

INDEPENDENT AUDITOR'S REPORT**To the Beneficial Owners of Port Nicholson Block Settlement Trust****Opinion**

We have audited the consolidated and separate financial statements of Port Nicholson Block Settlement Trust and its controlled entities (the "Trust and Group") on pages 1 to 26, which comprise the consolidated and separate statement of financial position as at 31 March 2020, and the consolidated and separate statement of comprehensive revenue and expenses, consolidated and separate statement of changes in net assets and consolidated and separate statement of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements present fairly, in all material respects, the financial position of the Trust and Group as at 31 March 2020, their financial performance and their cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

Basis for Opinion

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

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

Emphasis of Matter – COVID-19

We draw attention to Note 5 of the financial statements, which describes the effects of the World Health Organisation's declaration of a global pandemic in March 2020 relating to the spread of COVID-19. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Material Uncertainty Related to Investment Property Valuation

We draw attention to Note 15 of the consolidated and separate financial statements which describes the registered independent valuers have included a material uncertainty clause in their 31 March 2020 valuation reports as a result of the COVID-19 pandemic. These clauses state that market conditions are changing at present and as at the date of the valuations there is significant market uncertainty. The valuations are

current at 31 March 2020 only and the values may change significantly and unexpectedly over a relatively short period of time. Our opinion is not modified in respect to this matter.

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

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

In connection with our audit of the consolidated and separate financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of our auditors' report, we concluded that there is a material misstatement of this other information, we are required to report that fact.

Responsibilities of the Trustees for the Consolidated and Separate Financial Statements

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

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

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

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust's and Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust and Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust and Group to express an opinion on the consolidated and separate financial statements. We are responsible for the direction, supervision and performance of the Trust and Group audit. We remain solely responsible for the audit opinion.

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

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

For and on behalf of:



Crowe New Zealand Audit Partnership
CHARTERED ACCOUNTANTS
31 August 2020

Consolidated Statement of Comprehensive Revenue and Expenses

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

| | Note | Group 31 March 2020 \$ | Group 31 March 2019 \$ | Parent 31 March 2020 \$ | Parent 31 March 2019 \$ |
|--|-------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| Revenue from exchange transactions | | | | | |
| Rent received from properties owned | | 271,392 | 470,313 | - | - |
| Lease revenue Rymans agreement | | 100,000 | 100,000 | - | - |
| Other revenue | 9 | 695,770 | 623,668 | 618,550 | 266,315 |
| Fair value adjustment - investment properties | 15 | 6,192,484 | 652,516 | 153,660 | 146,340 |
| Interest received from funds on call | 8 | 4,110 | 37,649 | 4,077 | 35,610 |
| Gain on investment properties sold | | - | 2,414,259 | - | - |
| Sale of development property | 16 | 763,539 | 1,885,583 | - | - |
| Total revenue from exchange transactions | | 8,027,295 | 6,183,988 | 776,287 | 448,265 |
| Revenue from non-exchange transactions | | | | | |
| Capital grant | | 2,183,608 | 691,093 | - | 691,093 |
| Koha received | | 200 | - | 200 | - |
| Total revenue from non-exchange transactions | | 2,183,808 | 691,093 | 200 | 691,093 |
| Expenses | | | | | |
| Costs of running the office | 10 | 1,811,254 | 783,819 | 38,306 | 390,848 |
| Depreciation | 14 | 13,375 | 10,724 | 5,936 | 4,197 |
| Loss on disposal of fixed assets | 14 | 1,615 | 121,736 | - | - |
| Maintenance cost for the properties owned | 7 | 189,037 | 215,182 | - | 5,117 |
| Interest expense | | 98,282 | 73,990 | - | - |
| Cost of development property sold | 16 | 836,814 | 1,820,399 | - | - |
| Total expenses | | 2,950,377 | 3,025,850 | 44,242 | 400,162 |
| Total surplus/(deficit) for the year before share of surplus in investment in associate | | 7,260,726 | 3,849,231 | 732,245 | 739,196 |
| Share of surplus in investment in associate | 21 | 12,386,288 | - | - | - |
| Total surplus/(deficit) for the year before taxation | | 19,647,014 | 3,849,231 | 732,245 | 739,196 |
| Taxation expense | 11,12 | (65,345) | (453,490) | 78,338 | (186,260) |
| Total after taxation | | 19,712,359 | 4,302,721 | 653,907 | 925,456 |
| Other comprehensive revenue and expenses | | - | - | - | - |
| Total comprehensive revenue and expenses | | - | - | - | - |
| Total comprehensive revenue and expenses for the year | | 19,712,359 | 4,302,721 | 653,907 | 925,456 |

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



Consolidated Statement of Changes in Net Assets

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

| Group | Note | Accumulated comprehensive revenue and expense | Total equity |
|-------------------------------------|------|---|-------------------|
| | | \$ | \$ |
| Opening balance 1 April 2019 | | 22,999,036 | 22,999,036 |
| Surplus for the year | | 19,712,359 | 19,712,359 |
| Other comprehensive revenue | | - | - |
| Closing equity 31 March 2020 | | 42,711,395 | 42,711,395 |
| Opening balance 1 April 2018 | | 18,696,315 | 18,696,315 |
| Surplus for the year | | 4,302,721 | 4,302,721 |
| Other comprehensive revenue | | - | - |
| Closing equity 31 March 2019 | | 22,999,036 | 22,999,036 |

| Parent | | Accumulated comprehensive revenue and expense | Total equity |
|-------------------------------------|--|---|-------------------|
| | | \$ | \$ |
| Opening balance 1 April 2019 | | 15,385,968 | 15,385,968 |
| Surplus for the year | | 653,907 | 653,907 |
| Other comprehensive revenue | | - | - |
| Closing equity 31 March 2020 | | 16,039,875 | 16,039,875 |
| Opening balance 1 April 2018 | | 14,460,512 | 14,460,512 |
| Surplus for the year | | 925,456 | 925,456 |
| Other comprehensive revenue | | - | - |
| Closing equity 31 March 2019 | | 15,385,968 | 15,385,968 |

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



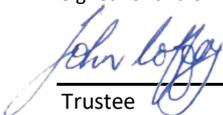
Consolidated Statement of Financial Position

Port Nicholson Block Settlement Trust

As at 31 March 2020

| | Note | Group 31 March 2020 \$ | Group 31 March 2019 \$ | Parent 31 March 2020 \$ | Parent 31 March 2019 \$ |
|---|------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| Current assets | | | | | |
| Cash and cash equivalents | 13 | 1,018,208 | 4,868,709 | 90,445 | 1,163,073 |
| Receivables from exchange transactions | 19 | 117,790 | 4,134,092 | 110,512 | 129,918 |
| Deposits from sales held on Trust account | 19 | - | 87,000 | - | - |
| Prepayments | | 34,745 | - | - | - |
| Inter-entity advances | 19 | - | - | 15,727,625 | 14,405,345 |
| Development property | 16 | 5,906,863 | 807,330 | - | - |
| Goods and services tax receivable | | 49,578 | 35,197 | - | 9,393 |
| Income tax refund due | 11 | 20,731 | 19,999 | 13,034 | 12,321 |
| Non-trade receivables | 19 | 1,850,000 | - | - | - |
| | | <u>8,997,915</u> | <u>9,952,327</u> | <u>15,941,616</u> | <u>15,720,050</u> |
| Non-current assets | | | | | |
| Investment properties | 15 | 12,915,000 | 6,722,516 | 840,000 | 686,340 |
| Investment in joint venture | 20 | 950,000 | 950,000 | - | - |
| Investments in associates | 21 | 20,587,679 | - | - | - |
| Property, plant and equipment | 14 | 50,228 | 59,409 | 4,707 | 10,643 |
| Development property | 16 | - | 3,281,286 | - | - |
| Non-trade receivables | 19 | 1,850,000 | 3,700,000 | - | - |
| Deferred tax asset | 12 | 518,835 | 453,490 | 107,922 | 186,260 |
| | | <u>36,871,742</u> | <u>15,166,701</u> | <u>952,629</u> | <u>883,243</u> |
| Total assets | | <u>45,869,657</u> | <u>25,119,028</u> | <u>16,894,245</u> | <u>16,603,293</u> |
| Current liabilities | | | | | |
| Goods and services tax payable | | - | - | 5,018 | - |
| Trade and other creditors | 19 | 293,066 | 590,290 | - | 57,326 |
| Advances from related entities | 19 | - | - | 849,352 | 849,352 |
| Advance from Ryman Healthcare | 19 | 567,157 | 632,038 | - | - |
| Advance from Raukawa | 19 | 1,000,000 | - | - | - |
| Loan due to ASB | 19 | - | 500,000 | - | - |
| Deposits held on Trust account | 19 | - | 87,000 | - | - |
| Conditional grant money received | 19 | 1,298,039 | 310,664 | - | 310,648 |
| | | <u>3,158,262</u> | <u>2,119,992</u> | <u>854,370</u> | <u>1,217,326</u> |
| Total liabilities | | <u>3,158,262</u> | <u>2,119,992</u> | <u>854,370</u> | <u>1,217,325</u> |
| Net assets | | <u>42,711,395</u> | <u>22,999,036</u> | <u>16,039,875</u> | <u>15,385,968</u> |
| Equity | | | | | |
| Accumulated comprehensive revenue and expense | | 42,711,395 | 22,999,036 | 16,039,875 | 15,385,968 |
| Total equity | | <u>42,711,395</u> | <u>22,999,036</u> | <u>16,039,875</u> | <u>15,385,968</u> |

Signed for and on behalf of the Board of Trustees who authorised these financial statements for issue on 28 August 2020:



Trustee
John Coffey - Chair (Port Nicholson Block Settlement Trust)



Trustee
Toarangatira Pomare - Chair (Taranaki Whānui Limited)

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



Consolidated Statement of Cash Flows

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

| | Note | Group 31 March 2020 \$ | Group 31 March 2019 \$ | Parent 31 March 2020 \$ | Parent 31 March 2019 \$ |
|--|------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| Cash flows from operating activities | | | | | |
| <i>Receipts</i> | | | | | |
| Receipts from non-exchange transactions | | 3,170,983 | 892,484 | - | 892,484 |
| Receipts from exchange transactions | | 4,903,022 | 3,953,730 | 652,648 | 244,287 |
| Interest received | | 3,378 | 30,144 | 3,364 | 29,495 |
| | | <u>8,077,383</u> | <u>4,876,358</u> | <u>656,012</u> | <u>1,166,266</u> |
| <i>Payments</i> | | | | | |
| Payments to suppliers | | 4,195,509 | 2,657,541 | 95,712 | 385,675 |
| Interest paid | | 63,162 | 35,455 | - | - |
| | | <u>4,258,671</u> | <u>2,692,996</u> | <u>95,712</u> | <u>385,675</u> |
| Net cash flows from operating activities | | <u>3,818,712</u> | <u>2,183,362</u> | <u>560,300</u> | <u>780,591</u> |
| Cash flows from investing activities | | | | | |
| <i>Receipts</i> | | | | | |
| Distributions from associates | | 396,722 | - | - | - |
| Sale of investment property | | - | 1,900,671 | - | - |
| Net funds received from / (paid to) related parties | | - | - | (1,632,928) | (778,961) |
| | | <u>396,722</u> | <u>1,900,671</u> | <u>(1,632,928)</u> | <u>(778,961)</u> |
| <i>Payments</i> | | | | | |
| Purchases of property, plant and equipment | | 5,809 | 20,091 | - | 14,841 |
| Investment in joint venture | | - | 950,000 | - | - |
| Investment in associates | | 8,560,126 | - | - | - |
| | | <u>8,565,935</u> | <u>970,091</u> | <u>-</u> | <u>14,841</u> |
| Net cash flows from investing activities | | <u>(8,169,213)</u> | <u>930,580</u> | <u>(1,632,928)</u> | <u>(793,802)</u> |
| Cash flows from financing activities | | | | | |
| <i>Receipts</i> | | | | | |
| Proceeds from borrowings | | 1,000,000 | - | - | - |
| | | <u>1,000,000</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Payments</i> | | | | | |
| Repayment of borrowings | | 500,000 | 600,000 | - | - |
| | | <u>500,000</u> | <u>600,000</u> | <u>-</u> | <u>-</u> |
| Net cash flows from financing activities | | <u>500,000</u> | <u>(600,000)</u> | <u>-</u> | <u>-</u> |
| Net increase/(decrease) in cash and cash equivalents | | (3,850,501) | 2,513,942 | (1,072,628) | (13,212) |
| Cash and cash equivalents at 1 April | | 4,868,709 | 2,354,767 | 1,163,073 | 1,176,285 |
| Cash and cash equivalents at 31 March | 13 | <u>1,018,208</u> | <u>4,868,709</u> | <u>90,445</u> | <u>1,163,073</u> |

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



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

1) Reporting entity

The reporting entity is Port Nicholson Block Settlement Trust (the "Trust"). The Trust is domiciled in New Zealand and was established as the Post Settlement Governance Entity (PSGE) to receive the settlement redress from the Crown as part of the historical claim made under the Treaty of Waitangi. The financial statements comprising of the Trust and its controlled entities (together the "Group") are outlined in note 6.

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

These consolidated financial statements have been approved and were authorised for issue by the Board of Trustees on 28 August 2020.

2) Statement of compliance

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

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

3) Statement of accounting policies

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

3.1 Basis of measurement

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

3.2 Functional and presentational currency

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

3.3 Basis of consolidation

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



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

3.4 Revenue

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

Revenue from exchange transactions

Rendering of Services

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

Interest

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

Rental income

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

Sale of Property

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

Other Revenue

Other revenue is recognised on an accruals basis.

Revenue from non-exchange transactions

Koha

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

Maori Housing Network and Te Ara Mauwhare

The Group receives grant funding from Maori Housing Network and Te Ara Mauwhare to assist the development at Wainuiomata Intermediate. The Group also receives grant funding from Te Ara Mauwhare to assist in the "Sorted Kainga Ora" programme. Grant funding is recognised within surplus and deficit in the statement of Comprehensive Revenue and Expenses when outputs in the funding agreement are satisfied.

Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

3.5 Financial instruments

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

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

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

Financial Assets

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

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

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

Loans and receivables

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



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

3.5 Financial instruments (continued)

Impairment of financial assets

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

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

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

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

Financial liabilities

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

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

3.6 Cash and cash equivalents

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

3.7 Property, plant and equipment

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

| | |
|------------------------|-------------|
| Land | 0% SL |
| Office equipment | 8% - 50% SL |
| Leasehold improvements | 7%-13.5% SL |
| Furniture and fittings | 6% - 21% SL |



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

3.7 Property, plant and equipment (continued)

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

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

3.8 Investment properties

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

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

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

3.9 Leases

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

3.10 Employee benefits

Wages, salaries and annual leave

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

3.11 Income Tax

Current Income Tax

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

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

Deferred Income Tax

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

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

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

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



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

3.11 Income Tax (continued)

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

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

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

3.12 Goods and services tax (GST)

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

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

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

3.13 Equity

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

Accumulated comprehensive revenue and expense

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

3.14 Development properties

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

3.15 Joint ventures

An investment in a joint venture is recorded where two or more parties have entered into a binding arrangement to undertake an activity that is subject to joint control. The investment in a joint venture is initially recorded at cost and adjusted thereafter for the share of the venturer's share of the net assets of the jointly controlled entity. The surplus or deficit of the venturer includes the venturer's share of the surplus or deficit of the jointly controlled entity.

3.16 Investments in associates

Associates are those entities within which the Group has significant influence, but not control or joint control, over the financial and operating policies. Interest in associates are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the surplus or deficit and other comprehensive revenue and expense of equity-accounted investees, until the date on which significant influence ceases.

4) Changes in accounting policy

All accounting policies are consistently applied to all periods presented in these financial statements.



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

5) Significant accounting judgements, estimates and assumptions

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

Judgements

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

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

The impact of COVID-19 on the Group's financial statements

In March 2020, the World Health Organisation designated COVID-19 to be a global pandemic, threatening the health and well-being of large numbers of people across multiple countries. The global outbreak has caused escalating levels of societal uncertainty. During the period of 25 March 2020 to 13 May 2020 the New Zealand Government shut down most businesses except for essential service providers. The Group's staff were able to work from home without major disruption, however the construction at Te Puna Wai development ceased during the lockdown period. Rental relief was provided though this did not have a material impact on the Group's operations.

In preparing the financial statements under a going concern basis, the Trustees have given consideration to the cash flows generated from its investments and investment property and the Group's operations. The Trustees' assessment, particularly when considering that slightly in excess of seventy percent of its annuity cash comes from Crown backed leases, demonstrates there is sufficient operating and investing cash flow to meet the financing cash flow requirements and obligations of the Group.

The Group records a number of property assets at their fair values. The assessment of fair value required applying significant judgement as detailed in note 15.

Estimates and Assumptions

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

Useful lives and residual values

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

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

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



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust
For the year ended 31 March 2020

6) Group information Subsidiaries

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

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

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

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

Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

| | Group 31 March 2020 \$ | Group 31 March 2019 \$ | Parent 31 March 2020 \$ | Parent 31 March 2019 \$ |
|---|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| 7) Maintenance costs for properties owned | | | | |
| Building WOF | 824 | 421 | - | - |
| Cleaning | 9,527 | - | - | - |
| Electricity | 14,905 | 19,092 | - | 1,328 |
| Fire Monitoring | 2,722 | 4,918 | - | - |
| Insurance | 49,321 | 72,244 | - | - |
| Rates | 54,673 | 45,871 | - | 2,028 |
| Real Estate Fees | 6,333 | - | - | - |
| Repairs & Maintenance | 30,761 | 44,732 | - | 1,761 |
| Security | 4,412 | 7,423 | - | - |
| Telephone | 605 | - | - | - |
| Water Rates | 8,704 | 6,876 | - | - |
| Valuation Fees | 6,250 | 13,605 | - | - |
| Total Rental Costs | 189,037 | 215,182 | - | 5,117 |
| 8) Interest received from funds on call | | | | |
| KiwiBank Interest | 4,077 | 35,610 | 4,077 | 35,610 |
| Interest on Property Transactions | - | 2,039 | - | - |
| Total interest received from funds on call | 4,077 | 37,649 | 4,077 | 35,610 |
| 9) Other revenue | | | | |
| Other Income (Incl. Project Management Fees) | 81,770 | 44,103 | 4,550 | 41,228 |
| Grant income | - | 11,087 | - | 11,087 |
| Memorandum of Understanding | 214,000 | 214,000 | 214,000 | 214,000 |
| Nomination Fees | - | 354,478 | - | - |
| Recovery of Redwood receivable | 400,000 | - | 400,000 | - |
| Total other revenue | 695,770 | 623,668 | 618,550 | 266,315 |

Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

10) Costs of running the office

| | Group 31 March 2020 \$ | Group 31 March 2019 \$ | Parent 31 March 2020 \$ | Parent 31 March 2019 \$ |
|-----------------------------|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| Compliance | | | | |
| Accounting | 75,655 | 53,715 | - | 25,500 |
| Annual General Meeting | 9,236 | 21,618 | - | 21,618 |
| Annual Report | 1,112 | - | - | - |
| Audit | 34,570 | 46,000 | - | 43,000 |
| | 120,573 | 121,333 | - | 90,118 |
| Consultancy | | | | |
| Commercial Advisor | 96,000 | 96,000 | - | - |
| Consultancy | 256,930 | 40,239 | - | 5,000 |
| Legal Fees | 559,523 | 70,015 | - | 668 |
| Underwriting fees | 45,000 | - | - | - |
| | 957,453 | 206,253 | - | 5,668 |
| Cultural services | | | | |
| Cultural Services | 42,100 | 28,237 | 1,600 | 28,237 |
| Koha given | 100 | - | - | - |
| | 42,200 | 28,237 | 1,600 | 28,237 |
| Governance | | | | |
| Director Expenses | 30 | - | - | - |
| Director Fees | 45,000 | 45,000 | - | - |
| Director Fees - Tai Hekenga | 7,000 | - | - | - |
| Trustee Elections | 60,878 | 21,004 | - | 21,004 |
| Trustee Fees | 22,750 | 16,000 | - | 16,000 |
| Trustee Travel Expenses | 12,854 | 4,222 | - | 2,678 |
| | 148,511 | 86,226 | - | 39,682 |
| Member engagement | | | | |
| Database | 57,795 | 1,000 | - | 1,000 |
| Events | 13,415 | 7,719 | 87 | 7,719 |
| | 71,210 | 8,719 | 87 | 8,719 |

Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

10) Costs of running the office (continued)

| | Group 31 March 2020 \$ | Group 31 March 2019 \$ | Parent 31 March 2020 \$ | Parent 31 March 2019 \$ |
|--|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| Office Expenses | | | | |
| Bank Fees | 5,451 | 1,156 | 70 | 136 |
| Bad debt | 7,555 | 10,000 | 4,035 | 10,000 |
| Catering | 1,149 | 2,300 | - | 1,838 |
| Cleaning | - | 9,740 | - | 3,345 |
| Computer Expenses | 9,613 | 13,387 | - | 13,387 |
| Copying & Printing | 9,282 | 5,689 | 589 | 4,962 |
| File storage & destruction | 354 | 2,359 | - | 2,359 |
| General Expenses | - | 560 | - | 560 |
| IRD penalties | 93 | 250 | - | - |
| Low value assets | - | 2,559 | - | 2,559 |
| Office expenses | 2,056 | 2,186 | - | 2,186 |
| Postage | 170 | 352 | - | 352 |
| Publications | 3,380 | - | - | - |
| Sale and leaseback administration | 26,586 | - | - | - |
| Stationery | 61 | 204 | - | 204 |
| Subscriptions | 1,510 | 178 | 83 | 178 |
| Te Puna Wai Administration | 5,477 | - | - | - |
| Telephone | 3,682 | 5,395 | 1,194 | 3,941 |
| Travel Expenses | 37,871 | 15,342 | - | 4,315 |
| Website | 445 | 360 | 30 | 360 |
| | 114,737 | 72,016 | 6,001 | 50,682 |
| Personnel | | | | |
| Kiwisaver - employer contributions | 6,496 | 1,848 | 594 | 1,155 |
| Sub-contractor | 123,340 | 70,610 | - | 1,088 |
| Wages/salaries | 226,735 | 188,577 | 30,023 | 165,500 |
| | 356,570 | 261,035 | 30,617 | 167,742 |
| Total costs of running the office | 1,811,254 | 783,819 | 38,306 | 390,848 |



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

| 11) Taxation | Group 31 March 2020 \$ | Group 31 March 2019 \$ | Parent 31 March 2020 \$ | Parent 31 March 2019 \$ |
|--|---|---|--|--|
| 11a) Calculation of current tax expense | | | | |
| Net surplus (deficit) as per Financial Statements | 19,647,014 | 3,849,231 | 732,245 | 739,196 |
| <i>Timing differences</i> | | | | |
| Add Back - Closing Balance Audit Accrual as at 31 March | 40,000 | 40,000 | - | 40,000 |
| Less: Opening balance Audit Accrual as at 1 April | (40,000) | (40,000) | (40,000) | (40,000) |
| Movement in provision for doubtful debts | (2,445) | 10,000 | (5,965) | 10,000 |
| Total Timing Differences | (2,445) | 10,000 | (45,965) | 10,000 |
| <i>Permanent differences</i> | | | | |
| Fair value adjustment - investment properties | (6,192,484) | (652,515) | (153,660) | (146,340) |
| Adjustment for tax cost base of Shelly Bay | - | 895,188 | - | - |
| Assessable gain on intra group property sale | 3,030,000 | - | - | - |
| Non Assessable Grant income | (2,147,608) | - | - | - |
| Non Assessable Koha received and Koha provided | (100) | - | (200) | - |
| Non Assessable Share of surplus in investment in associate | (11,909,797) | - | - | - |
| Non Assessable Redwood receivable recovery | (400,000) | - | (400,000) | - |
| Non Assessable Accounting profit from PNBST Investmt Pship | (64,881) | (61,466) | (64,881) | (61,466) |
| Non Deductible Sale & Leaseback costs | 26,586 | - | - | - |
| Non Deductible Entertainment | - | - | - | - |
| Non Deductible Legal | 392,871 | - | - | - |
| Prior year over/under provision | (18,461) | - | 471,238 | - |
| Income allocated from Group LP's to Parent | - | - | 29,439 | 3,367,426 |
| Total Permanent Differences | (17,283,874) | 181,207 | (118,064) | 3,159,620 |
| Net Surplus (Deficit) as per Tax Return | 2,360,695 | 4,040,437 | 568,216 | 3,908,816 |
| Tax Losses Brought Forward | (5,592,909) | (9,633,346) | (1,180,876) | (5,089,692) |
| Net Tax Losses to carry forward | (3,232,214) | (5,592,909) | (612,660) | (1,180,876) |
| Current Taxation Expense | - | - | - | - |
| Opening Tax Balance | 19,999 | 12,493 | 12,321 | 6,206 |
| Tax Refunds Received | (2) | (1,264) | (2) | (117) |
| RWT Paid | 732 | 8,769 | 713 | 6,231 |
| Use of money interest received | 2 | 1 | 2 | - |
| Taxation Refund Due | 20,731 | 19,999 | 13,034 | 12,321 |

Tax losses amounting to \$612,660 (2019: \$1,180,876) are to be carried forward to be offset against future taxable income by the Parent. The Group has \$3,232,214 (2019: \$5,592,909) of tax losses to be carried forward.

A deferred tax asset may be recognised by the Group and Parent for the carry forward of unused tax losses to the extent that it is probable that future taxable profits will be available against which the unused tax losses will be utilised. Due to the Group utilising significant tax losses in the current year and future profits anticipated, management expect all tax losses will be used and have chosen to recognise deferred tax for the year ended 31 March 2020.

The prior year over/under provision relates to aligning the accounting taxable income with what was filed with Inland Revenue when the tax returns have been prepared subsequent to the preparation of the financial statements.



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

| | Group 31 March 2020 \$ | Group 31 March 2019 \$ | Parent 31 March 2020 \$ | Parent 31 March 2019 \$ |
|---|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| 11) Taxation (continued) | | | | |
| 11b) Reconciliation of net surplus (deficit) to taxation expense | | | | |
| Net surplus (deficit) per financial statements | 19,647,014 | 3,849,231 | 732,245 | 739,196 |
| Tax expense using the Group's tax rate 17.5% | 3,438,227 | 673,615 | 128,143 | 129,359 |
| - Adjustment for temporary differences | (428) | 1,750 | (8,044) | 1,750 |
| - Adjustment for permanent differences | (3,024,678) | 31,711 | (20,661) | 552,933 |
| - Utilisation of tax losses | (413,122) | (707,077) | (99,438) | (684,043) |
| Current tax expense | - | - | - | - |
| Deferred tax adjustments | | | | |
| - Change in recognised Temporary differences | (65,345) | (453,490) | 78,338 | (186,260) |
| Total tax expense | (65,345) | (453,490) | 78,338 | (186,260) |

12) Deferred tax

| | Net balance 1-Apr-18 | Recognised in P&L 31 March 2019 | Deferred tax asset / (liability) 31 March 2019 | Recognised in P&L 31 March 2020 | Deferred tax asset / (liability) 31 March 2020 |
|----------------------------------|-------------------------|--|--|--|--|
| Parent | | | | | |
| Provisions and other liabilities | - | 1,750 | 1,750 | (1,044) | 706 |
| Accumulated tax losses | - | 184,510 | 184,510 | (77,294) | 107,216 |
| Total deferred tax | - | 186,260 | 186,260 | (78,338) | 107,922 |
| Group | | | | | |
| Provisions and other liabilities | - | 1,750 | 1,750 | (428) | 1,322 |
| Investment property | - | (322,000) | (322,000) | 273,875 | (48,125) |
| Development property | - | (208,250) | (208,250) | 208,250 | - |
| Accumulated tax losses | - | 981,990 | 981,990 | (416,352) | 565,638 |
| Total deferred tax | - | 453,490 | 453,490 | 65,345 | 518,835 |

| | Group 31 March 2020 \$ | Group 31 March 2019 \$ | Parent 31 March 2020 \$ | Parent 31 March 2019 \$ |
|---|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| 13) Cash and cash equivalents | | | | |
| Cash and cash equivalents include the following components: | | | | |
| Kiwibank Bank Accounts | 89,818 | 54,220 | 89,818 | 54,220 |
| Kiwibank Investment Accounts | 627 | 1,108,853 | 627 | 1,108,853 |
| ASB Bank Accounts | 22,021 | 20,269 | - | - |
| BNZ Bank Accounts | 810,078 | 2,862,285 | - | - |
| Brookfield Trust Account | 95,664 | 823,082 | - | - |
| Total cash and cash equivalents | 1,018,208 | 4,868,709 | 90,445 | 1,163,073 |

Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

14) Property, Plant and Equipment

| Group | | | | | | | |
|----------------------|-----------------------------|-----------------------------------|---------------------------|-----------------------|--------------------------------|-----------------------------|---------------|
| 31 March 2020 | Office Equipment | Furniture and Fittings | Leasehold Imp. | Corporals Club | Commander Residence | Seminar Facility | Total |
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Cost/Valuation | 88,239 | 27,759 | 47,989 | - | - | - | 163,987 |
| Accum. Depn | (79,870) | (16,893) | (16,996) | - | - | - | (113,759) |
| Net book value | 8,369 | 10,866 | 30,993 | - | - | - | 50,228 |
| 31 March 2019 | | | | | | | |
| Cost | 99,143 | 31,814 | 44,818 | - | - | - | 175,774 |
| Accum. Depn | (86,410) | (17,067) | (12,889) | - | - | - | (116,366) |
| Net book value | 12,733 | 14,747 | 31,929 | - | - | - | 59,409 |

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

| 31 March 2020 | Office Equipment | Furniture and Fittings | Leasehold Imp. | Corporals Club | Commander Residence | Seminar Facility | Total |
|----------------------|-----------------------------|-----------------------------------|---------------------------|-----------------------|--------------------------------|-----------------------------|---------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Opening balance | 12,733 | 14,747 | 31,929 | - | - | - | 59,409 |
| Additions | 2,638 | - | 3,171 | - | - | - | 5,809 |
| Disposals | - | (1,615) | - | - | - | - | (1,615) |
| Depreciation | (7,002) | (2,266) | (4,108) | - | - | - | (13,375) |
| Closing | 8,369 | 10,866 | 30,993 | - | - | - | 50,228 |
| 31 March 2019 | | | | | | | |
| Opening balance | 2,681 | 20,891 | 113,309 | 20,525 | 1,587 | 12,784 | 171,778 |
| Additions | 14,841 | - | 5,250 | - | - | - | 20,091 |
| Disposals | - | (3,611) | (83,228) | (20,525) | (1,587) | (12,784) | (121,736) |
| Depreciation | (4,789) | (2,533) | (3,402) | - | - | - | (10,724) |
| Closing | 12,733 | 14,747 | 31,929 | - | - | - | 59,409 |

| Parent | | |
|----------------------|-----------------------------|---------------|
| 31 March 2020 | Office Equipment | Total |
| | \$ | \$ |
| Cost/Valuation | 14,841 | 14,841 |
| Accum. Depn | (10,134) | (10,134) |
| Net book value | 4,707 | 4,707 |
| 31 March 2019 | | |
| | Office Equipment | Total |
| | \$ | \$ |
| Cost/Valuation | 14,841 | 14,841 |
| Accum. Depn | (4,197) | (4,197) |
| Net book value | 10,643 | 10,643 |



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

14) Property, Plant and Equipment (Continued)

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

31 March 2020

| | Office Equipment \$ | Total \$ |
|-----------------|---------------------------|--------------|
| Opening balance | 10,643 | 10,643 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation | (5,936) | (5,936) |
| Closing | 4,707 | 4,707 |

31 March 2019

| | Office Equipment \$ | Total \$ |
|-----------------|---------------------------|---------------|
| Opening balance | 14,841 | 14,841 |
| Additions | - | - |
| Disposals | - | - |
| Depreciation | (4,197) | (4,197) |
| Closing | 10,643 | 10,643 |



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

15) Investment properties

| | Group 31 March 2020 | Group 31 March 2019 | Parent 31 March 2020 | Parent 31 March 2019 |
|---|------------------------|------------------------|----------------------------|----------------------------|
| | \$ | \$ | \$ | \$ |
| 1 - 3 Thorndon Quay, Wellington | 2,150,000 | 1,906,176 | - | - |
| Whites Line East, Waiwhetu | 840,000 | 686,340 | 840,000 | 686,340 |
| Wainuiomata College | 3,300,000 | 3,000,000 | - | - |
| Wainuiomata Intermediate (Kohanga Reo Building) | 625,000 | 650,000 | - | - |
| Petone College | 6,000,000 | 480,000 | - | - |
| | 12,915,000 | 6,722,516 | 840,000 | 686,340 |

| Group | 1 - 3 Thorndon Quay | Whites Line East Waiwhetu | Shelly Bay Road | Wainui. College | Wainui. Intermediate (Kohanga Reo Building) | Petone College | Total |
|----------------------|---------------------------|---------------------------------|--------------------|------------------|--|-------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 31 March 2020 | | | | | | | |
| Cost/Valuation | 2,150,000 | 840,000 | - | 3,300,000 | 625,000 | 6,000,000 | 12,915,000 |
| Accum. Depn | - | - | - | - | - | - | - |
| Net book value | 2,150,000 | 840,000 | - | 3,300,000 | 625,000 | 6,000,000 | 12,915,000 |
| 31 March 2019 | | | | | | | |
| Cost/Valuation | 1,906,176 | 686,340 | - | 3,000,000 | 650,000 | 480,000 | 6,722,516 |
| Accum. Depn | - | - | - | - | - | - | - |
| Net book value | 1,906,176 | 686,340 | - | 3,000,000 | 650,000 | 480,000 | 6,722,516 |

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

| 31 March 2020 | 1 - 3 Thorndon Quay | Whites Line East Waiwhetu | Shelly Bay Road | Wainui. College | Wainui. Intermediate (Kohanga Reo Building) | Petone College | Total |
|-------------------------------------|---------------------------|---------------------------------|--------------------|------------------|--|-------------------|-------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Opening balance | 1,906,176 | 686,340 | - | 3,000,000 | 650,000 | 480,000 | 6,722,516 |
| Fair value adjustment | 243,824 | 153,660 | - | 300,000 | (25,000) | 5,520,000 | 6,192,484 |
| Purchase | - | - | - | - | - | - | - |
| Disposal | - | - | - | - | - | - | - |
| Transfer to development property | - | - | - | - | - | - | - |
| Closing | 2,150,000 | 840,000 | - | 3,300,000 | 625,000 | 6,000,000 | 12,915,000 |
| 31 March 2019 | | | | | | | |
| Opening balance | 2,000,000 | 540,000 | 6,033,756 | 2,400,000 | 2,460,000 | 480,000 | 13,913,756 |
| Fair value adjustment | (93,825) | 146,340 | - | 600,000 | - | - | 652,516 |
| Disposal | - | - | (6,033,756) | - | - | - | (6,033,756) |
| Transfer to development property | - | - | - | - | (1,810,000) | - | (1,810,000) |
| Closing | 1,906,176 | 686,340 | - | 3,000,000 | 650,000 | 480,000 | 6,722,516 |

The investment properties are currently being held for either rental or capital appreciation. The methods applied in determining fair values include reviewing relevant lease documentation, rates information, recent market evidence and valuations prepared by registered valuers.



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

15) Investment properties (Continued)

Material Valuation Uncertainty Reported by Colliers

As at 31 March 2020 the real estate markets to which the Group's investment properties belong were impacted by significant market uncertainty caused by the COVID-19 pandemic. Market activity is being impacted in almost every sector and there is a major reduction in liquidity across all investment markets. The absence of sufficient post-virus transactions, and wider market trends, required Colliers to report their valuation on the basis of 'material valuation uncertainty'. The fair value assessments performed are current as at the date of the valuation of 31 March 2020 and the value may change significantly and unexpectedly over a relatively short period of time.

1 - 3 Thorndon Quay

1-3 Thorndon Quay has been valued using capitalisation of rental income and discounted cash flow approaches as at 31 March 2020 by Gwendoline Callaghan (FNZIV) of Colliers International. The significant assumptions in the valuation are (1) a capitalisation rate of 7.40%; (2) a discount rate in the discounted cash flow approach of 8.25%; and (3) a terminal yield in the discounted cash flow approach of 7.50%.

Wainuiomata Intermediate and College

Wainuiomata College has been valued using hypothetical subdivision as at 31 March 2020 by Reuben Blackwell (ANZIV) of Colliers International. Residential subdivision work has begun on the Wainuiomata Intermediate site in the prior year and therefore the land cost has been transferred to development property per note 16. The Kohanga Reo component of Wainuiomata Intermediate is separately identifiable and therefore has remained as investment property.

The Kohanga Reo component has been valued using capitalisation of rental income at a rate of 10% as at 31 March 2020 by Reuben Blackwell (ANZIV) of Colliers International. The significant assumptions in the valuation are (1) The seismic strength in relation to the NBS is not less than 67%; (2) The property was unable to be inspected at the date of valuation due to the impact of the COVID-19 pandemic and is reliant on file records and data provided by The Group together with onsite observations of the exterior of the building only on 17 June 2020; (3) There will be no major economic downturn during the projection period, beyond that envisaged at the date of valuation.

Whites Line East

A desktop review valuation has been undertaken on Whites Line East as at 31 March 2020 by Reuben Blackwell (ANZIV) of Colliers International. The value adopted has been based on a hypothetical subdivision approach for the highest and best use of the land.

Petone College

The valuation of the former Petone College land was performed by Melville Jessup Weaver utilising an actuarial model to measure the fair value of pre-tax cash flows generated from the lease agreement with Ryman Healthcare. The following significant judgements were made for the key inputs of the valuation:

- Average growth rate in the resale value of units of 5% per annum. An increase in this input results in a higher fair value
- Average turnover of units being seven years for Independent Living Apartments and three years for Serviced Apartments. An increase in this input results in a lower fair value.
- Pre-tax discount rate of 10%. An increase in this input results in a lower fair value.

No additional allowances have been made for the impact of COVID-19.



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

| Parent | Whites Line East Waiwhetu \$ | Total \$ |
|--|---------------------------------------|----------------|
| 31 March 2020 | | |
| Cost/Valuation | 686,340 | 686,340 |
| Fair value adjustment at 31 March 2020 | 153,660 | 153,660 |
| Transferred to Group during the year | - | - |
| Accum. Depn | - | - |
| Net book value | 840,000 | 840,000 |

| | | |
|--|----------------|----------------|
| 31 March 2019 | | |
| Cost/Valuation | 540,000 | 540,000 |
| Fair value adjustment at 31 March 2019 | 146,340 | 146,340 |
| Transferred to Group during the year | - | - |
| Accum. Depn | - | - |
| Net book value | 686,340 | 686,340 |

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

| | Whites Line East Waiwhetu \$ | Total \$ |
|----------------------|---------------------------------------|----------------|
| 31 March 2020 | | |
| Opening balance | 686,340 | 686,340 |
| Net movements | 153,660 | 153,660 |
| Closing balance | 840,000 | 840,000 |

| | | |
|----------------------|----------------|----------------|
| 31 March 2019 | | |
| Opening balance | 540,000 | 540,000 |
| Net movements | 146,340 | 146,340 |
| Closing balance | 686,340 | 686,340 |



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

16) Development properties

| 31 March 2020 | Wainuiomata | | |
|-----------------------------------|------------------|----------------|------------------|
| | Intermediate | Muritai Rd | Total |
| | \$ | \$ | \$ |
| Opening balance | 3,281,286 | 807,330 | 4,088,616 |
| Development costs capitalised | 2,625,578 | 29,484 | 2,655,062 |
| Transfer from investment property | - | - | - |
| Cost of development property sold | - | (836,814) | (836,814) |
| Closing balance | 5,906,863 | - | 5,906,864 |
| 31 March 2019 | | | |
| Opening balance | - | 2,152,942 | 2,152,942 |
| Development costs capitalised | 1,471,286 | 474,787 | 1,946,073 |
| Transfer from investment property | 1,810,000 | - | 1,810,000 |
| Cost of development property sold | - | (1,820,399) | (1,820,399) |
| Closing balance | 3,281,286 | 807,330 | 4,088,616 |

Development properties are classified as follows:

| | | | |
|----------------------|------------------|----------------|------------------|
| 31 March 2020 | | | |
| Current portion | 5,906,863 | - | 5,906,863 |
| Non current | - | - | - |
| | 5,906,863 | - | 5,906,863 |
| 31 March 2019 | | | |
| Current portion | - | 807,330 | 807,330 |
| Non current | 3,281,286 | - | 3,281,286 |
| | 3,281,286 | 807,330 | 4,088,616 |

Development property is measured at cost and held for sale in the ordinary course of business. The final Muritai unit was sold during the year and the development costs capitalised in relation to this unit was transferred to the surplus and deficit. The development of the 23 sites located at Wainuiomata Intermediate is expected to be completed by 31 March 2021.

17) Heritage assets

The Group holds the following heritage assets:

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

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



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

18) Related party transactions

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

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

A net balance of \$14,878,273 (2019: \$13,555,994) is owing from the wholly-owned subsidiaries of the Trust. The terms of these advances are current, unsecured, and interest free.

b) Key management personnel

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

| | Group 31 March 2020 \$ | Group 31 March 2019 \$ |
|---|---|---|
| Remuneration of Key Management Personnel (excluding trustees) | | |
| Total Remuneration | 312,519 | 222,961 |
| Total Number of persons | 3 FTE | 2 FTE |
| Trustee Remuneration | | |
| Huia Puketapu | 500 | - |
| Toarangatira Pomare | 1,500 | - |
| Wayne Mulligan | 10,833 | 16,000 |
| Paora Mepham | 1,500 | - |
| Holden Hohaia | 1,500 | - |
| John Coffey | 1,500 | - |
| Tanya Skelton | 3,917 | - |
| Mahina Puketapu | 1,500 | - |
| | 22,750 | 16,000 |
| Directors Remuneration (for Taranaki Whanui Limited) | | |
| Toarangatira Pomare (Chairman) | 15,000 | 15,000 |
| Peter Allport | 10,000 | 10,000 |
| Jamie Tuuta | 10,000 | 10,000 |
| Bryan Jackson | 10,000 | 10,000 |
| | 45,000 | 45,000 |
| Other remuneration and compensation provided to key management personnel and/or close family | | |
| During the reporting period, remuneration was provided to Toarangatira Pomare as director of Tai Hekenga Limited Partnership. No other remuneration and compensation was provided by the Group to key management personnel or employees who are close family members of key management personnel. | | |
| Total other remuneration | 7,000 | - |



Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

19) Categories of financial assets and liabilities

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

| | Group 31 March 2020 \$ | Group 31 March 2019 \$ | Parent 31 March 2020 \$ | Parent 31 March 2019 \$ |
|---|---------------------------------|---------------------------------|----------------------------------|----------------------------------|
| Financial assets | | | | |
| <i>Loans and receivables</i> | | | | |
| Cash and cash equivalents | 1,018,208 | 4,868,709 | 90,445 | 1,163,073 |
| Receivables from exchange transactions | 117,790 | 4,134,092 | 110,512 | 129,918 |
| Non-trade receivables | 3,700,000 | 3,700,000 | - | - |
| Deposits from sales held on Trust account | - | 87,000 | - | - |
| Inter-entity advances | - | - | 15,727,625 | 14,405,345 |
| | 4,835,998 | 12,789,801 | 15,928,583 | 15,698,337 |
| <i>At amortised cost</i> | | | | |
| Trade and other creditors | 293,066 | 590,290 | - | 57,326 |
| Advances from related entities | - | - | 849,352 | 849,352 |
| Advance from Rymans | 567,157 | 632,038 | - | - |
| ASB loan | - | 500,000 | - | - |
| Raukawa Loan | 1,000,000 | - | - | - |
| Deposits held on Trust account | - | 87,000 | - | - |
| Conditional Grant Funding - Lowry Bay Limited Partnership | 1,298,039 | 310,664 | - | 310,648 |
| | 3,158,262 | 2,119,992 | 849,352 | 1,217,326 |

Lowry Bay Limited Partnership has received \$3.8m in grant funding from TPK at 31 March 2020. This funding is to assist the entity in developing infrastructure for 23 house sites, as well as construction of 8 rental units and 15 shared equity properties on the Wainuiomata Intermediate site. \$1,298,039 of funding has been held as a liability until satisfaction of the repayment terms being completion of the work, where the funding will be recognised as revenue.

Taranaki Whanui Limited has received a loan from Raukawa ki te Tonga AHC Limited totalling \$1,000,000 during the year ended 31 March 2020. The total amount available from this facility is \$2,000,000 with the remaining \$1,000,000 not drawn at balance date. The loan is due for payment prior to 26 July 2021. The Group has provided security for the loan being:

- A registered first mortgage over the land and buildings at 1-3 Thorndon Quay, Wellington;
- A registered first mortgage over the land at 86 Whites Line East, Lower Hutt;
- A first ranking general security agreement over all present and after acquired property of Tramways Limited (which is the controlled entity within the Group that owns 1-3 Thorndon Quay, Wellington).

A guarantee and indemnity is also provided by Tramways Limited and Port Nicholson Block Settlement Trust.

20) Joint venture

In March 2019, Taranaki Whanui Limited has entered into a partnership for ongoing property development. Taranaki Whanui Limited has joint control of the partnership and accordingly the partnership is classified as a joint venture for accounting purposes and accounted for using the equity method.

At 31 March 2020 the joint venture has had no activity and therefore the joint venture is held at the Groups equity investment of \$950,000.

Consolidated Notes to the financial statements

Port Nicholson Block Settlement Trust

For the year ended 31 March 2020

21) Investment in associates

In June 2019, Taranaki Whānui Limited entered into partnership agreement with several other organisations to form the Tai Hekenga Limited Partnership. Taranaki Whānui Limited has significant influence over the financial and operating policies of the partnership and accordingly the investment in the partnership is classified as an investment in an associate for accounting purposes and accounted for under the equity method.

TWL committed \$8.5m for 10.87% of the partnership, and as a result of making the Sale and Leaseback properties available for the other organisations to invest into, it has received a 9% free carry portion to the investment bringing its total share of the investment to 19.87%. The free carry portion of the investment has been recognised as part of the Group's share of earnings of the associate for the year.

As at 31 March 2020 the value of the interest was \$20,587,679 which is reflected in the Group balance sheet. The revenue in the Consolidated Statement of Comprehensive Revenue and Expenses reflects the Group's share of the partnership rental income (\$476,491) and the uplift on the revaluation of the properties and derivatives held in the partnership (\$6,274,478).

22) Capital commitments

In 2019, The Group entered into a development agreement with a developer committing \$2,819,489 to complete stage one of the development on the Wainuiomata Intermediate site. As at 31 March 2020 \$1,759,500 has been paid.

23) Contingent assets and liabilities

There are no contingent assets or liabilities as at 31 March 2020.

24) Events after the reporting date

On 5 June 2020 TWL Holdings Limited was incorporated, with all of the current trustees as directors and was allocated 100% of the shares of Taranaki Whānui Limited.

On 5 June 2020, the group (via Tai Hekenga Limited Partnership) acquired the two Department of Internal Affairs properties from the group's Sale and Leaseback schedule.

On 11 June 2020 the Lowry Bay Number Two Limited Partnership was incorporated with LBS General Partner Limited as the General Partner.

