wide discussions around Taputeranga Island, maritime empire and the statutory acknowledgements on the harbour and Hutt River. The encroachment on the rohe is ugly. The High Court action did not achieve the interim injunction but the offer by the Crown to Ngati Toa is conditional on the findings of the High Court once a hearing has occurred. We are full engaged in preparing for that now. The risks that the Trustees have taken are immense and the cost will be debilitating however the majority of Trustees agreed to stand on their mana and continue. Trustees are clear that the risk of not winning are high. Mahara then thanked those who have had an involvement on a voluntary basis including Morrie Love, Honiana Love and Ihaia Puketapu.

- A map was requested of the offer to Ngati Toa and it was stated that maps have been provided to the marae at the hui prior to the Tribunal hearing.
- Given Trustees have been cautioned that they could lose, what is the total cost of the action? Mahara responded that the Tribunal matter had cost over \$300,000 and the estimate to pursue the High Court is in the vicinity of \$200,000, but it could be more. Trustees are able to withdraw from the High Court action at any stage.

There was recognition from the floor that the High Court action is required and it is not about money.

Te Raukura

Vaughan Puketapu asked for clarification around the risk exposure to the Trust in terms of the wharewaka. Euan Playle responded that the risk for the settlement trust relates to the guarantee of the \$3m Kiwibank loan. The loan

from the settlement trust to the wharewaka was \$1m and initially the interest was capitalised to the loan. At this stage \$250,000 has been repaid to the settlement trust and interest at 9.45% has been paid monthly.

Kuini Puketapu asked whether the Trust has any mortgages on any of the properties? Euan Playle responded that there are no mortgages to third parties on any of the properties.

Opau Urupa

Liz Mellish spoke to the prepared slide and particularly noted that the costs of the establishment of the urupa are being borne by the Crown which was acknowledged with applause.

Annual Plan

Mahara Okeroa provided an overview of the annual work plan for the Trust. A risk assessment will also be developed in an overarching manner.

Resolution

It is hereby resolved that the members of the Trust receive the Report of Trustees as it had been presented

Moved Grant Knuckey

Seconded Takiri Cotterill

Carried unanimously

Financial Report:

Euan Playle was invited to deliver the Financial Report on behalf of the Trustees. He spoke to the slides that had been prepared. The key points he noted were:

- Loss from operations
- Challenge of Trustees to turn some of the items around
- \$525,000 write down in property revaluations and this is a matter that cannot be predicted
- Two properties purchased and onsold during the year - \$350,000 and \$405,000, one a capital gain (Petone Fire Station) and the other a resale (Kelburn properties)
- \$631,000 received from the Ministry of Education and \$566,000 paid to the provider giving a net gain
- \$2.3m loss over the year with \$525,000 being property writedown and \$680,000 being legal fees and due diligence costs on consideration of deferred selection properties

Changes in Trust Capital

The key point here is that unfortunately the Petone College deal did not get completed for the 2012 financial year, but that will be a positive impact for the 2013 year.

Financial Position

Total assets are \$23.9m with total liabilities of \$650,000 which is made up of current GST and PAYE owing and debtors. Key points are at this time last year the Trust had \$6.8m on term deposit with a financing loan from Kiwibank. During the year the Trustees decided to repay all debt. There are no mortgages at this time and the only liability is the guarantee for the wharewaka loan. Mr Playle then briefly spoke to the debt equity slide. Mr Playle alluded to how difficult the year has been, the Trust has been working on projects but it is a slow process. He recalled previous AGMs and statements made that it could take 3-5 years to turn the performance of the Trust around.

Peter Charleton asked for clarification around the \$1.95m Trust Office expenses. Euan Playle advised that \$560,000 is wages, \$460,000 is project management expenses and other office expenses make up the balance.

Warren Skerrett asked what the Trust's exposure to earthquake risks in terms of the property portfolio were? Mr Playle responded that the Trustees are very aware of these current requirements. At this time insurance cover has been renewed on the properties. No Trust buildings have been identified in the "at risk" category and none have 'stickers' on them. The 81-87 Thorndon Quay property for which the lease expires at the end of the month is the most at risk and will not be re-tenanted.

Mr Skerrett continued that a re-evaluation of the business model going forward is needed and a strategic governance model needs to be put in place. He then advised that he will put some motions under General Business. Mr Playle commented that the Trustees have taken a strategic view of the properties and have been focused on turning non-performing properties around. He again referred to the huge amount of work put in during the year on due diligence around the railway station as the strategic

approach used by the Trustees and the need to look at all opportunities.

There was a request for more detailed financial information in respect of the property investments and their trading. A request for a cash flow to be included in the Financial Statements was also made. Mr Playle responded that the challenge has been and continues to be the cash flow position particularly the non-performing assets. The non-realisation of the railway station as had been anticipated has impacted the forecasts. The positive Ryman deal has helped but there are still issues that need to be addressed.

James Wheeler asked if the Ryman funds had been budgeted to come in the year ended March 31, 2012? He was advised that the hope had been for that, but the reality is that the negotiations had taken longer to conclude and the transactions took place in late July. This will positively impact the current financial year position.

Huia Puketapu said there were many positives to be taken from today's meeting. How many subsidiary companies does the Trust have as at today? Mr Playle advised that there are five. She then asked how much of the budget was allocated to each of the companies? Mr Playle explained that the Financial Statements are a consolidated position for the Trust and all its entities. Each has a budget which is consolidated into the Trust position. What proportion of the expenditure on page 27 could be tagged against the operation of those companies? Mr Playle referred to page 27 and the 4 columns. The first two columns are the consolidated position.

Warren Skerrett referred to page 12 of the Annual Report where Wayne Mulligan had spoken about a sustainable business model last year. It refers to a cash forecast moving forward and has this been done yet? Mr Playle advised that forecasting is done within the Trust and is not provided to the members. Budgets are prepared which are a general forecast and makes assumptions about key performance indicators.

The budget for the year ending March 31, 2013 was showing an overall profit but had included forecasted income from the railway station which is now not happening. Other one off activities affect the forecast such as the legal fees for the Waitangi Tribunal matter and now the High Court action. So the original budget was forecast to show a slight profit, but now without the railway station and the added one off expenses it is likely to show a \$300,000 loss for the 2013 financial year

Wayne Mulligan after repeating information that has been included in previous audited Financial Statements said that the Trust had a stated position of protecting, maintaining and growing the assets. Understand we are carrying tax losses (\$7m). Understand the write downs in terms of property revaluations. His evaluation is that for every dollar earned the Trust is spending two dollars. Some fundamental matters need to be addressed such as inflation proofing, cost proofing and building capacity. His opinion is that Trustees being directors is not a good model. He is concerned at the loss of equity. Perhaps a holding company would be appropriate rather than a series of subsidiaries. Are the Trustees able to turn the performance around? Mr Playle responded that the majority of properties settled on it were not returning income and it has been a challenging environment in which to turn matters around. The Trustees are as concerned as members and they are working hard to make a difference. There are signs of improvements particularly with the Ryman deal having been closed since the end of the financial year reported on.

Jamie Tuuta stated that he believed the Trust needed to have a firm investment strategy, have a determined risk appetite, have a balance in terms of income and growth, determine asset classes, and we should encourage this set of Trustees to consider some of the concerns raised and the structure moving forward to ensure we have appropriate capability.

Peter Charleton asked who were the people covered by the \$400,000 project management costs. Mr Playle advised that these are part of the administration costs of the office. It includes advisers such as those external

advisers working on due diligence for property matters.

Mahanga Williams advised that he believed we should be investing in people.

Resolution:

It is hereby resolved that the members of the Trust receive the audited Financial Statements for the year ended March 31, 2012

Moved Pauline Owen

Seconded Toa Pomare

Carried unanimously

Appointment of Auditor:

A requirement of the Trust Deed is that members approve the appointment annually of the Trust auditors. Trustees are recommending the re-appointment of Grant Thornton (Wellington) for this purpose. Members asked if this appointment has been tendered and were advised that it was about two years ago, and has not been done for the coming year. Euan explained that there are only a handful of companies in New Zealand who are licensed. Trustees will consider tendering the appointment for the next financial year.

Resolution:

It is hereby resolved that the members of the Trust approve the appointment of Grant Thornton New Zealand Audit Partnership (Wellington) as the auditor for the Port Nicholson Block Settlement Trust and associated entities for the year ending March 31, 2013.

Moved Wayne Mulligan

Seconded Jean Ruakere

Carried unanimously

Trustee Remuneration:

It is required that this be approved every year. Recommendation is from the board and Euan Playle is presenting on behalf of Trustees. James Wheeler asked if the total Trustee Fee amount outlined on page xxx of the Annual Report is the total amount paid to Trustees during the year and was advised it is the total Trustee Fees paid. Mr Wheeler sought confirmation as to any other director fees that were payable and was advised that other than for one of the subsidiaries no company director fees are payable.

Rae Belton asked why the Deputy Chair is not conducting the meeting today. She was advised that since the passing of Ta Paora Reeves the Trust has not had a Deputy Chair. The Chair and Deputy Chair appointments are the responsibility of Trustees. The Interim Chair was elected by fellow Trustees at the time the Chairman took leave.

Ina Rangiwhetu asked what the Trustee Fee covers and Mr Playle advised that it is not only about attending monthly meetings, it is about preparation for meetings, contributing to and attending Trust activities and the like.

Toa Pomare asked if the former Chair is still being paid and was advised that he is not.

Resolution:

It is hereby resolved that the members of the Trust approve the recommendation to maintain Trustee remuneration at current levels for the ensuing year (gross, per annum rates: Chairman: \$32,000; Deputy Chair: \$12,000; each Trustee \$9,000).

Moved Mana Jenkins

Seconded Martha Gilbert

Carried unanimously

General Business

The Interim Chair advised that he has noted two items for General Business. He reminded members that any matters already covered by the meeting will not be revisited.

Jason Fox spoke to a matter he had raised earlier in the meeting. He would like to see the establishment of a commercial board as defined by the Trust Deed and would like to put that resolution.

Resolution:

It is hereby resolved that the members of the Trust request that a commercial board as defined by the Trust Deed is established

Moved Peggy Ngaheke-Luke

Seconded Warren Skerrett

Resolution was carried by a majority

Jason Fox asked if in light of the article in the paper whether Trustees would invite the Serious Fraud Office to investigate the transactions on behalf of Taranaki Whanui. The

Interim Chair advised that no transaction has occurred. Mr Fox continued that if an economic loss could be proven then perhaps consideration should be given to that. Grant Knuckey suggested that Trustees need to investigate into the issues themselves as we need sufficient evidence to base decisions on. The Interim Chair made the statement that an assumption is that they (SFO) are not already doing so. Mr Fox said it there should be an indication from members on this. Warren Skerrett stated that there needs to be a clear reason for an investigation to be undertaken by the SFO

Resolution:

It is hereby resolved that the members of the Trust request Trustees to consider inviting the Serious Fraud Office to investigate the matter reported in this mornings paper.

Moved Frances Kingi-Katene

Seconded none was forthcoming

The resolution was not put to the meeting having failed to be seconded

Wayne Mulligan asked if given the article in today's paper whether the Trustees are taking their own independent advice to look at the question. The Interim Chair said this had been addressed at the beginning of the meeting.

Warren Skerrett got up and was making statements which were deemed out of order by the Interim Chair. He then suggested that a Special General Meeting be called in three months to give answers to the questions raised today

Resolution:

It is hereby resolved that the members of the Trust request that a Special General Meeting be held in three months to provide members with the answers to the questions raised today

Moved Sarah Love

Seconded none was forthcoming

The resolution was not put to the meeting having failed to be seconded

Ina Rangiwhetu referred to a matter raised at a previous AGM that the Trustees consider holding the meeting at other marae within Wellington so they could share in the hosting of meetings.

Resolution:

It is hereby resolved that the members of the Trust request that consideration be given to the holding of AGMs at other marae in the Wellington area.

Moved Ina Rangiwhetu

Seconded Mike Gilbert

The resolution was voted down

Ina Rangiwhetu spoke of the kapa haka group from Wellington which had placed 3rd at the regional competition and will be going to the national competition. She understands the financial position of the Trust but would like to suggest some financial support for this roopu.

Resolution:

It is hereby resolved that the Trust support a local kapa haka group in the amount of \$5,000 to travel to the national competition.

Moved Ina Rangiwhetu

Seconded Ann Reweti

The resolution was voted down

The Interim Chair asked Tiki Raumati to close the hui.

Himene Whakaria Mai closed the meeting at 2.25pm and lunch was served.

Chairman's Report

Tena koutou katoa

This report is provided to cover the financial year under review. That is 1 April 2012 to 31 March 2013. The audited Financial Statements for the year ended 31 March 2013 are included.

The year has been a challenging one on many fronts. Despite some of those challenges Trustees have addressed some fundamental matters over the period including striving for a more cost efficient operation.

Wai 2235

At this time last year members were aware of the urgent Waitangi Tribunal case taken by the Trust against the Crown in respect of the settlement offer made to Ngati Toa. The case did not succeed in the Tribunal.

Following further difficult consideration, Trustees took the first step of lodging an application in the High Court.

The pursuit of both these actions came at a significant financial cost to the Trust. But at the time of making the decisions to pursue these actions, Trustees were adamant that the mana of Taranaki Whanui needed to be protected at whatever cost.

Trust Office Relocation

The relocation of the Trust office from the Railway Social Hall to Te Raukura in November 2012 has resulted in a reduction in rent of \$98,330 per annum. The relocation to Te Raukura (the Wharewaka) has been a positive one. It recognises the cultural

significance of both Te Raukura and the location to Taranaki Whanui ki Te Upoko o Te Ika.

Reducing Spending

Operational expenditure has been reduced markedly since October 2012 with Trustees and staff cognisant of the need to be vigilant around expenditure. However to realise savings within the Trust administration, we have lost the ability to pursue some of the opportunities we had envisaged. In particular we have not been able to further develop the Whole of Government provision of the Deed of Settlement. This will be an impact felt until the Trust is generating positive cash flow.

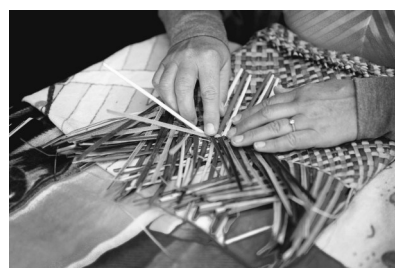
Sale of Properties

The Economic Development Committee of the Trust had robust discussions when considering the sale of two properties during the period. These sales provided the Trust with funds to operate and a putea to be applied to a positive cash generating initiative. The properties sold were:

- 81-87 Thorndon Quay
- Former Waiwhetu Primary School

Economic Development Committee

This committee has been established for some time. It is chaired by Mahara Okeroa with Toa Pomare, Liz Mellish and Teri Puketapu as members. The purpose of the committee is to consider matters that could have a positive economic impact on the Trust. Primarily this has related to property matters.



Audit & Risk Committee

Trustees have established an Audit & Risk Committee which is chaired by Toa Pomare. Other members are Neville Baker and independent member Mr Tom Jamison. Mahara Okeroa is an ex-officio member of the committee.



Relationships

Relationships with local bodies and government agencies continue to operate well. The agreements with Wellington City Council, Hutt City Council and Greater Wellington Regional Council in particular are fundamental to the mana whenua role that Taranaki Whanui has in the region. Funding under the Memorandum of Understandings with these entities ensures that the Natural Resources Adviser contract is fully funded. In fact the funding received also contributes to other administration costs.



Ministry for the Environment pilot programme

The agreement under the Whole of Government with the Ministry for the Environment resulted in funding being made available for a pilot programme to ensure that the interests of Taranaki Whanui are included and written into local body district plans. We have just had confirmation that the Ministry for the Environment have agreed to continue this funding stream for a further 12 months to ensure that the excellent work completed to date is carried through to implementation. This includes ensuring that local bodies are meeting expected new requirements under the Resource Management Act. These new requirements are a result of the review of the Act.



Opau Urupa, Makara

The site of this urupa was granted under the Deed of Settlement with agreement by Meridian. The long process of designing and establishing the urupa is nearly at its conclusion. It has taken two years of solid work to reach the stage of tenders being received for the earthworks. It is hoped that work will commence on the site in early September and that the establishment of the urupa will be completed in early 2014.

Cultural Activities

The delivery and participation in cultural activities throughout the year is a significant work area for the Trust. This year has seen the Trust involved heavily in the Waitangi Day celebration, Matariki, working with schools, government agencies, corporate entities, etc. This is primarily focused on educating these entities on the history of Taranaki Whanui ki Te Upoko o Te Ika, but also involves undertaking ceremonial activities when required.

Wainuiomata school sites

During the year under review the issue of rent payable by Pukeatua Kohanga Reo Charitable Trust was not resolved.

The land and buildings are owned by the Port Nicholson Block Settlement Trust with the Kohanga Reo being a tenant. Rent has not been paid since September 2009. This matter resulted in a High Court hearing with a clear decision by Judge Gendall.

However despite efforts to finalise the details of the judgment, the matter went to mediation, which also did not result in an outcome.

Following mediation further discussions were held and still we do not have an agreed position.

Since the end of the financial year (31 March 2013) the Kohanga Reo has paid the court costs awarded by Judge Gendall's decision and since 1 June 2013 have paid some rent. The rent being paid is not at an agreed level.

Sale and Leaseback

This provision within the Deed of Settlement was for a period of 10 years from 2009. We are now some four years into the timeframe and consideration is being given as

to how this mechanism can be used to best advantage for the Trust.

The Year Ahead

In the coming year, Trustees will look to further consolidate the Trust's position financially and focus on securing initiatives that will be cash generating for the Trust. We will ensure that our responsibility as mana whenua is upheld and enhanced throughout the region.

Hon Mahara Okeroa
Chairman

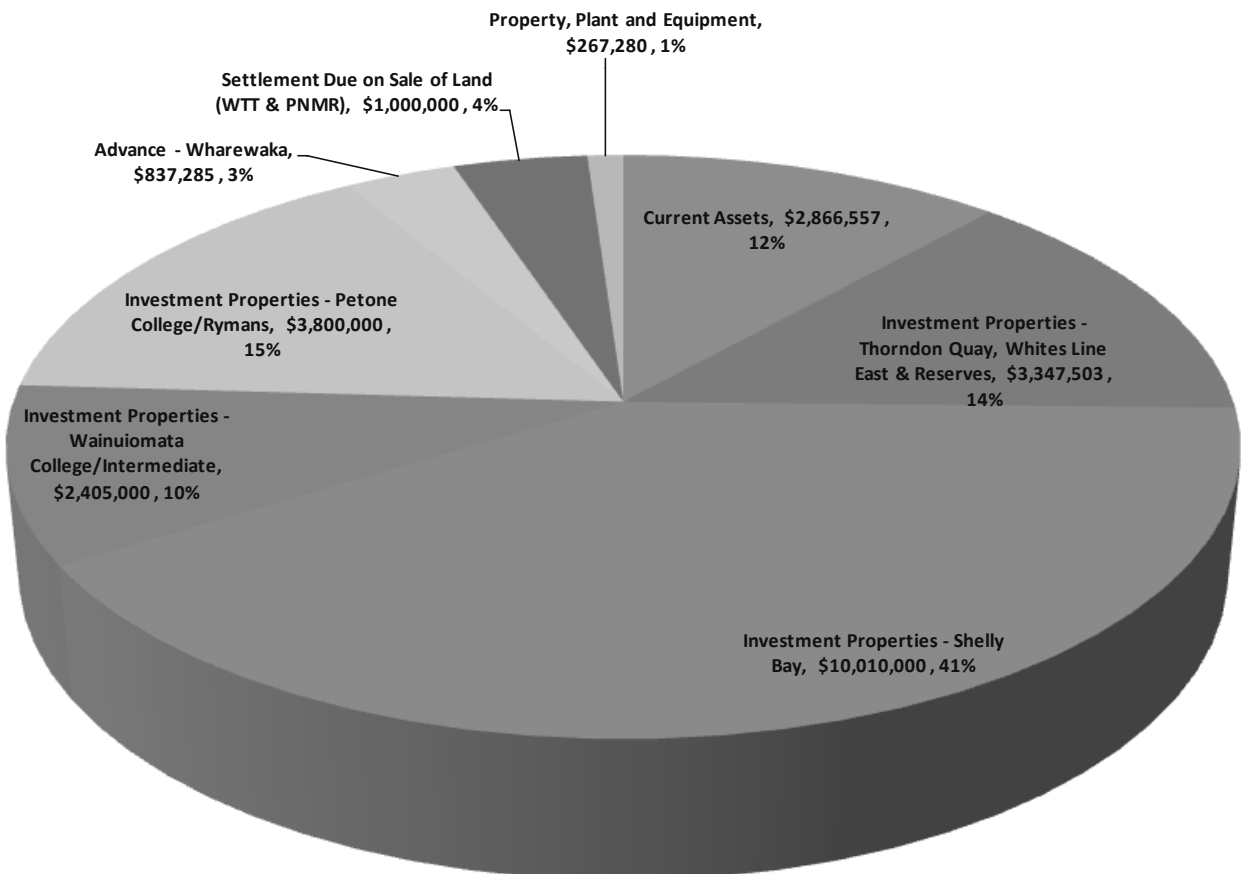


Total Assets

Total assets of the Trust as at March 31, 2013 comprise the following:

Current Assets	2,866,557	12%
Investment Property—PNBST	3,347,503	14%
Investment Property—Shelly Bay	10,010,000	41%
Investment Property—Lowry Bay	2,405,000	10%
Investment Property—Petone College/Rymans	3,800,000	15%
Advance—Wharewaka	837,285	3%
Settlement due on sale of land	1,000,000	4%
Property, Plant & Equipment	267,280	1%
TOTAL ASSETS	\$24,533,625	100%

This is represented in the following pie graph which details the percentage mix of current assets held by the Trust.



Statement of Comprehensive Income

For the year ended March 31, 2013

		Group		Parent	
	Note	2013	2012	2013	2012
		\$	\$	\$	\$
Operating Revenue					
Rental Income		800,279	596,071	278,034	285,460
Less: Direct Expenses	5	(631,539)	(773,411)	(182,798)	(281,244)
Gross Profit/(Loss)		168,740	(177,340)	95,236	4,216
Less: Administration and Operating Costs	6	3,100,803	3,044,367	2,637,109	1,316,251
Profit/(Loss) from Operations		(2,932,063)	(3,221,707)	(2,541,873)	(1,312,035)
Other Income					
Gain/(Loss) on Investment Properties fair value	13	(1,300,673)	(520,673)	(100,000)	(50,000)
Capital Gain/(Loss) on Sale of Investment		(32,453)	350,627	(32,453)	350,627
Income from PNBST Investments Ltd Partnership	21(c)	-	-	4,040,156	-
Lease Premium	21(c)	4,000,000	-	-	-
Other Income		792,241	1,528,632	61,906	566,021
Loss on Disposal of Fixed Assets		(2,728)	-	-	-
		3,456,387	1,358,586	3,969,609	866,648
Operating Expenditure					
Other Expenses		391,702	566,834	-	-
Increase/(decrease) in provision for impairment		-	-	1061,800	1,940,518
Provision for Doubtful Debt	11	600,000	-	600,000	-
		991,702	566,834	1,661,800	1,940,518
Financing Income					
Financial Income		85,605	333,060	83,002	332,051
Financial Expense		(22,366)	(206,364)	(22,366)	(206,364)
Net Financing Income	7	63,239	126,696	60,636	125,687
Profit/(Loss) before Income Tax		(404,139)	(2,303,259)	(173,428)	(2,260,218)
Income Tax Expense	9	-	-	-	-
Profit/(Loss) for the Year		(404,139)	(2,303,259)	(173,428)	(2,260,218)
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		\$(404,139)	\$(2,303,259)	\$(173,428)	\$(2,260,218)

The accompanying notes on pages 24 to 27 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, 2013

	Note	Group		Parent	
		2013	2012	2013	2012
		\$	\$	\$	\$
Trust Capital at Beginning of Year		23,340,159	25,643,418	22,863,108	25,123,326
Total Comprehensive Income for the Year		(404,139)	(2,303,259)	(173,428)	(2,260,218)
Trust Capital at End of Year		<u>\$22,936,020</u>	<u>\$23,340,159</u>	<u>\$22,689,680</u>	<u>\$22,863,108</u>

The accompanying notes on pages 24 to 27 form part of and are to be read in conjunction with these financial statements

Statement of Financial Position

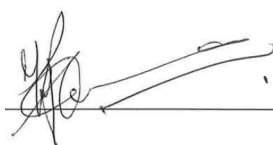
as at March 31, 2013

		Group		Parent	
	Note	2013	2012	2013	2012
		\$	\$	\$	\$
Current Assets					
Cash and Cash Equivalents	10	2,350,331	375,937	2,633,365	381,980
Trade Debtors and Other Receivables	11	349,507	1,095,236	151,689	934,515
Prepayments		126,681	98,096	39,441	16,753
Income Tax Receivable	9	4,354	49,619	2,546	48,306
GST Receivable		35,684	52,770	167,033	12,562
Work in Progress		-	83,768	-	83,768
		2,866,557	1,755,426	2,994,074	1,477,884
Non-Current Assets					
Investment Property	13	19,562,503	21,112,503	3,347,503	7,497,503
Inter-entity Loans	17	-	-	12,497,242	13,769,910
Investments in Related Entities	21	1,837,285	800,626	1,837,285	798,453
PNBST Investments Limited Partnership		-	-	4,040,156	-
Property, Plant & Equipment	15	267,280	321,610	13,203	6,065
		21,667,068	22,234,739	21,735,389	22,071,931
Total Assets		\$24,533,625	\$23,990,165	\$24,729,463	\$23,549,815
Current Liabilities					
Trade Creditors and Other Payables	12	642,049	650,006	2,039,783	686,707
Loans & Advances	16	955,556	-	-	-
		1,597,605	650,006	2,039,783	686,707
Total Liabilities		1,597,605	650,006	2,039,783	686,707
Trust Capital					
Retained Earnings		22,936,020	23,340,159	22,689,680	22,863,108
Total Trust Capital		22,936,020	23,340,159	22,689,680	22,863,108
Total Trust Capital and Liabilities		\$24,533,625	\$23,990,165	\$24,729,463	\$23,549,815

On behalf of the Trustees:



Hon Mahara Okeroa, Chairman



Toa Pomare, Deputy Chairman

Date: July 30, 2013

The accompanying notes on pages 24 to 27 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, 2013

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”) is a group formed and domiciled in New Zealand. The group represents the descendants of Taranaki, Te Atiawa, Ngati Ruanui and 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, 2013 and were authorised for issue by the Trustees on July 30, 2013.

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
- Lowry Bay Section One Limited
- Port Nicholson Block Properties Limited
- Education PNBST Limited
- PNBST Investments Limited Partnership

All subsidiaries have a reporting date of March 31, 2013 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 members and the governing body. All available reporting exemptions under the Framework for Differential Reporting have been applied.

(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

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

Notes to the Financial Statements

for the year ended March 31, 2013

(e) Changes in accounting policies

There has been no change in accounting policies.

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 three 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 recognised in the Statement of Financial Position initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, financial instruments are measured as described below.

Financial instruments 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 if the Parent and Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset.

Financial liabilities are derecognised if the Parent and Group's obligations specified in the contract expire or are discharged or cancelled.

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

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 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.

Notes to the Financial Statements for the year ended March 31, 2013

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES continued

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 diminishing value 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	20% - 80.4%
Furniture & Fittings	9.6% - 48%
The Officers Mess—Leasehold Improvements	3%
The Officers Mess Level 1—Fitout Costs	30% - 48%
Corporals Club—Leasehold Improvements	3%
Commanders Residence	12% - 48%
Seminar Facility	3%
Conference Equipment	48%-60%

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

(iv) *Valuations*

Investment properties are valued by independent registered public valuers and the valuation movement is recognised in the Settlement of Comprehensive Income.

(j) **Employee entitlements**

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

Notes to the Financial Statements for the year ended March 31, 2013

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES continued

(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 settlements

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.

(vi) Lease Premium

Lease premium from the leased property is recognised in the Statement of Comprehensive Income when received.

(vii) Lease Income

Lease income from the leased 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.

(p) Grants

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

(q) New NZ IFRS Standards and interpretations issued but not yet adopted

At the date of authorisation of these financial statements, certain new standards and interpretations to existing standards have been published but not yet effective, and have not been adopted early by the Parent and Group. The new standards that would be applicable to the Group are NZ IFRS 10 and NZ IFRS 13. Management have yet to assess the impact of any of these changes but it is not anticipated that there would have been any material changes to these financials if the Parent and Group had early adopted.

Notes to the Financial Statements for the year ended March 31, 2013

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
NOTE 5: DIRECT EXPENSES				
Building WOF	8,618	6,422	2,860	3,014
Cleaning	10,577	8,910	10,320	8,910
Consultancy Fees	125	-	-	-
Electricity	60,166	65,732	6,939	8,562
Fire Monitoring	19,158	17,911	3,450	4,741
General	15,875	26	15,805	26
Grounds Maintenance	41,805	38,545	10,458	17,453
Health & Safety	350	-	-	-
Heating Ventilation & Air Conditioning	4,080	2,434	4,080	2,434
Insurance	110,842	130,445	26,289	65,732
Legal Fees	-	5,720	-	-
Lift Maintenance	5,715	4,875	5,715	4,875
Professional Fees	450	710	450	525
Property Management Fees	78,260	71,852	17,563	17,459
Rates	144,319	164,484	51,028	63,955
Repairs & Maintenance	56,636	172,240	13,642	68,368
Security	16,343	27,823	7,921	8,191
Water Rates	58,220	55,282	6,278	6,999
TOTAL DIRECT EXPENSES	\$631,539	\$773,411	\$182,798	\$281,244

Notes to the Financial Statements for the year ended March 31, 2013

	Note	Group		Parent	
		2013	2012	2013	2012
		\$	\$	\$	\$
NOTE 6: ADMIN & OPERATING COSTS					
Accountancy Fees		130,215	115,944	73,913	79,720
Advertising & PR Consulting		42	25,758	-	-
Annual General Meeting		98,441	25,814	98,441	25,814
Audit Fees		37,016	35,989	27,000	23,764
Bank Charges		651	1,646	126	1,501
Bad Debts		10,431	-	-	-
Catering & Meetings		25,824	19,778	20,523	4,345
Computer Expenses		17,328	18,118	1,374	2,456
Consultancy Fees		41,898	84,273	40,347	62,009
Consultancy Fees—Accounting & Tax		146,000	165,026	140,378	165,026
Depreciation	8	44,140	66,498	7,012	2,820
Directors Meetings		1,653	1,005	-	-
General Expenses		57,546	79,396	15,650	28,575
Hui Expenses		4,116	586	4,116	-
Insurance		31,313	23,380	26,181	13,341
Koha		3,102	5,135	3,002	4,135
Legal Fees		753,805	282,610	716,310	275,883
Management Fees—PNBML		-	-	1,043,587	-
Motor Vehicle Expenses		10,281	10,969	-	-
Newsletters		25,029	44,381	25,029	44,381
Office Expenses		16,403	16,582	2,223	3,767
Printing & Stationery		48,439	55,003	20,098	15,738
Property Management Fees		1,750	39,921	-	36,535
Rent & Power		164,671	257,405	-	-
Review of Trust Deed		-	71,204	-	71,204
RFR & WRDSP		202,060	250,193	202,060	250,193
Telephone & Tolls		24,077	27,847	353	80
Travel & Accommodation		29,246	45,756	21,036	36,761
Trustees' Fees	19	111,083	113,000	111,083	113,000
Trust Office Expenses		1,045,243	1,105,122	18,267	-
Valuation Fees		15,845	34,180	15,845	33,355
Waitangi Day Events		3,155	21,848	3,155	21,848
TOTAL ADMIN & OPERATING COSTS		\$3,100,803	\$3,044,367	\$2,637,109	\$1,316,251

Notes to the Financial Statements for the year ended March 31, 2013

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
NOTE 7. NET FINANCE INCOME/ (EXPENSE)				
Kiwibank—Online Call Account	6,947	5,710	6,446	4,704
Kiwibank—Term Deposits	8,312	229,860	8,312	229,860
Wharewaka o Poneke Charitable Trust	63,882	97,104	63,881	97,103
IRD—Use of Money Interest	407	85	66	83
Interest—Funds Held in Trust	6,058	301	4,297	301
Interest Paid—Kiwibank Loan	-	(206,364)	-	(206,364)
Interest Paid—Other	(22,366)	-	(22,366)	-
TOTAL NET FINANCE INCOME	\$63,240	\$126,696	\$60,636	\$125,687
NOTE 8: DEPRECIATION				
Office Equipment	21,284	24,732	7,012	2,820
Furniture & Fittings	13,004	21,346	-	-
Motor Vehicles	-	6,861	-	-
The Officers Mess—Leasehold Improvements	3,773	3,545	-	-
The Officers Mess Level 1—Fitout Costs	2,444	4,395	-	-
Corporals Club—Leasehold Improvements	750	773	-	-
Commanders Residence	762	1,141	-	-
Seminar Facility	617	636	-	-
Conference Equipment	1,506	3,069	-	-
TOTAL DEPRECIATION	\$44,140	\$66,498	\$7,012	\$2,820

Notes to the Financial Statements for the year ended March 31, 2013

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
NOTE 9: TAXATION				
Net Surplus Before Taxation	(404,139)	(2,303,259)	(173,428)	(2,260,218)
ADD/(LESS):				
Revaluation on Investment Properties	1,300,673	520,673	100,000	50,000
Provision for Doubtful Debts	600,000	-	600,000	-
Increase in provision for impairment	-	-	1,061,800	1,940,518
Non deductible expenses	595,563	108	594,753	-
LESS:				
Non Assessable Capital Gains/(Losses)	32,453	(350,627)	32,453	(350,627)
Non Assessable Income	(3,333,333)	-	(3,333,333)	-
Tax Losses Brought Forward	(6,920,534)	(4,787,429)	(1,952,361)	(1,332,034)
TAXABLE INCOME/(LOSS)	<u>\$(8,129,317)</u>	<u>\$(6,920,534)</u>	<u>\$(3,070,116)</u>	<u>\$(1,952,361)</u>
Taxation Expense	-	-	-	-
LESS:				
Opening Tax Balance	49,620	60,323	48,307	59,166
Tax Refunds Received	(48,535)	(59,290)	(48,307)	(59,166)
RWT Paid	3,269	48,587	2,546	48,307
TAXATION REFUND DUE/(PAYABLE)	<u>\$4,354</u>	<u>\$49,620</u>	<u>\$2,546</u>	<u>\$48,307</u>

Tax losses amounting to \$3,070,116 (2012: \$1,952,361) are to be carried forward to be offset against future taxable income by the Trust. The Group has \$8,129,137 (2012: \$6,920,534) of tax losses to be carried forward. These losses are subject to confirmation by Inland Revenue.

NOTE 10: CASH & CASH EQUIVALENTS				
Bank Accounts	300,331	359,518	583,365	365,561
Funds Held in Trust	-	16,419	-	16,419
Kiwibank Term Deposits	2,050,000	-	2,050,000	-
TOTAL CASH & CASH EQUIVALENTS	<u>\$2,350,331</u>	<u>\$375,937</u>	<u>\$2,633,365</u>	<u>\$381,980</u>

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

The Parent and Group hold a term deposit investment at Kiwibank with a return interest of 4% per annum (\$2,050,000 maturing 13 May 2013), (2012: \$Nil).

Notes to the Financial Statements for the year ended March 31, 2013

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
NOTE 11: TRADE DEBTORS & OTHER RECEIVABLES				
Trade Debtors	315,904	345,373	118,086	184,652
Pipitea Marae Charitable Trust	1,251	873	1,251	873
Accrued Interest—Kiwibank	8,312	-	8,312	-
Accrued Interest—Wharewaka o Poneke Charitable Trust	24,040	(1,010)	24,040	(1,010)
Redwood Group Limited—83 Waterloo Quay	600,000	750,000	600,000	750,000
Less: Provision for Doubtful Debts—Redwood Group Limited	(600,000)	-	(600,000)	-
TOTAL TRADE DEBTORS & OTHER RECEIVABLES	\$349,507	\$1,095,236	\$151,689	\$934,515

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, 2013 there are no significant overdue trade debtors. A provision has been made for the debt owing to the Group by Redwood Group Limited (\$600,000).

NOTE 12: TRADE CREDITORS & OTHER PAYABLES

Trade Creditors	581,539	345,278	448,293	104,056
Accrued Expenses	60,510	304,728	29,581	215,784
PNBC Limited	-	-	366,867	366,866
PNBST Investments Limited Partnership	-	-	1,195,042	-
TOTAL TRADE CREDITORS & OTHER PAYABLES	\$642,049	\$650,006	\$2,039,783	\$686,707

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, 2013

	Opening Book Value	Additions/ Disposals at Cost	2013 Valuation	Fair Value Movement
	\$	\$	\$	\$
NOTE 13: INVESTMENT PROPERTIES (at fair value)				
Reconciliation of fair value 2013				
Parent				
1-3 Thorndon Quay, Wellington	1,750,000	-	1,650,000	(100,000)
81-87 Thorndon Quay, Wellington	2,000,000	(2,000,000)	-	-
Waiwhetu Primary School	2,050,000	(2,050,000)	-	-
Whites Line East, Waiwhetu	410,000	-	410,000	-
Honiana Te Puni Reserve	205,000	-	205,000	-
Point Dorset Recreation Reserve	590,000	-	590,000	-
Wi Tako Ngatata 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	7,497,503	(4,050,000)	3,347,503	(100,000)
Subsidiaries				
Shelly Bay Limited				
Shelly Bay Road	11,060,000	673	10,010,000	(1,050,673)
Lowry Bay Section One Limited				
Wainuiomata College	1,155,000	-	1,155,000	-
Wainuiomata Intermediate	1,400,000	-	1,250,000	(150,000)
PNBST Investments Limited Partnership				
Petone College	-	3,800,000	3,800,000	-
Total Fair Value Movement for Subsidiaries	13,615,000	3,800,673	16,215,000	(1,200,673)
Total Fair Value Movement for Group for the Year Ended March 31, 2013	\$21,112,503	\$(249,327)	\$19,562,503	\$(1,300,673)

Notes to the Financial Statements for the year ended March 31, 2013

	Opening Book Value \$	Additions at Cost \$	2012 Valuation \$	Fair Value Movement \$
NOTE 13: INVESTMENT PROPERTIES (<i>at fair value</i>) continued				
Reconciliation of fair value 2012				
<i>Parent</i>				
1-3 Thorndon Quay, Wellington	1,800,000	-	1,750,000	(50,000)
81-87 Thorndon Quay, Wellington	2,000,000	-	2,000,000	-
Waiwhetu Primary School	2,050,000	-	2,050,000	-
Whites Line East, Waiwhetu	410,000	-	410,000	-
Honiana Te Puni Reserve	205,000	-	205,000	-
Point Dorset Recreation Reserve	590,000	-	590,000	-
Wi Tako Ngatata 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	7,547,503	-	7,497,503	(50,000)
<i>Subsidiaries</i>				
Shelly Bay Limited				
Shelly Bay	11,510,000	673	11,060,000	(450,673)
Lowry Bay Section One Limited				
Wainuiomata College	1,000,000	-	1,155,000	155,000
Wainuiomata Intermediate	1,575,000	-	1,400,000	(175,000)
Total Fair Value Movement for Subsidiaries	14,085,000	673	13,615,000	(470,673)
Total Fair Value Movement for Group for the Year Ended March 31, 2012	\$21,632,503	\$673	\$21,112,503	\$(520,673)

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, 2013. The valuation basis used was open fair value and was carried out in accordance with the international valuation standards and in accordance with NZ IAS 40. The principal Registered Valuer for Colliers International (Wellington Valuation) Limited is Gwendoline P L 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, 2013

NOTE 13: INVESTMENT PROPERTIES (*at fair value*) continued

	2013	2012
	\$	\$
Makaro Scientific Reserve	60,000	60,000
Matiu Historic & Scientific Reserve	398,000	398,000
Matiu Lighthouse	21,000	21,000
Mokopuna Scientific Reserve	35,000	35,000
	\$514,000	\$514,000

NOTE 14: SIGNIFICANT VALUATION ASSUMPTIONS

1-3 Thorndon Quay

The valuation for 1-3 Thorndon Quay property assumes that the building has a structure strength of not less than 67% of New Building Standards (“NBS”). This assumption is based on past advice that the building has had an Initial Evaluation Process (“IEP”) assessment for the purpose of the Wellington City Council policy and that is not considered to be potentially earthquake prone. The building is also not listed on the Wellington City Council’s list of Earthquake Prone Buildings as at March 31, 2013. An engineering report is being commissioned for 1-3 Thorndon Quay property and is expected to be completed by late July/early August 2013. If this report results in the building having a structural strength of less than 67% of NBS, a value adjustment is probable.

Shelly Bay Defence Land and Wharves

The unencumbered freehold market valuation for Shelly Bay Defence Land and Wharves is subject to the following:

- Retention of the three identified buildings of historical significance with possible relocation of the Submarine Barracks and probable relocation of the Bayview Hospital.
- Resource Consent being granted allowing a residential subdivision or multi-unit residential development.
- Formalisation for a nominal encroachment fee/regularisation to allow for “The Lodge” to legally occupy its current position.
- The valuation assumes demolition of all improvements except The Lodge, garages, Vodafone cell-site, Chocolate Fish and Commanders House.

82 Moohan Street, Wainuiomata

The valuation for 82 Moohan Street, Wainuiomata has been prepared based on the rental negotiations with the tenant as at March 31, 2013.

Notes to the Financial Statements for the year ended March 31, 2013

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
NOTE 15: PROPERTY, PLANT & EQUIPMENT				
Description				
Office Equipment	98,434	88,456	6,065	3,389
Additions	11,580	13,245	14,150	5,943
Less Accumulated Depreciation	(79,117)	(63,318)	(7,012)	(3,267)
	30,897	38,383	13,203	6,065
Furniture & Fittings	130,791	130,268	-	-
Additions/(Disposals)	(18,569)	523	-	-
Less Accumulated Depreciation	(50,382)	(44,154)	-	-
	61,840	86,637	-	-
Motor Vehicles	-	30,698	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	-	(18,502)	-	-
	-	12,196	-	-
The Officers Mess—Leasehold Improvements	132,454	113,351	-	-
Additions	-	19,102	-	-
Less Accumulated Depreciation	(10,455)	(6,682)	-	-
	121,999	125,771	-	-
The Officers Mess Level 1—Fitout Costs	19,085	19,085	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	(15,660)	(13,216)	-	-
	3,425	5,869	-	-
Corporals Club—Leasehold Improvements	26,281	26,282	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	(2,041)	(1,291)	-	-
	24,240	24,991	-	-
Commanders Residence	10,225	10,224	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	(6,814)	(6,052)	-	-
	3,411	4,172	-	-
Seminar Facility	21,484	21,484	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	(1,522)	(905)	-	-
	19,962	20,579	-	-

Notes to the Financial Statements for the year ended March 31, 2013

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
NOTE 15: PROPERTY, PLANT & EQUIPMENT continued				
Description				
Conference Equipment	11,348	10,098	-	-
Additions	-	1,250	-	-
Less Accumulated Depreciation	(9,842)	(8,336)	-	-
	1,506	3,012	-	-
TOTAL FIXED ASSETS	\$267,280	\$321,610	\$13,203	\$6,065

NOTE 16. OTHER LOANS

The Group have a long term interest free loan from Ryman Healthcare Limited of \$955,556 (2012: \$Nil). This loan is to be repaid through lease income recognised over a period of 15 years in accordance with the lease agreement between the Group and Ryman Healthcare Limited.

NOTE 17. INTER-ENTITY LOANS

Inter-entity loans

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.

	Parent	
	2013	2012
	\$	\$
<i>The inter-entity loans comprises:</i>		
Shelly Bay Limited	10,081,824	11,153,828
The Lodge at Shelly Bay Limited	147,711	138,846
Port Nicholson Block Management Limited	-	-
Lowry Bay Section One Limited	2,267,707	2,477,040
Port Nicholson Block Properties Limited	-	196
Education PNBST Limited	-	-
	\$12,497,242	\$13,769,910

The Parent recognises an impairment loss on the inter-entity loans 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's 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.

Notes to the Financial Statements for the year ended March 31, 2013

NOTE 17. INTER-ENTITY LOANS continued

	Parent	
	2013	2012
	\$	\$
Shelly Bay Limited		
<u>Carrying value at cost</u>		
Opening balance	14,360,333	14,360,083
Other monies advanced/subsidiary expenses paid by Parent	43,800	40,250
Funds repaid/Parent expenses paid by the subsidiary	(1,000)	(40,000)
Closing balance	14,403,133	14,360,333
<u>Impairment provision</u>		
Opening balance	3,206,505	2,732,005
Current year impairment expense	1,114,804	474,500
Closing balance	4,321,309	3,206,505
Carrying value of investment in subsidiary	\$10,081,824	\$11,153,828
The balance is payable on demand at the discretion of the Parent and no interest is charged.		

The Lodge at Shelly Bay Limited

<u>Carrying value at cost</u>		
Opening balance	444,463	343,513
Monies advanced/subsidiary expenses paid by Parent	18,395	100,950
Closing balance	462,858	444,463
<u>Impairment provision</u>		
Opening balance	305,617	178,681
Current year impairment expense	9,530	126,936
Closing balance	315,147	305,617
Carrying value of investment in subsidiary	\$147,711	\$138,846
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	3,738,975	2,657,940
Monies advanced/subsidiary expenses paid by Parent	(318,580)	1,081,035
Closing balance	3,420,395	3,738,975
<u>Impairment provision</u>		
Opening balance	3,738,975	2,657,940
Current year impairment expense	(318,580)	1,081,035
Closing balance	3,420,395	3,738,975
Carrying value of investment in subsidiary	\$-	\$-
The balance is payable on demand at the discretion of the Parent and no interest is charged.		

Notes to the Financial Statements for the year ended March 31, 2013

NOTE 17: INTER-ENTITY LOANS continued

	Parent	
	2013	2012
	\$	\$
Lowry Bay Section One Limited		
<u>Carrying value at cost</u>		
Opening balance	2,733,778	-
Monies advanced/subsidiary expenses paid by Parent	33,317	2,733,778
Closing balance	2,767,095	2,733,778
<u>Impairment provision</u>		
Opening balance	256,738	-
Current year impairment expense	242,650	256,738
Closing balance	499,388	256,738
Carrying value of investment in subsidiary	\$2,267,707	\$2,477,040

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

Port Nicholson Block Properties Limited

<u>Carrying value at cost</u>		
Opening balance	1,505	-
Monies advanced/subsidiary expenses paid by Parent	3,781	1,505
Closing balance	5,286	1,505
<u>Impairment provision</u>		
Opening balance	1,309	-
Current year impairment expense	3,977	1,309
Closing balance	5,286	1,309
Carrying value of investment in subsidiary	\$-	\$196

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

Education PNBST Limited

<u>Carrying value at cost</u>		
Opening balance	-	-
Monies advanced/subsidiary expenses paid by Parent	9,419	-
Closing balance	9,419	-
<u>Impairment provision</u>		
Opening balance	-	-
Current year impairment expense	9,419	-
Closing balance	9,419	-
Carrying value of investment in subsidiary	\$-	\$-

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

Notes to the Financial Statements for the year ended March 31, 2013

NOTE 17: INVESTMENT IN SUBSIDIARIES continued

	Parent	
	2013	2012
	\$	\$
Reconciliation of impairment provision for investment in subsidiaries		
Opening balance	7,509,144	5,568,626
Current year impairment expense	1,061,800	1,940,518
Closing balance	\$8,570,944	\$7,509,144

NOTE 18. ACQUISITIONS OF SUBSIDIARIES

Port Nicholson Block Settlement Trust obtained control of the following subsidiaries in 2013:

- PNBST Investments Limited Partnership

No other subsidiaries were acquired in 2013.

NOTE 19. TRUSTEE REMUNERATION

Trustee remuneration paid during the year was as follows:

	2013	2012
	\$	\$
Hon Mahara Okeroa (Chair)	20,500	9,000
Toarangatira Pomare (Deputy Chair)	5,250	-
Neville McClutchie Baker	9,000	9,000
June Te Raumange Jackson	3,750	9,000
Dr Catherine Maarie Amohia Love	9,000	9,000
Peter Maru Love	9,000	9,000
Professor Sir Ralph Heberley Ngatata Love	13,333	32,000
Rebecca Elizabeth Mellish	9,000	9,000
Mark Te One	9,000	9,000
Te Rira Puketapu	9,000	9,000
Hokipera Jean Ruakere	9,000	9,000
Howard Kevin Tamati	5,250	-
	\$111,083	\$113,000

In addition to the above Hon Mahara Okeroa received a \$9,000 payment for additional Executive Chairman duties.

Notes to the Financial Statements for the year ended March 31, 2013

NOTE 20. 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. (2011: \$5,035,647 Kiwibank Term Loan).

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.

NOTE 21. RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

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

The Parent is related to the following subsidiary entities	Principal activities	Interest held by Group	
		2013	2012
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%	100%
PNBC Limited	Treaty Negotiations	100%	100%
Lowry Bay Section One Limited	Commercial Rental	100%	100%
Port Nicholson Block Properties Limited	Commercial Rental	100%	100%
Education PNBST Limited	Project Management	100%	100%
PNBST Investments Limited Partnership	Commercial Rental	100%	-

Notes to the Financial Statements for the year ended March 31, 2013

NOTE 21. RELATED PARTY TRANSACTIONS continued

PNBST Investments Limited was registered on July 27, 2012 and the Trust has held a 100% interest in the entity from this date. The details of the inter-entity loans are detailed in Note 17. 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 in Note 17.

(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
- Wharewaka o Poneke Enterprises Limited
- Te Wananga o Aotearoa
- Pipitea Marae Charitable Trust
- Te Runanganui o Taranaki Whanui ki Te Upoko o Te Ika a Maui Association Incorporated

(c) Transactions with related parties

	Group		Parent	
	2013	2012	2013	2012
Rents	-	46,500	-	-
Management Fees to Port Nicholson Block Management Limited	1,043,587	64,083	1,043,587	-
	\$1,043,587	\$110,583	\$1,043,587	\$-

During the year PNBST Investments Limited Partnership recorded net income from lease premiums and lease rentals of \$4,040,156. In terms of the Limited Partnership Deed, this income has been allocated to Port Nicholson Block Settlement Trust (Parent).

Purchase and sale of property and other assets during the year:

- The Parent sold the Petone College property to its subsidiary PNBST Investments Limited Partnership at the market value of \$3,800,000. PNBST Investments Limited Partnership entered into a long term lease of the land known as Petone College with Ryman Healthcare Limited and received a \$4,000,000 lease premium which is recognised in the year ended March 31, 2013.
- The Parent sold the 81-87 Thorndon Quay property to Wellington Tenth Trust and Palmerston North Maori Reserve Trust after capitalisation of sale costs at the market value of \$1,980,123.
- The Group sold office equipment for \$4,885 as well as furniture and fittings of \$5,000 to Pipitea Marae Charitable Trust

Notes to the Financial Statements for the year ended March 31, 2013

(d) Related Party Outstanding Debts

The following related party debts were still outstanding at balance date:

	Group	
	2013	2012
	\$	\$
Wharewaka o Poneke Charitable Trust	837,285	800,626
Palmerston North Maori Reserve	500,000	-
Wellington Tenths Trust	500,000	-
	\$1,837,285	\$800,626

The loan to Wharewaka o Poneke Charitable Trust is interest only with the principal amount to be repaid at the expiry of the initial term of five years, if the term has not been renewed. The dates of draw down were October 19, 2010 (\$325,000) and November 19, 2010 (\$675,000). The interest rate used is 6% (2012:9.7%).

(e) Related Party Transactions

During the year Port Nicholson Block Management Limited paid consultancy fees to Liz Mellish, Business Mentor of \$108,281 and \$96,600 to Mahara Okeroa and Associates Limited. Both Liz Mellish and Mahara Okeroa are Trustees of Port Nicholson Block Settlement Trust.

All related party transactions have been on an arms length basis.

NOTE 22. CONTINGENT LIABILITIES AND COMMITMENTS

The Port Nicholson Block Settlement Trust has an agreement with Kiwibank to act as guarantor to the \$2,860,836 (2012: \$3,00,000) loan entered into by the Wharewaka o Poneke Charitable Trust on April 29, 2011. There are no other contingent liabilities or commitments as at March 31, 2013.

NOTE 23. SUBSEQUENT EVENTS

There are no significant events that have occurred subsequent to March 31, 2013.

NOTE 24: LEASE COMMITMENTS

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
Not later than one year	129,650	25,311	-	-
Later than one year, not later than five years	204,675	-	-	-
	\$334,325	\$25,311	\$-	\$-



Independent Auditor's Report

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To the Stakeholders of the Port Nicholson Block Settlement Trust and Group

Report on the financial statements

We have audited the parent and group financial statements of Port Nicholson Block Settlement Trust (the "Parent") and its subsidiaries (the "Group") on pages 21 to 43, which comprise the statement of financial position as at 31 March 2013, and the statement of comprehensive income, statement of changes in trust capital for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees' responsibilities

The Trustees' are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the committee members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that present fairly the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements on pages 21 to 43 present fairly, in all material respects, the financial position of the Parent and Group as at 31 March 2013, and its financial performance, for the year then ended in accordance with generally accepted accounting practice in New Zealand.



Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
30 July 2013



PORT NICHOLSON BLOCK
SETTLEMENT TRUST

Elected Board of Trustees

Chairman:
Trustees

Hon Mahara Okeroa (elected Sept 12)
Neville Baker (elected Aug 10)
Dr Catherine Love (elected Aug 10)
Professor Sir Ngatata Love (elected Sept 12)
Peter Love (elected Aug 10)
Liz Mellish (elected Sept 12)
Toarangatira Pomare (elected Sept 12)
Teri Puketapu (elected Aug 10)
Hokipera Ruakere (elected Sept 12)
Howie Tamati (elected Sept 12)
Mark Te One (elected Aug 10)

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PORT NICHOLSON BLOCK
SETTLEMENT TRUST