Statement of Comprehensive Income
For the year ended March 31, 2012

	Note	Group 2012	Group 2011	Parent 2012	Parent 2011
		$	$	$	$
Operating Revenue					
Rental Income		561,913	502,958	285,460	277,183
Less: Direct Expenses	**5**	(773,411)	(680,893)	(281,244)	(358,688)
Gross Profit/(Loss)		(211,498)	(177,935)	4,216	(81,505)
Less: Administration and Operating Costs	**6**	3,044,367	2,579,314	1,316,251	863,003
Profit/(Loss) from Operations		(3,255,865)	(2,757,249)	(1,312,035)	(944,508)
Other Income					
Gain/(Loss) on Investment Properties fair value	**13**	(520,673)	(850,339)	(50,000)	(565,000)
Gain on consolidation of PNBC Limited		-	(6,022)	-	-
Capital Gain on Sale of Investment		350,627	-	350,627	-
Other Income		1,562,790	408,164	566,021	155,899
		1,392,744	(448,197)	866,648	(409,101)
Operating Expenditure					
Other Expenses		566,834	-	-	-
Increase/(decrease) in provision for impairment		-	-	1,940,518	1,950,495
		566,834	-	1,940,518	1,950,495
Financing Income					
Financial Income		333,060	361,616	332,051	361,056
Financial Expense		(206,364)	(217,108)	(206,364)	(217,108)
Net Financing Income	**7**	126,696	144,508	125,687	143,948
Profit/(Loss) before Income Tax		(2,303,259)	(3,060,938)	(2,260,218)	(3,160,156)
Income Tax Expense	**9**	-	-	-	-
Profit/(Loss) for the Year		(2,303,259)	(3,060,938)	(2,260,218)	(3,160,156)
Other Comprehensive Income		-	-	-	-
Total Comprehensive Income		$(2,303,259)	$(3,060,938)	$(2,260,218)	$(3,160,156)

Statement of Changes in Trust Capital for the year ended March 31, 2012

		Group		Parent	
	Note	2012	2011	2012	2011
		$	$	$	$
Trust Capital at Beginning of Year		25,643,418	28,704,356	25,123,326	28,283,482
Total Comprehensive Income for the Year		(2,303,259)	(3,060,938)	(2,260,218)	(3,160,156)
Trust Capital at End of Year		$23,340,159	$25,643,418	$22,863,108	$25,123,326

Statement of Financial Position as at March 31, 2012

	Note	Group 2012	Group 2011	Parent 2012	Parent 2011
		$	$	$	$
Current Assets					
Cash and Cash Equivalents	**10**	375,937	101,898	381,980	25,602
Trade Debtors and Other Receivables	**11**	1,095,236	1,016,489	934,515	928,463
Prepayments		98,096	99,667	16,753	35,801
Investments	**14**	-	6,800,000	-	6,800,000
Income Tax Receivable	**9**	49,619	60,323	48,306	59,166
GST Receivable		52,770	-	12,562	-
Work in Progress		83,768	-	83,768	-
Holding Costs		-	9,520	-	9,520
		1,755,426	8,087,897	1,477,884	7,858,552
Non-Current Assets					
Investment Property	**13**	21,112,503	21,632,503	7,497,503	10,122,503
Investment in Subsidiaries	**17**	-	-	13,769,910	11,792,910
Investments in Related Entities	**21**	800,626	1,000,000	798,453	1,000,000
Property, Plant & Equipment	**15**	321,610	356,793	6,065	5,747
		22,234,739	22,989,296	22,071,931	22,921,160
Total Assets		$23,990,165	$31,077,193	$23,549,315	$30,779,712
Current Liabilities					
Trade Creditors and Other Payables	**12**	650,006	344,766	686,707	526,143
Loans	**16**	-	5,035,647	-	5,035,647
GST Payable		-	53,362	-	94,596
		650,006	5,433,775	686,707	5,656,386
Total Liabilities		650,006	5,433,775	686,707	5,656,386
Trust Capital					
Retained Earnings		23,340,159	25,643,418	22,863,108	25,123,326
Total Trust Capital		23,340,159	25,643,418	22,863,108	25,123,326
Total Trust Capital and Liabilities		$23,990,165	$31,077,193	$23,549,815	$30,779,712

On behalf of the Trustees:

Professor Sir Ngatata Love, Chairman

Hon Mahara Okeroa, Trustee

Date: July 19, 2012

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, 2012

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 and Ngati Tama whose tupuna were resident in Wellington in 1840, collectively known as Taranaki Whanui ki Te Upoko o Te Ika. The Trust, established by the Port Nicholson Block Settlement Trust Deed, dated August 11, 2008, is the Trust to receive the settlement package relating to historical Treaty of Waitangi claims. The Crown and the Trust signed a Deed of Settlement in Wellington on August 19, 2008. The Financial Statements presented are for the year ended March 31, 2012 and were authorised for issue by the Trustees on July 19, 2012.

NOTE 2: BASIS OF CONSOLIDATION

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

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

The wholly owned subsidiaries of the Trust are:

- Shelly Bay Limited
- The Lodge at Shelly Bay Limited
- Port Nicholson Block Management Limited
- PNBC Limited
- Lowry Bay Section One Limited
- Port Nicholson Block Properties Limited
- Education PNBST Limited

All subsidiaries have a reporting date of March 31, 2012 and accounting policies applied are consistent with the Parent.

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

NOTE 3: BASIS OF PREPARATION

(a) Statement of compliance

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

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

(b) Basis of measurement

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

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

(c) Presentation currency

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

(d) Use of estimates and judgments

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

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

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

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

Notes to the Financial Statements for the year ended March 31, 2012

(e) **Changes in accounting policies**

There has been no change in accounting policies.

NOTE 4: SIGNIFICANT ACCOUNTING POLICIES

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

(a) **Business combinations**

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

(b) **Cash and cash equivalents**

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of 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, 2012

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	20% - 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%-60%

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, 2012

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, 2012

	Note	Group		Parent	
		2012	2011	2012	2011
		$	$	$	$
NOTE 5: DIRECT EXPENSES					
Building WOF		6,422	6,719	3,014	2,340
Cleaning		8,910	15,818	8,910	15,818
Consultancy Fees		-	14,791	-	-
Electricity		65,732	55,178	8,562	10,836
Fire Monitoring		17,911	22,873	4,741	12,871
General		26	15	26	-
Grounds Maintenance		38,545	43,029	17,453	19,068
Heating Ventilation & Air Conditioning		2,434	2,461	2,434	2,461
Insurance		130,445	114,826	65,732	74,271
Legal Fees		5,720	-	-	-
Lift Maintenance		4,875	6,165	4,875	6,165
Professional Fees		710	450	525	450
Property Management Fees		71,852	69,473	17,459	38,074
Rates		164,484	143,144	63,955	56,563
Repairs & Maintenance		172,240	110,485	68,368	80,923
Security		27,823	36,037	8,191	28,129
Water Rates		55,282	39,429	6,999	10,719
TOTAL DIRECT EXPENSES		$773,411	$680,893	$281,244	$358,688

Notes to the Financial Statements for the year ended March 31, 2012

	Note	Group 2012	Group 2011	Parent 2012	Parent 2011
		$	$	$	$
NOTE 6: ADMIN & OPERATING COSTS					
Accountancy Fees		115,944	179,061	79,720	100,555
Advertising & PR Consulting		25,758	10,749	-	-
Annual General Meeting		25,814	31,155	25,814	31,155
Audit Fees		35,989	29,108	23,764	22,108
Bank Charges		1,646	602	1,501	302
Bad Debts		-	5,854	-	-
Catering & Meetings		19,778	29,194	4,345	14,100
Computer Expenses		18,118	31,174	2,456	8,644
Consultancy Fees		84,273	35,629	62,009	26,726
Consultancy Fees—Accounting & Tax		165,026	93,469	165,026	93,469
Depreciation	**8**	66,498	73,349	2,820	447
Directors Meetings		1,005	-	-	-
Election Costs		-	60,309	-	60,309
General Expenses		79,396	47,956	28,575	14,800
Hui Expenses		586	25,285	-	25,285
Insurance		23,380	13,104	13,341	10,816
Koha		5,135	1,786	4,135	1,786
Legal Fees		282,610	31,962	275,883	30,422
Motor Vehicle Expenses		10,969	6,320	-	-
Newsletters		44,381	69,247	44,381	69,247
Office Expenses		15,752	27,070	3,767	-
Printing & Stationery		55,003	42,759	15,738	6,150
Project Management Fees		39,921	18,267	36,535	18,267
Rent & Power		257,405	278,994	-	-
Review of Trust Deed		71,204	-	71,204	-
Repairs & Maintenance		830	11,512	-	-
RFR & WRDSP		250,193	102,853	250,193	102,853
Telephone & Tolls		27,847	33,511	80	65
Travel & Accommodation		45,756	63,766	36,761	56,796
Trust Office Expenses		1,105,122	1,063,350	-	7,326
Trustees' Fees	**19**	113,000	124,675	113,000	124,675
Valuation Fees		34,180	37,245	33,355	36,700
Waitangi Day Events		21,848	-	21,848	-
TOTAL ADMINISTRATION & OPERATING COSTS		$3,044,367	$2,579,314	$1,316,251	$863,003

Notes to the Financial Statements for the year ended March 31, 2012

		Group		Parent	
	Note	2012	2011	2012	2011
		$	$	$	$
NOTE 7. NET FINANCE INCOME/ (EXPENSE)					
Kiwibank—Online Call Account		5,710	3,566	4,704	3,010
Kiwibank—Term Deposits		229,860	319,448	229,860	319,448
Wharewaka o Poneke Charitable Trust Accrued Interest		97,104	37,842	97,103	37,842
IRD—Use of Money Interest		85	760	83	756
Interest—Funds Held in Trust		301	-	301	-
Kiwibank Loan—Interest Paid		(206,364)	(217,108)	(206,364)	(217,108)
TOTAL NET FINANCE INCOME		$126,696	$144,508	$125,687	$143,948
NOTE 8: DEPRECIATION					
Office Equipment		24,732	25,070	-	-
Furniture & Fittings		21,346	19,595	2,820	447
Motor Vehicles		6,861	10,720	-	-
The Officers Mess—Leasehold Improvements		3,545	2,996	-	-
The Officers Mess Level 1—Fitout Costs		4,395	8,013	-	-
Corporals Club—Leasehold Improvements		773	403	-	-
Commanders Residence		1,141	1,824	-	-
Seminar Facility		636	269	-	-
Conference Equipment		3,069	4,459	-	-
TOTAL DEPRECIATION		$66,498	$73,349	$2,820	$447
NOTE 9: TAXATION					
Net Surplus Before Taxation		(2,303,259)	(3,060,938)	(2,260,218)	(3,160,156)
ADD/(LESS):					
Non Assessable Capital Gains		(350,627)	-	(350,627)	-
Revaluation on Investment Properties		520,673	850,339	50,000	565,000
Increase in provision for impairment		-	-	1,940,518	1,950,495
Non deductible expenses		108	250	-	-
Tax Losses Brought Forward		(4,787,429)	(2,577,080)	(1,332,034)	(687,374)
TAXABLE INCOME/(LOSS)		$(6,920,534)	$(4,787,429)	$(1,952,361)	$(1,332,034)
Taxation Expense		-	-	-	-
LESS:					
RWT Paid		(49,619)	(60,323)	(48,306)	(59,166)
TAXATION PAYABLE/(REFUND DUE)		$(49,619)	$(60,323)	$(48,306)	$(59,166)

Tax losses amounting to $1,952,361 are to be carried forward to be offset against future taxable income by the Trust.

The Group has $6,920,534 of tax losses to be carried forward. These losses are subject to confirmation by Inland Revenue .

Notes to the Financial Statements for the year ended March 31, 2012

	Note	Group 2012 $	Group 2011 $	Parent 2012 $	Parent 2011 $
NOTE 10: CASH & CASH EQUIVALENTS					
Cash at Kiwibank		359,518	101,898	365,561	25,602
Funds Held in Trust		16,419	-	16,419	-
TOTAL CASH & CASH EQUIVALENTS		$375,937	$101,898	$381,980	$25,602

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

	Group 2012	Group 2011	Parent 2012	Parent 2011
NOTE 11: TRADE DEBTORS & OTHER RECEIVABLES				
Trade Debtors	345,373	117,057	184,652	67,996
Pipitea Marae Charitable Trust	873	31,720	873	31,720
Accrued Interest—Kiwibank	-	40,905	-	40,905
Accrued Interest—Wharewaka o Poneke Charitable Trust	(1,010)	37,842	(1,010)	37,842
Accrued Revenue	-	38,965	-	-
Deposit—83 Waterloo Quay	750,000	750,000	750,000	750,000
TOTAL TRADE DEBTORS & OTHER RECEIVABLES	$1,095,236	$1,016,489	$934,515	$928,463

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, 2012 there are no significant overdue trade debtors.

	Group 2012	Group 2011	Parent 2012	Parent 2011
NOTE 12: TRADE CREDITORS & OTHER PAYABLES				
Trade Creditors	345,278	235,781	104,057	119,781
Accrued Expenses	304,728	83,985	215,784	14,496
Income in Advance	-	25,000	-	25,000
PNBC Limited	-	-	366,866	366,866
TOTAL TRADE CREDITORS & OTHER PAYABLES	$650,006	$344,766	$686,707	$526,143

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, 2012

	Opening Book Value	Additions at Cost	2012 Valuation	Fair Value Movement
	$	$	$	$
NOTE 13: INVESTMENT PROPERTIES *(at fair value)*				
Reconciliation of fair value 2012				
Parent				
1-3 Thorndon Quay, Wellington	1,800,000	-	1,750,000	(50,000)
81-87 Thorndon Quay, Wellington	2,000,000	-	2,000,000	-
Waiwhetu Primary School	2,050,000	-	2,050,000	-
Whites Line East, Waiwhetu	410,000	-	410,000	-
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	7,547,503	-	7,497,503	(50,000)
Subsidiaries				
Shelly Bay Limited				
Shelly Bay	11,510,000	673	11,060,000	(450,673)
Lowry Bay Section One Limited				
Wainuiomata College	1,000,000	-	1,155,000	155,000
Wainuiomata Intermediate	1,575,000	-	1,400,000	(175,000)
Total Fair Value Movement for Group for the Year Ended March 31, 2012	$21,632,503	$673	$21,112,503	$(520,673)

Notes to the Financial Statements for the year ended March 31, 2012

	Opening Book Value	Additions at Cost	2011 Valuation	Fair Value Movement
	$	$	$	$
NOTE 13: INVESTMENT PROPERTIES *(at fair value) continued*				
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)**

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, 2012. 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, 2012

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

	2012 $	2011 $
Makaro Scientific Reserve	60,000	60,000
Matiu Historic & Scientific Reserve	398,000	398,000
Matiu Lighthouse	21,000	21,000
Mokopuna Scientific Reserve	35,000	35,000
	$514,000	**$514,000**

NOTE 14: INVESTMENTS

The Parent and Group hold no term deposits as at March 31, 2012. The term deposit held with Kiwibank has been used to repay the term loan at March 31, 2012 (2011: $6,800,000).

	Group		Parent	
	2012	2011	2012	2011
	$	$	$	$
NOTE 15: PROPERTY, PLANT & EQUIPMENT				
Description				
Office Equipment	85,067	25,029	-	-
Additions	7,302	60,037	-	-
Less Accumulated Depreciation	(60,051)	(35,318)	-	-
	32,318	49,748	-	-
Furniture & Fittings	133,657	84,266	3,389	-
Additions	6,466	52,196	5,943	6,194
Less Accumulated Depreciation	(47,421)	(26,075)	(3,267)	(447)
	92,702	110,387	6,065	5,747
Motor Vehicles	30,698	30,698	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	(18,502)	(11,641)	-	-
	12,196	19,057	-	-
The Officers Mess—Leasehold Improvements	113,351	56,507	-	-
Additions	19,102	56,844	-	-
Less Accumulated Depreciation	(6,682)	(3,137)	-	-
	125,771	110,214	-	-
The Officers Mess Level 1—Fitout Costs	19,085	19,085	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	(13,216)	(8,821)	-	-
	5,869	10,264	-	-
Corporals Club—Leasehold Improvements	26,282	6,553	-	-
Additions	-	19,728	-	-
Less Accumulated Depreciation	(1,291)	(518)	-	-
	24,991	25,763	-	-

Notes to the Financial Statements for the year ended March 31, 2012

	Group		Parent	
	2012	**2011**	**2012**	**2011**
	$	$	$	$
NOTE 15: PROPERTY, PLANT & EQUIPMENT continued				
Description				
Commanders Residence	10,224	10,225	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	(6,052)	(4,911)	-	-
	4,172	5,314	-	-
Seminar Facility	21,484	-	-	-
Additions	-	21,484	-	-
Less Accumulated Depreciation	(905)	(269)	-	-
	20,579	21,215	-	
Conference Equipment	10,098	10,098	-	-
Additions	1,250	-	-	-
Less Accumulated Depreciation	(8,336)	(5,267)	-	-
	3,012	4,831	-	-
TOTAL FIXED ASSETS	**$321,610**	**$356,793**	**$6,065**	**$5,747**

NOTE 16. OTHER LOANS

The Parent and Group hold no term loans at March 31 2012. The term deposit held with Kiwibank has been used to repay the loan at March 31, 2012 (2011: $5,035,647 Kiwibank Term Loan).

Notes to the Financial Statements for the year ended March 31, 2012

NOTE 17. INVESTMENT IN SUBSIDIARIES

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.

	Parent	
	2012	**2011**
The Investment in subsidiaries comprises:	$	$
Shelly Bay Limited	11,153,828	11,628,078
The Lodge at Shelly Bay Limited	138,846	164,832
Port Nicholson Block Management Limited	-	-
Lowry Bay Section One Limited	2,477,040	-
Port Nicholson Block Properties Limited	196	-
	$13,769,910	$11,792,910

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	14,360,083	14,258,622
Crown loan interest recharged from Parent	-	-
Other monies advanced/subsidiary expenses paid by Parent	40,250	101,461
Funds repaid/Parent expenses paid by the subsidiary	(40,000)	-
Closing balance	14,360,333	14,360,083
Impairment provision		
Opening balance	2,732,005	2,369,854
Current year impairment expense	474,500	362,151
Closing balance	3,206,505	2,732,005
Carrying value of investment in subsidiary	**$11,153,828**	**$11,628,078**

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

Notes to the Financial Statements for the year ended March 31, 2012

NOTE 17: INVESTMENT IN SUBSIDIARIES continued

	Parent	
	2012	**2011**
	$	$
The Lodge at Shelly Bay Limited		
Carrying value at cost		
Opening balance	343,513	62,961
Monies advanced/subsidiary expenses paid by Parent	100,950	280,552
Closing balance	444,463	343,513
Impairment provision		
Opening balance	178,681	30,530
Current year impairment expense	126,936	148,151
Closing balance	305,617	178,681
Carrying value of investment in subsidiary	**$138,846**	**$164,832**

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	2,657,940	1,217,747
Monies advanced/subsidiary expenses paid by Parent	1,081,035	1,440,193
Closing balance	3,738,975	2,657,940
Impairment provision		
Opening balance	2,657,940	1,217,747
Current year impairment expense	1,081,035	1,440,193
Closing balance	3,738,975	2,657,940
Carrying value of investment in subsidiary	**$-**	**$-**

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

Lowry Bay Section One Limited		
Carrying value at cost		
Opening balance	-	-
Monies advanced/subsidiary expenses paid by Parent	2,733,778	-
Closing balance	2,733,778	-
Impairment provision		
Opening balance	-	-
Current year impairment expense	256,738	-
Closing balance	256,738	-
Carrying value of investment in subsidiary	**$2,477,040**	**$-**

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

Notes to the Financial Statements for the year ended March 31, 2012

NOTE 17: INVESTMENT IN SUBSIDIARIES continued

	Parent	
	2012	**2011**
	$	$
Port Nicholson Block Properties Limited		
Carrying value at cost		
Opening balance	-	-
Monies advanced/subsidiary expenses paid by Parent	1,505	-
Closing balance	1,505	-
Impairment provision		
Opening balance	-	-
Current year impairment expense	1,309	-
Closing balance	1,309	-
Carrying value of investment in subsidiary	**$196**	**-**

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

Reconciliation of impairment provision for investment in subsidiaries

	2012	2011
Opening balance	5,568,626	3,618,131
Current year impairment expense	1,940,518	1,950,495
Closing balance	**$7,509,144**	**$5,568,626**

NOTE 18. ACQUISITIONS OF SUBSIDIARIES

Port Nicholson Block Settlement Trust obtained control of the following subsidiaries in 2012:

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

No other subsidiaries were acquired in 2012.

Notes to the Financial Statements for the year ended March 31, 2012

NOTE 19. TRUSTEE REMUNERATION

Trustee remuneration paid during the year was as follows:

	2012	2011
	$	$
Professor Sir Ralph Heberley Ngatata Love (Chairman)	32,000	32,000
Sir Paul Alfred Reeves (Deputy Chairman—resigned 2011)	-	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	9,000
Hokipera Jean Ruakere (elected September 26, 2009)	9,000	8,250
Hinekehu Ngaki Dawn McConnell (retired August 28, 2010)	-	4,175
Kevin Hikaia Amohia (retired August 28, 2010)	-	3,750
Te Rira Puketapu (elected August 28, 2010)	9,000	5,250
Peter Maru Love (elected August 28, 2010)	9,000	5,250
Less: Provision made in 2011	-	-
	$113,000	**$124,675**

NOTE 20. FINANCIAL INSTRUMENTS

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

Credit Risk

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

Liquidity Risk

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

Interest Rate Risk

The Parent and Group has exposure to interest rate risk on the Kiwibank borrowings. (2011: $5,035,647 Kiwibank Term Loan).

Fair Value

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

Capital Management

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

Notes to the Financial Statements for the year ended March 31, 2012

NOTE 21. RELATED PARTY TRANSACTIONS

(a) Parent and ultimate controlling party

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

		Interest held by Group	
The Parent is related to the following subsidiary entities	**Principal activities**	**2012**	**2011**
Port Nicholson Block Management Limited	Management of Operations	100%	100%
Shelly Bay Limited	Commercial Rental	100%	100%
The Lodge at Shelly Bay Limited	Commercial Rental	100%	100%
PNBC Limited	Treaty Negotiations	100%	100%
Lowry Bay Section One Limited	Commercial Rental	100%	-
Port Nicholson Block Properties Limited	Commercial Rental	100%	-
Education PNBST Limited	Project Management	100%	-

Lowry Bay Section One Limited, Port Nicholson Block Properties Limited and Education PNBST Limited were incorporated in 2011 and the Trust has held a 100% interest in the entities from this date. The details of the investment in subsidiaries detailed in Note 17.

All members of the Port Nicholson Block Settlement Trust Group are related parties of the Trust. During the year, the Trust has advanced loans to support its subsidiaries as required, and received loan repayments from its subsidiaries, in the normal course of business. Details of transactions between the Parent and subsidiary entities are disclosed in Note 17.

(b) Other related parties

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

- Palmerston North Maori Reserve Trust Group
- Wellington 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
- Wellington Fanzone Limited

(c) Transactions with related parties

Significant related party transactions included:

	Group		Parent	
	2012	**2011**	**2012**	**2011**
Rents	46,500	46,500	-	-
Project Management	64,083	150,571	-	-
	$110,583	**$197,071**	**$-**	**$-**

Notes to the Financial Statements for the year ended March 31, 2012

(d) **Related Party Outstanding Debts**

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

	Group	
	2012	**2011**
	$	$
Wharewaka o Poneke Charitable Trust	800,626	1,000,000
	$800,626	**$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.

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

NOTE 22. CONTINGENT LIABILITIES AND COMMITMENTS

The Port Nicholson Block Settlement Trust has an agreement with Kiwibank to act as guarantor to the $3,000,000 loan entered into by the Wharewaka o Poneke Charitable Trust on April 29, 2011. There are no other contingent liabilities or commitments as at March 31, 2012 (2011: $77,430).

NOTE 23. SUBSEQUENT EVENTS

(a) Former Petone College

The Port Nicholson Block Settlement Trust has exercised its option under the Deed of Settlement to purchase the property known as "former Petone College". The purchase of the property from the Crown is scheduled for settlement with the Crown on July 31, 2012. The settlement is being funded by a back to back agreement to enter into a long-term lease arrangement of the land from July 31, 2012. The agreements relating to the purchase and back-to-back agreement are subject to confidentiality provisions at the date of these financial statements

(b) 82 Moohan Street, Wainuiomata

The Trust and it's wholly owned subsidiary company Lowry Bay Section One Limited have been in an ongoing dispute with a tenant on its property at 82 Moohan Street, Wainuiomata over the non-payment of rent. Lowry Bay Section One Limited applied to the High Court for summary judgment. The High Court delivered its judgment in favour of Lowry Bay Section One Limited on July 10, 2012 directing the tenant to enter into an ADLS lease at a rental to be agreed between the company and tenant, but which is to be based on market level with the lease to have a commencement date of January 17, 2011. If after 30 days from July 10, 2012 agreement has not been reached by the parties on the market level rental, the High Court will determine the rental. The exact amount of rental to be paid has not been finalised at the date these financial statements were completed and consequently no rental income has been accrued as at March 31, 2012.

NOTE 24: LEASE COMMITMENTS

	Group		Parent	
	2012	**2011**	**2012**	**2011**
	$	$	$	$
Not later than one year	25,311	64,365	-	-
Later than one year, not later than five years	-	25,311	-	-
	$25,311	**$89,676**	**$-**	**$-**

Grant Thornton

Independent Auditor's Report

Audit

Grant Thornton New Zealand Audit Partnership
L13, AXA Centre
80 The Terrace
PO Box 10712
Wellington 6143

Telephone +64 (0)4 474 8500
Fax +64 (0)4 474 8509
www.grantthornton.co.nz

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 2012, 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 committee members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

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

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

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

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

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

Opinion

In our opinion, the financial statements on pages 27 to 48 present fairly, in all material respects, the financial position of the Parent and Group as at 31 March 2012, 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
19 July 2012