Statement of Comprehensive Income
For the year ended March 31, 2010

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

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

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

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

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

Statement of Financial Position as at March 31, 2010

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

<u>On behalf of the Trustees:</u>

Professor Sir Ngatata Love, Chairman

Sir Paul Reeves, Deputy Chairman

Date: July 5, 2010

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

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

NOTE 1: REPORTING ENTITY

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

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

NOTE 2: BASIS OF CONSOLIDATION

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

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

The wholly owned subsidiaries of the Trust are:

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

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

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

NOTE 3: BASIS OF PREPARATION

(a) **Statement of compliance**

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

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

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

(b) **Basis of measurement**

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

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

(c) **Presentation currency**

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

(d) **Use of estimates and judgments**

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

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

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

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

NOTE 3: BASIS OF PREPARATION continued

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

(e) **Changes in accounting policies**

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

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES

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

(a) **Business combinations**

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

(b) **Cash and cash equivalents**

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

(c) **Trade debtors and other receivables**

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

(d) **Trade creditors and other payables**

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

(e) **Provisions**

A provision is recognised when the Parent and Group have a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligations. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market rates and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

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

(f) **Financial instruments**

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

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

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

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

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

Financial assets

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

(i) *Loans and receivables*

Financial assets that are non-derivative with fixed or determinable payments that are not quoted in an active market. After initial recognition these are measured at amortised cost using the effective interest method, less provision for impairment. Discounting is omitted where the effect of discounting is immaterial.

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

Financial liabilities

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

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

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

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES continued

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

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

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

Impairment of financial instruments

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

(g) **Investments in subsidiaries**

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

(h) **Impairment**

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

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

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

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

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

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

(i) *Additions*

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

(ii) *Disposal*

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

(iii) *Depreciation*

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

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

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

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

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES continued

(j) **Employee entitlements**

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

(k) **Finance income and expenses**

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

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

(l) **Revenue**

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

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

(i) *Crown settlement*

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

(ii) *Koha*

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

(iii) *Rendering of services*

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract at the reporting date.

(iv) *Interest*

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

(v) *Rental income*

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

(m) **Investment Property**

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

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

(n) **Taxation**

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

(o) **GST**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) Explanatory Notes

1 Investment Property

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

2 Investment in Subsidiaries

The Parent has made loans to subsidiaries that in substance form part of the net investment in the subsidiary because settlement of loan balances is neither planned nor likely in the foreseeable future. The loan to subsidiaries is repayable on demand at the discretion of the Parent and is therefore disclosed as an investment in subsidiary.

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

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

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

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

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

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

NOTE 8. CROWN SETTLEMENT

The Port Nicholson Block Settlement Trust in terms of the Deed of Settlement dated August 19, 2008 received on September 2, 2009, $23,138,000 for settlement of the historical Treaty of Waitangi claims. The settlement consisted of cultural, financial and commercial redress. In terms of the Deed of Settlement, interest is payable by the Crown on an amount of $23,138,000 from December 13, 2007 until settlement date. This amount is not taxable.

		Group		Parent	
	Note	**2010**	**2009**	**2010**	**2009**
		$	$	$	$
NOTE 9: NET FINANCE INCOME/ (EXPENSE)					
Crown Settlement Interest Accrual		1,561,657	793,031	1,561,657	793,031
Crown Loan—Shelly Bay Interest Received		-	-	167,105	55,841
Kiwibank—Online Call Account		1,878	-	593	-
Kiwibank—Term Deposits		198,953	-	197,965	-
Westpac—Terms Deposits and Current Account		11,563	-	-	-
IRD—Use of Money Interest		13,044	460	21	303
Crown Loan—Interest Paid		(167,105)	(55,841)	(167,105)	(55,841)
TOTAL NET FINANCE INCOME		1,619,990	737,650	1,760,236	793,334
NOTE 10: DEPRECIATION					
Office Equipment		9,874	833	-	-
Furniture & Fittings		6,022	-	-	-
Motor Vehicles		921	-	-	-
The Officers Mess—Leasehold Improvements		141	-	-	-
The Officers Mess Level 1—Fitout Costs		808	-	-	-
Corporals Club—Leasehold Improvements		115	-	-	-
Commanders Residence		3,087	-	-	-
Conference Equipment		808	-	-	-
TOTAL DEPRECIATION		21,776	833	-	-

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

	Note	Group 2010	Group 2009	Parent 2010	Parent 2009
		$	$	$	$
NOTE 11: TAXATION					
Net Surplus Before Taxation		30,111,119	(1,406,763)	29,396,650	(1,113,168)
ADD/(LESS):					
Crown Settlement		(23,138,000)	-	(23,138,000)	-
Revaluation on Investment Properties		(10,186,886)	1,455,526	(10,687,503)	-
Gain on consolidation of PNBC Limited		(670,858)	-	-	-
Increase in provision for impairment		-	-	2,006,157	1,611,974
Interest on Crown Loan		(1,561,657)	(793,031)	(1,561,657)	(793,031)
Historical Costs repaid		3,591,203	-	3,591,203	-
TAXABLE INCOME/(LOSS)		(1,855,078)	(744,268)	(393,149)	(294,225)
Taxation Expense		-	-	-	-
LESS:					
Provisional Tax Paid		-	-	-	-
RWT Paid		(39,907)	-	(27,707)	-
Prior Year Taxation Refund Due		-	-	-	-
TAXATION PAYABLE/(REFUND DUE)		(39,907)	-	(27,707)	-
NOTE 12: CASH & CASH EQUIVALENTS					
Cash at Kiwibank		283,344	-	220,135	-
Cash at Westpac		1,055	(31,750)	-	(22,934)
TOTAL CASH & CASH EQUIVALENTS		284,399	(31,750)	220,135	(22,934)

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

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

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

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

	Group 2010	Group 2009	Parent 2010	Parent 2009
NOTE 14: TRADE CREDITORS & OTHER PAYABLES				
Trade Creditors	244,537	139,041	44,369	70,042
Accrued Expenses	117,107	13,677	58,720	-
Wellington Tenths Trust	-	30,846	-	30,846
PNBC Limited	-	666,269	381,100	391,100
Palmerston North Maori Reserve Trust	-	50,000	-	-
TOTAL TRADE CREDITORS & OTHER PAYABLES	361,644	899,833	484,189	491,988

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

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

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

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

Islands

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

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

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

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

NOTE 16: INVESTMENTS

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

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

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

NOTE 18. NEW ZEALAND CROWN LOAN

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

NOTE 19. OTHER LOANS

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

NOTE 20. INVESTMENT IN SUBSIDIARIES

Investment in subsidiaries

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

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

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

Shelly Bay Limited

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

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

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

NOTE 20: INVESTMENT IN SUBSIDIARIES continued

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

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

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

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

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

Reconciliation of impairment provision for investment in subsidiaries

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

NOTE 21. ACQUISITIONS OF SUBSIDIARIES

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

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

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

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

Goodwill	
Total consideration transferred	-
Less fair value of identifiable assets and liabilities	670,858
Gain on consolidation	670,858

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

Post acquisition losses

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

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

NOTE 22. TRUSTEE REMUNERATION

Trustee remuneration paid during the year was as follows:

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

NOTE 23. FINANCIAL INSTRUMENTS

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

Credit Risk

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

Liquidity Risk

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

Interest Rate Risk

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

Fair Value

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

Capital Management

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

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

NOTE 24. RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

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

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

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

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

(b) Other related parties

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

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

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

(c) Transactions with related parties

Significant related party transactions included:

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

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

NOTE 25. CONTINGENT LIABILITIES AND COMMITMENTS

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

NOTE 26. SUBSEQUENT EVENTS

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

NOTE 27: LEASE COMMITMENTS

	Group		Parent	
	2010	**2009**	**2010**	**2009**
	$	$	$	$
Not later than one year	63,676	-	-	-
Later than one year, not later than five years	7,098	-	-	-
Later than five years	-	-	-	-
	70,774	-	-	-

Audit Opinion

Grant Thornton

Audit Report

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

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

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

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

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

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

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

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

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

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

Grant Thornton

Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand