Statement of Comprehensive Income
For the year ended March 31, 2011

	Note	Group 2011	Group 2010	Parent 2011	Parent 2010
		$	$	$	$
Operating Revenue					
Rental Income		502,958	352,928	277,183	157,342
Less: Direct Expenses	**5**	(680,893)	(419,854)	(358,688)	(132,906)
Gross Profit/(Loss)		(177,935)	(66,926)	(81,505)	24,436
Less: Administration and Operating Costs	**6**	2,579,314	1,848,192	863,003	617,165
Profit/(Loss) from Operations		(2,757,249)	(1,915,118)	(944,508)	(592,729)
Other Income					
Crown Settlement	**7**	-	23,138,000	-	23,138,000
Gain/(Loss) on Investment Properties fair value	**14**	(850,339)	10,186,886	(565,000)	10,687,503
Gain on consolidation of PNBC Limited	**19**	(6,022)	670,858	-	-
Other Income		408,164	1,706	155,899	1,000
		(448,197)	33,997,450	(409,101)	33,826,503
Operating Expenditure					
Historical Claim Costs		-	3,591,203	-	3,591,203
Increase/(decrease) in provision for impairment		-	-	1,950,495	2,006,157
		-	3,591,203	1,950,495	5,597,360
Financing Income					
Financial Income		361,616	1,787,095	361,056	1,927,341
Financial Expense		(217,108)	(167,105)	(217,108)	(167,105)
Net Financing Income	**8**	144,508	1,619,990	143,948	1,760,236
Profit/(Loss) before Income Tax		(3,060,938)	30,111,119	(3,160,156)	29,396,650
Income Tax Expense	**10**	-	-	-	-
Profit/(Loss) for the Year		(3,060,938)	30,111,119	(3,160,156)	29,396,650
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		$(3,060,938)	$30,111,119	$(3,160,156)	$29,396,650

The accompanying notes on pages 30 to 48 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, 2011

	Note	Group		Parent	
		2011	**2010**	**2011**	**2010**
		$	$	$	$
Trust Capital at Beginning of Year		28,704,356	(1,406,763)	28,283,482	(1,113,168)
Total Comprehensive Income for the Year		(3,060,938)	30,111,119	(3,160,156)	29,396,650
Trust Capital at End of Year		$25,643,418	$28,704,356	$25,123,326	$28,283,482

Statement of Financial Position as at March 31, 2011

		Group		Parent	
	Note	2011	2010	2011	2010
		$	$	$	$
Current Assets					
Cash and Cash Equivalents	**11**	101,898	284,399	25,602	220,135
Trade Debtors and Other Receivables	**12**	1,016,489	90,036	928,463	56,774
Prepayments		99,667	95,657	35,801	35,196
Investments	**15**	6,800,000	-	6,800,000	-
Income Tax Receivable	**10**	60,323	39,907	59,166	27,707
GST Receivable		-	62,219	-	-
Holding Costs		9,520	26,157	9,520	26,157
		8,087,897	598,375	7,858,552	365,969
Non-Current Assets					
Investment Property	**14**	21,632,503	22,447,503	10,122,503	10,687,503
Investments		-	7,107,945	-	7,107,945
Investment in Subsidiaries	**18**	-	-	11,792,910	11,921,200
Investments in Related Entities	**22**	1,000,000	-	1,000,000	-
Property, Plant & Equipment	**16**	356,793	219,852	5,747	-
		22,989,296	29,775,300	22,921,160	29,716,648
Total Assets		$31,077,193	$30,373,675	$30,779,712	$30,082,617
Current Liabilities					
Trade Creditors and Other Payables	**13**	344,766	361,644	526,143	484,189
Loans	**17**	5,035,647	-	5,035,647	-
GST Payable		53,362	-	94,596	7,272
		5,433,775	361,644	5,656,386	491,461
Non-Current Liabilities					
Loans	**17**	-	1,307,675	-	1,307,675
Total Liabilities		5,433,775	1,669,319	5,656,386	1,799,136
Trust Capital					
Retained Earnings		25,643,418	28,704,356	25,123,326	28,283,482
Total Trust Capital		25,643,418	28,704,356	25,123,326	28,283,482
Total Trust Capital and Liabilities		$31,077,193	$30,373,675	$30,779,712	$30,082,617

On behalf of the Trustees:

Professor Sir Ngatata Love, Chairman

Hon Mahara Okeroa, Trustee

Date: July 11, 2011

The accompanying notes on pages 30 to 48 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, 2011

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, 2011 and were authorised for issue by the Trustees on July 11, 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, 2011 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.

(b) **Basis of measurement**

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

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

(c) **Presentation currency**

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

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

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

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

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

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

(e) **Changes in accounting policies**

The financial statements have been prepared in accordance with NZ IFRS effective for accounting periods commencing from April 1, 2010 for all periods reported in these statements. There has been no change in accounting policies.

Notes to the Financial Statements for the year ended March 31, 2011

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.

<u>Financial assets</u>

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.

<u>Financial liabilities</u>

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

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss. The Parent and Group does not currently have any financial liabilities held for trading or designated at fair value through profit or loss.

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.

Notes to the Financial Statements for the year ended March 31, 2011

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES continued

Impairment of financial instruments

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

(g) **Investments in subsidiaries**

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

(h) **Impairment**

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

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

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

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

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

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

(i) *Additions*

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

(ii) *Disposal*

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

(iii) *Depreciation*

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

Office Equipment	24% - 80.4%
Furniture & Fittings	9.6% - 50%
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%
Seminar Facility	3%
Conference Equipment	48%

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

(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.

Notes to the Financial Statements for the year ended March 31, 2011

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES continued

(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.

Notes to the Financial Statements for the year ended March 31, 2011

		Group		Parent	
	Note	2011	2010	2011	2010
		$	$	$	$
NOTE 5: DIRECT EXPENSES					
Building WOF		6,719	1,671	2,340	-
Cleaning		15,818	6,398	15,818	6,398
Consultancy Fees		14,791	2,468	-	-
Electricity		55,178	17,914	10,836	3,417
Fire Monitoring		22,873	18,191	12,871	1,681
General		15	983	-	983
Grounds Maintenance		43,029	28,258	19,068	10,534
Health & Safety		-	619	-	-
Heating Ventilation & Air Conditioning		2,461	2,757	2,461	2,757
Insurance		114,826	85,572	74,271	44,257
Legal Fees		-	4,303	-	-
Lift Maintenance		6,165	2,679	6,165	2,679
Professional Fees		450	3,744	450	3,744
Property Management Fees		69,473	76,048	38,074	7,786
Rates		143,144	102,199	56,563	30,801
Repairs & Maintenance		110,485	42,523	80,923	10,955
Security		36,037	10,413	28,129	1,404
Water Rates		39,429	13,114	10,719	5,510
TOTAL DIRECT EXPENSES		$680,893	$419,854	$358,688	$132,906

Notes to the Financial Statements for the year ended March 31, 2011

	Note	Group 2011	Group 2010	Parent 2011	Parent 2010
		$	$	$	$
NOTE 6: ADMIN & OPERATING COSTS					
Accountancy Fees		179,061	134,142	100,555	62,517
Advertising & PR Consulting		10,749	15,426	-	-
Annual General Meeting		31,155	117,689	31,155	117,689
Audit Fees		29,108	40,472	22,108	24,005
Bank Charges		602	2,290	302	1,508
Bad Debts		5,854	-	-	-
Catering & Meetings		29,194	17,295	14,100	11,172
Computer Expenses		31,174	25,012	8,644	-
Consultancy Fees		35,629	37,355	26,726	17,728
Consultancy Fees—Accounting & Tax		93,469	79,058	93,469	53,819
Depreciation	**9**	73,349	21,776	447	-
Directors Meetings		-	-	-	-
Election Costs		60,309	68,347	60,309	68,347
General Expenses		47,956	14,965	14,800	3,629
HR Consultancy		-	37,209	-	-
Hui Expenses		25,285	-	25,285	-
Insurance		13,104	863	10,816	863
Interest		-	26,755	-	26,381
Koha		1,786	222	1,786	222
Legal Fees		31,962	37,401	30,422	36,500
Legislation & Settlement Costs		-	2,882	-	2,799
Management Fees		56,650	16,204	-	-
Matauranga		13,891	10,927	-	-
Motor Vehicle Expenses		6,320	3,508	-	100
Newsletters		69,247	25,338	69,247	23,805
Office Expenses		27,070	31,534	-	-
Printing & Stationery		42,759	41,039	6,150	-
Project Management Team		534,275	719,467	7,326	-
Project Management Fees		18,267	-	18,267	-
Rent & Power		278,994	188,285	-	-
Repairs & Maintenance		11,512	-	-	-
RFR & WRDSP		102,853	-	102,853	-
Telephone & Tolls		33,511	20,746	65	912
Travel & Accommodation		63,766	55,450	56,796	45,288
Trustees' Expenses		-	697	-	697

Notes to the Financial Statements for the year ended March 31, 2011

	Note	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
NOTE 6: ADMIN & OPERATING COSTS continued					
Trustees' Fees	**20**	124,675	106,834	124,675	106,834
Valuation Fees		37,245	21,753	36,700	12,350
Wages		458,533	-	-	-
Recharges Recovered		-	(72,749)	-	-
TOTAL ADMINISTRATION & OPERATING COSTS		$2,579,314	$1,848,192	$863,003	$617,165

NOTE 7. 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. No amounts were received in 2011 in relation to settlement.

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
NOTE 8: NET FINANCE INCOME/(EXPENSE)				
Crown Settlement Interest Accrual	-	1,561,657	-	1,561,657
Crown Loan—Shelly Bay Interest Received	-	-	-	167,105
Kiwibank—Online Call Account	3,566	1,878	3,010	593
Kiwibank—Term Deposits	319,448	198,953	319,448	197,965
Westpac—Terms Deposits and Current Account	-	11,563	-	-
Wharewaka o Poneke Charitable Trust Accrued Interest	37,842	-	37,842	-
IRD—Use of Money Interest	760	13,044	756	21
Kiwibank Loan—Interest Paid	(217,108)	-	(217,108)	-
Crown Loan—Interest Paid	-	(167,105)	-	(167,105)
TOTAL NET FINANCE INCOME	$144,508	$1,619,990	$143,948	$1,760,236

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
NOTE 9: DEPRECIATION				
Office Equipment	25,070	9,874	-	-
Furniture & Fittings	19,595	6,022	447	-
Motor Vehicles	10,720	921	-	-
The Officers Mess—Leasehold Improvements	2,996	141	-	-
The Officers Mess Level 1—Fitout Costs	8,013	808	-	-
Corporals Club—Leasehold Improvements	403	115	-	-
Commanders Residence	1,824	3,087	-	-
Seminar Facility	269	-	-	-
Conference Equipment	4,459	808	-	-
TOTAL DEPRECIATION	$73,349	$21,776	$447	$-

Notes to the Financial Statements for the year ended March 31, 2011

	Note	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
NOTE 10: TAXATION					
Net Surplus Before Taxation		(3,060,938)	30,111,119	(3,160,156)	29,396,650
ADD/(LESS):					
Crown Settlement		-	(23,138,000)	-	(23,138,000)
Revaluation on Investment Properties		850,339	(10,186,886)	565,000	(10,687,503)
Gain on consolidation of PNBC Limited		-	(670,858)	-	-
Increase in provision for impairment		-	-	1,956,086	2,006,157
Interest on Crown Loan		-	(1,561,657)	-	(1,561,657)
Tax Losses Brought Forward		(2,577,080)	(744,268)	(687,374)	(294,225)
Historical Costs repaid		-	3,591,203	-	3,591,203
TAXABLE INCOME/(LOSS)		$(4,787,679)	$(2,599,347)	$(1,326,444)	$(687,375)
Taxation Expense		-	-	-	-
LESS:					
Provisional Tax Paid		-	-	-	-
RWT Paid		(60,323)	(39,907)	(59,166)	(27,707)
Prior Year Taxation Refund Due		-	-	-	-
TAXATION PAYABLE/(REFUND DUE)		$(60,323)	$(39,907)	$(59,166)	$(27,707)

Tax losses amounting to $1,326,444 are to be carried forward to be offset against future taxable income by the Trust.

The Group has $4,787,679 of tax losses to be carried forward. These losses are subject to any confirmation by the Inland Revenue Department.

	Group 2011 $	Group 2010 $	Parent 2011 $	Parent 2010 $
NOTE 11: CASH & CASH EQUIVALENTS				
Cash at Kiwibank	101,898	283,344	25,602	220,135
Cash at Westpac	-	1,055	-	-
TOTAL CASH & CASH EQUIVALENTS	$101,898	$284,399	$25,602	$220,135

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

Notes to the Financial Statements for the year ended March 31, 2011

	Note	Group		Parent	
		2011	2010	2011	2010
		$	$	$	$
NOTE 12: TRADE DEBTORS & OTHER RECEIVABLES					
Trade Debtors		117,057	33,562	67,996	300
Pipitea Marae Charitable Trust		31,720	-	31,720	-
Accrued Interest—Kiwibank		40,905	56,474	40,905	56,474
Accrued Interest—Wharewaka o Poneke Charitable Trust		37,842	-	37,842	-
Accrued Revenue		38,965	-	-	-
Deposit—83 Waterloo Quay		750,000	-	750,000	-
TOTAL TRADE DEBTORS & OTHER RECEIVABLES		$1,016,489	$90,036	$928,463	$56,774

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, 2011 there are no significant overdue trade debtors.

NOTE 13: TRADE CREDITORS & OTHER PAYABLES				
Trade Creditors	235,781	244,537	119,781	44,369
Accrued Expenses	83,985	117,107	14,496	58,720
Income in Advance	25,000	-	25,000	-
PNBC Limited	-	-	366,866	381,100
TOTAL TRADE CREDITORS & OTHER PAYABLES	$344,766	$361,644	$526,143	$484,189

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, 2011

	Opening Book Value	Additions at Cost	2011 Valuation	Fair Value Movement
	$	$	$	$
NOTE 14: INVESTMENT PROPERTIES *(at fair value)*				
Reconciliation of fair value 2011				
Parent				
1-3 Thorndon Quay, Wellington	1,900,000	-	1,800,000	(100,000)
81-87 Thorndon Quay, Wellington	2,000,000	-	2,000,000	-
Wainuiomata College	1,010,000	-	1,000,000	(10,000)
Wainuiomata Intermediate	1,790,000	-	1,575,000	(215,000)
Waiwhetu Primary School	2,300,000	-	2,050,000	(250,000)
Whites Line East, Waiwhetu	400,000	-	410,000	10,000
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	-	10,122,503	(565,000)
Subsidiaries				
Shelly Bay	11,760,000	35,339	11,510,000	(285,339)
Total Fair Value Movement for Group for the Year Ended March 31, 2011	$22,447,503	$35,339	$21,632,503	$(850,339)

Notes to the Financial Statements for the year ended March 31, 2011

	Opening Book Value	Additions at Cost	2010 Valuation	Fair Value Movement
	$	$	$	$
NOTE 14: INVESTMENT PROPERTIES *(at fair value) continued*				
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

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, 2011. 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 P L Callaghan FPINZ FNZIV.

Islands

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

Notes to the Financial Statements for the year ended March 31, 2011

NOTE 14: INVESTMENT PROPERTIES *(at fair value)* continued

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

NOTE 15: INVESTMENTS

The Parent and Group hold term deposit investments at Kiwibank with a return interest of 4.90% per annum ($5,000,000 maturing August 2, 2011) and 4.00% per annum ($1,800,000 maturing March 30, 2011).

	Group		Parent	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
NOTE 16: PROPERTY, PLANT & EQUIPMENT				
Description				
Office Equipment	25,029	3,000	-	-
Additions	60,037	22,029	-	-
Less Accumulated Depreciation	(35,318)	(10,249)	-	-
	49,748	14,780	-	-
Furniture & Fittings	84,266	2,748	6,194	-
Additions	52,196	81,518	(447)	-
Less Accumulated Depreciation	(26,075)	(6,480)	5,747	-
	110,387	77,786	-	-
Motor Vehicles	30,698	-	-	-
Additions	-	30,698	-	-
Less Accumulated Depreciation	(11,641)	(921)	-	-
	19,057	29,777	-	-
The Officers Mess—Leasehold Improvements	56,507	-	-	-
Additions	56,844	56,507	-	-
Less Accumulated Depreciation	(3,137)	(141)	-	-
	110,214	56,366	-	-
The Officers Mess Level 1—Fitout Costs	19,085	-	-	-
Additions	-	19,085	-	-
Less Accumulated Depreciation	(8,821)	(808)	-	-
	10,264	18,277	-	-
Corporals Club—Leasehold Improvements	6,553	-	-	-
Additions	19,728	6,553	-	-
Less Accumulated Depreciation	(518)	(115)	-	-
	25,763	6,438	-	-

Notes to the Financial Statements for the year ended March 31, 2011

	Group		Parent	
	2011	2010	2011	2010
	$	$	$	$
NOTE 16: PROPERTY, PLANT & EQUIPMENT continued				
Description				
Commanders Residence	10,225	-	-	-
Additions	-	10,225	-	-
Less Accumulated Depreciation	(4,911)	(3,087)	-	-
	5,314	7,138	-	-
Seminar Facility	-	-	-	-
Additions	21,484	-	-	-
Less Accumulated Depreciation	(269)	-	-	-
	21,215			
Conference Equipment	10,098	10,098	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	(5,267)	(808)	-	-
	4,831	9,290	-	-
TOTAL FIXED ASSETS	$356,793	$219,852	$5,747	-

NOTE 17. OTHER LOANS

The Kiwibank revolving credit loan facility is secured over the Kiwibank $6,800,000 Term Deposit. The current interest rates range between 4.65% to 6.15% per annum and roll over on August 2, 2011.

Notes to the Financial Statements for the year ended March 31, 2011

NOTE 18. 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	
	2011	**2010**
The Investment in subsidiaries comprises:	$	$
Shelly Bay Limited	11,628,078	11,888,769
The Lodge at Shelly Bay Limited	164,832	32,431
Port Nicholson Block Management Limited	-	-
	$11,792,910	$11,921,200

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	14,258,622	15,494,421
Crown loan interest recharged from Parent	-	167,105
Other monies advanced/subsidiary expenses paid by Parent	-	-
Funds repaid/Parent expenses paid by the subsidiary	101,461	(1,402,904)
Closing balance	14,360,083	14,258,622
Impairment provision		
Opening balance	2,369,854	1,575,932
Current year impairment expense	362,151	793,922
Closing balance	2,732,005	2,369,854
Carrying value of investment in subsidiary	$11,628,078	$11,888,768

Notes to the Financial Statements for the year ended March 31, 2011

NOTE 18: INVESTMENT IN SUBSIDIARIES continued

	Parent	
	2011	**2010**
	$	$
The Lodge at Shelly Bay Limited		
Carrying value at cost		
Opening balance	62,961	-
Monies advanced/subsidiary expenses paid by Parent	280,552	62,961
Closing balance	343,513	62,961
Impairment provision		
Opening balance	30,530	-
Current year impairment expense	148,151	30,530
Closing balance	178,681	30,530
Carrying value of investment in subsidiary	$164,832	$32,431

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

	2011	2010
Port Nicholson Block Management Limited		
Carrying value at cost		
Opening balance	1,217,747	36,042
Monies advanced/subsidiary expenses paid by Parent	1,440,193	1,181,705
Closing balance	2,657,940	1,217,747
Impairment provision		
Opening balance	1,217,747	36,042
Current year impairment expense	1,440,193	1,181,705
Closing balance	2,657,940	1,217,747
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

	2011	2010
Opening balance	3,618,131	1,611,974
Current year impairment expense	1,950,495	2,006,157
Closing balance	$5,568,626	$3,618,131

Notes to the Financial Statements for the year ended March 31, 2011

NOTE 19. 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 2011. 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.

No subsidiaries were acquired in 2011.

	Group 2011 $	**Group** 2010 $
Consideration transferred by the Trust	-	-
Identifiable assets acquired and liabilities assumed		
Cash at bank	-	12,688
GST receivable	-	34
Income tax receivable	(6,022)	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)
	(6,022)	(2,920,345)
Plus: settlement of pre-existing relationship	-	3,591,203
	$(6,022)	$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	(6,022)	670,858
Gain on consolidation	$(6,022)	$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.

The $6,022 in 2011 relates to the finalising of the PNBC Ltd tax position post March 31, 2010 in relation to refunds due to PNBC Ltd. The correct refund is $1,028 (previously stated as $7,050 in 2010).

Post acquisition losses

During the year ended March 31, 2010, post acquisition losses of PNBC Limited totalled $21,765. No losses have been made by PNBC Limited during the 2011 year.

Notes to the Financial Statements for the year ended March 31, 2011

NOTE 20. TRUSTEE REMUNERATION

Trustee remuneration paid during the year was as follows:

	2011	2010
	$	$
Professor Sir Ralph Heberley Ngatata Love (Chairman)	32,000	32,000
Sir Paul Alfred Reeves (Deputy Chairman)	12,000	12,000
Neville McClutchie Baker	9,000	9,000
June Te Raumange Jackson	9,000	9,000
Dr Catherine Maarie Amohia Love	9,000	9,000
Rebecca Elizabeth Mellish	9,000	9,000
Mark Te One	9,000	9,000
Hon Mahara Okeroa (elected September 26, 2009)	9,000	4,500
Hokipera Jean Ruakere (elected September 26, 2009)	8,250	4,500
Hinekehu Ngaki Dawn McConnell (retired August 28, 2010)	4,175	9,000
Kevin Hikaia Amohia (retired August 28, 2010)	3,750	9,000
Spencer Waemura Carr (retired September 26, 2009)	-	4,500
Te Rira Puketapu (elected August 28, 2010)	5,250	-
Peter Maru Love (elected August 28, 2010)	5,250	-
Less: Provision made in 2009	-	(13,666)
	$124,675	$106,834

NOTE 21. 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 $5,035,647 (2010: $1,307,675).

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, 2011

NOTE 22. RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

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

The Parent is related to the following subsidiary entities	*Principal activities*	*Interest held by Group* 2011	2010
Port Nicholson Block Management Limited	Management of Operations	100%	100%
Shelly Bay Limited	Commercial Rental	100%	100%
The Lodge at Shelly Bay Limited	Commercial Rental	100%	100%
PNBC Limited	Treaty Negotiations	100%	100%

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 19, the details of the investment in subsidiaries detailed in Note 18.

All members of the Port Nicholson Block Settlement Trust Group are related parties of the Trust. During the year, the Trust has advanced loans to support its subsidiaries as required, and received loan repayments from its subsidiaries, in the normal course of business. Details of transactions between the Parent and subsidiary entities are disclosed in Note 18.

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

(c) Transactions with related parties

Significant related party transactions included:

	Group		**Parent**	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Rents	46,500	42,432	-	-
Project Management	150,571	72,749	-	-
	$197,071	$115,181	$-	$-

Notes to the Financial Statements for the year ended March 31, 2011

(d) **Related Party Outstanding Debts**

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

	Group	
	2011	**2010**
	$	$
Wharewaka o Poneke Charitable Trust	1,000,000	-
	$1,000,000	$-

The loan to Wharewaka o Poneke Charitable Trust is interest only with the principal amount to be repaid at the expiry of the initial term of five years, if the term has not been renewed. The dates of draw down were October 19, 2010 ($325,000) and November 19, 2010 ($675,000). The interest rate used is the Kiwibank overdraft rate of 9.7%. Interest on the advance shall be capitalised to the Advance for the first six months of the initial term. Interest shall then be payable monthly in advance.

NOTE 23. CONTINGENT LIABILITIES AND COMMITMENTS

There are no contingent liabilities or commitments as at March 31, 2011 (2010: Nil). The Trust is committed at balance date for painting and waterproofing work done on the Tramways building. This work totaled $77,430 and was completed during May and June 2011.

NOTE 24. SUBSEQUENT EVENTS

(a) 83 Waterloo Quay, Wellington

Port Nicholson Block Settlement Trust entered into a Sale and Purchase agreement for the purchase of land at 83 Waterloo Quay on November 5, 2010. A deposit of $750,000 was paid by the Trust to the vendor at that time. Settlement is due on June 30, 2011. Subsequently the Trust entered into a Deed of Agreement for the Sale and Purchase of this property with Redwood Group Ltd on December 16, 2010 in which Redwood Group undertake to repay the $750,000 deposit by June 30, 2011.

(b) 28 Buick Street, Petone

The Trust purchased the land and buildings at 28 Buick Street (known as the Petone Fire Station) on April 29, 2011.

(c) Wharewaka o Poneke Charitable Trust

Port Nicholson Block Settlement Trust has entered into an agreement with Kiwibank to act as guarantor to the $3,000,000 loan entered into by the Wharewaka o Poneke Charitable Trust on April 21, 2011.

(d) The Trust instructed Legal Counsel on June 8, 2011 to prepare an evidential case to support the Wai 2235 claim lodged in the Waitangi Tribunal in December 2009, to ensure the protection of mana whenua rights within the Port Nicholson Block rohe.

NOTE 25: LEASE COMMITMENTS	Group		Parent	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Not later than one year	64,365	63,676	-	-
Later than one year, not later than five years	25,311	7,098	-	-
Later than five years	-	-	-	-
	$89,676	$70,774	$-	$-

Audit Opinion

Grant Thornton

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the parent and group financial statements of Port Nicholson Block Settlement Trust (the "Parent") and its subsidiaries (the "Group) on pages 27 to 48, which comprise the statement of financial position as at 31 March 2011 and the statement of comprehensive income and statement of changes in trust capital for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees' Responsibilities

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

Auditor's Responsibilities

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

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

Grant Thornton

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

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

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

Opinion

In our opinion, the financial statements on pages 27 to 48 fairly present, in all material respects, the financial position of the Parent and Group as at 31 March 2011, and its financial performance, for the year then ended in accordance with generally accepted accounting practice in New Zealand.

Grant Thornton

Grant Thornton New Zealand Audit Partnership
Wellington, New Zealand
11 July 2011