

**PORT NICHOLSON BLOCK SETTLEMENT TRUST**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 MARCH 2014**

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Consolidated Financial Statements

For the Year Ended 31 March 2014

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# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Statement of Comprehensive Income

For the Year Ended 31 March 2014

Note	Group		Parent		
	2014 \$	2013 \$	2014 \$	2013 \$	
<b>Operating Revenue</b>					
Rental Income	648,177	800,279	208,436	278,034	
Less: Direct Expenses	5	(589,484)	(631,539)	(161,383)	(182,798)
<b>Gross Profit/(Loss)</b>	<b>58,693</b>	<b>168,740</b>	<b>47,053</b>	<b>95,236</b>	
Less: Administration and Operating Costs	6	1,613,783	3,100,803	2,427,404	2,637,109
<b>Profit/(Loss) from operations</b>	<b>(1,555,090)</b>	<b>(2,932,063)</b>	<b>(2,380,351)</b>	<b>(2,541,873)</b>	
<b>Other Income</b>					
Gain/(Loss) on Investment Properties fair value	13	(140,673)	(4,770,673)	(55,000)	(100,000)
Capital Gain/(Loss) on Sale of Investment		1,504	(32,453)	1,504	(32,453)
Income from PNBST Investments Limited Partnership	21(c)	-	-	61,036	570,156
Lease Premium		-	4,000,000	-	-
Other Income		222,727	792,241	49,267	61,906
Gain/(Loss) on Disposal of Fixed Assets		(33,946)	(2,728)	-	-
		<u>49,612</u>	<u>(13,613)</u>	<u>56,807</u>	<u>499,609</u>
<b>Operating Expenditure</b>					
Other Expenses		-	391,702	-	-
Increase/(Decrease) in provision for Impairment Allowance for Doubtful Debts	17	-	-	(700,053)	1,061,800
	11	-	600,000	-	600,000
		<u>-</u>	<u>991,702</u>	<u>(700,053)</u>	<u>1,661,800</u>
<b>Financing Income</b>					
Financial Income		124,356	85,605	123,475	83,002
Financial Expense		(51,796)	(22,366)	(2,109)	(22,366)
Net Financing Income	7	<u>72,560</u>	<u>63,239</u>	<u>121,366</u>	<u>60,636</u>
<b>Loss before Income Tax</b>		<u>(1,432,918)</u>	<u>(3,874,139)</u>	<u>(1,502,125)</u>	<u>(3,643,428)</u>
Income Tax Expense	9	-	-	-	-
<b>Loss for the Year</b>		<u>(1,432,918)</u>	<u>(3,874,139)</u>	<u>(1,502,125)</u>	<u>(3,643,428)</u>
Other Comprehensive Income		-	-	-	-
<b>Total Comprehensive Income/(Loss)</b>		<u>(1,432,918)</u>	<u>(3,874,139)</u>	<u>(1,502,125)</u>	<u>(3,643,428)</u>

## PORT NICHOLSON BLOCK SETTLEMENT TRUST

### Statement of Changes in Trust Capital

For the Year Ended 31 March 2014

Note	Group		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Trust Capital at Beginning of Year	19,466,020	23,340,159	19,219,680	22,863,108
Total Comprehensive Income/(Loss) for the Year	(1,432,918)	(3,874,139)	(1,502,125)	(3,643,428)
Trust Capital at End of Year	18,033,102	19,466,020	17,717,555	19,219,680

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Statement of Financial Position

As at 31 March 2014

	Note	Group		Parent	
		2014	2013	2014	2013
		\$	\$	\$	\$
<b>Current Assets</b>					
Cash and Cash Equivalents	10	2,686,553	2,350,331	3,118,899	2,633,365
Trade Debtors and Other Receivables	11	277,204	349,507	92,284	151,689
Prepayments		104,084	126,681	36,707	39,441
Income Tax Receivable	9	19,562	4,354	18,148	2,546
GST Receivable		32,185	35,684	31,938	167,033
		<u>3,119,588</u>	<u>2,866,557</u>	<u>3,297,976</u>	<u>2,994,074</u>
<b>Non Current Assets</b>					
Investment Property	13	15,952,503	16,092,503	3,292,503	3,347,503
Inter-entity Loans	17	-	-	12,145,312	12,497,242
Investment in Related Entities	21	87,285	1,837,285	87,285	1,837,285
PNBST Investments Limited Partnership		-	-	631,192	570,156
Property, Plant & Equipment	15	212,057	267,280	13,734	13,203
		<u>16,251,845</u>	<u>18,197,068</u>	<u>16,170,026</u>	<u>18,265,389</u>
<b>Total Assets</b>		<u>19,371,433</u>	<u>21,063,625</u>	<u>19,468,002</u>	<u>21,259,463</u>
<b>Current Liabilities</b>					
Trade Creditors and Other Payables	12	399,757	642,049	1,750,447	2,039,783
Loans & Advances	16	938,574	955,556	-	-
		<u>1,338,331</u>	<u>1,597,605</u>	<u>1,750,447</u>	<u>2,039,783</u>
<b>Total Liabilities</b>		<u>1,338,331</u>	<u>1,597,605</u>	<u>1,750,447</u>	<u>2,039,783</u>
<b>Trust Capital</b>					
Retained Earnings		18,033,102	19,466,020	17,717,555	19,219,680
<b>Total Trust Capital</b>		<u>18,033,102</u>	<u>19,466,020</u>	<u>17,717,555</u>	<u>19,219,680</u>
<b>Total Trust Capital and Liabilities</b>		<u>19,371,433</u>	<u>21,063,625</u>	<u>19,468,002</u>	<u>21,259,463</u>

On behalf of the Trustees:

  
 \_\_\_\_\_  
 Neville Baker  
 Chairman

  
 \_\_\_\_\_  
 Toa Pomare  
 Deputy-Chairman

Date: 16/09/2014

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

### NOTE 1. REPORTING ENTITY

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

Port Nicholson Block Settlement Trust and its subsidiaries (together "the Group") is a group formed and domiciled in New Zealand. The Group represent the descendants of Taranaki, Te Atiawa, Ngati Ruanui and Ngati Tama whose tupuna were residents in Wellington in 1840, collectively known as Taranaki Whanui ki Te Upoko o Te Ika. The Trust, established by the Port Nicholson Block Settlement Trust Deed, dated 11 August 2008, is the Trust to receive the Settlement package relating to historical Treaty of Waitangi Claims. The Crown and Port Nicholson Block Settlement Trust signed a Deed of Settlement in Wellington on 19 August 2008. The financial statements presented are for the year ended 31 March 2014 and were authorised for issue by the Trustees on 16 September 2014.

### NOTE 2. BASIS OF CONSOLIDATION

The Group financial statements consolidate those of the Parent 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 Parent are:

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

All subsidiaries have a reporting date of 31 March 2014 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 Parent and Group qualify for differential reporting exemptions as it has no public accountability and there is no separation between the members and the governing body. All available reporting exemptions under the Framework for Differential Reporting have been applied, with the exception of NZ IAS 18 Revenue which has been applied in full.

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

### 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 Parent, 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 on-going basis. There have been no other significant areas of estimation and critical judgements in the periods reported.

### e. Prior period adjustment

The property known as Petone College at Graham Street Petone was recorded at the original cost of \$3,800,000 as at 31 March 2013. This property has since been valued by Colliers International (Wellington Valuation) Limited as at 31 March 2013 and their valuation as at that date has determined that the value was \$330,000 (refer to notes 13 and 14). Their valuation has been based on the present value of the future estimated income benefits to the Trust from year 2026 onwards. The Financial Statements of 31 March 2013 were restated to correct this error. The effect of the restatement on these financial statements is summarised below. There has been no effect in 2014.

	Effect on 2013	
	Group	Parent
	\$	\$
Increase in Loss on Investments Properties Fair Value	3,470,000	-
Decrease in Income from PNBST Investments Ltd Partnership	-	3,470,000
Increase in Loss for the Year	<u>3,470,000</u>	<u>3,470,000</u>

	Effect on 2013	
	Group	Parent
	\$	\$
Decrease in Investment Property	3,470,000	-
Decrease in PNBST Investments Ltd Partnership	-	3,470,000
Decrease in Trust Capital	<u>3,470,000</u>	<u>3,470,000</u>

### f. Changes in accounting policies

There has been no change in accounting policies. Both the parent and group have elected not to adopt accounting standards that were issued by the External Reporting Board subsequent to 1 December 2012 as permitted under its "Accounting Framework" (XRB A1). The standards that were not taken up and used to prepared these financial statements were:

NZIFRS 10: Consolidated financial statements

NZIFRS 11: Joint arrangements

NZIFRS 12: Disclosures of interests in other entities; and

NZIFRS 13: Fair Value Measurement

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

### NOTE 4. SIGNIFICANT ACCOUNTING POLICIES

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

#### a. Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value and bank overdraft.

#### b. Trade debtors and other receivables

Trade debtors and other receivables are measured at cost less impairment losses.

An allowance 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 less than 90 days old are not discounted.

#### c. Trade creditors and other payables

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

#### d. 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 obligation. 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.

#### e. Financial instruments

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

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or if the Parent and Group transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset.

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

Financial instruments are comprised of trade debtors and other receivables, cash and cash equivalents, trade creditors and other payables and borrowings. The Parent and Group held no derivative financial instruments (i.e. hedging instruments) during either of the reporting periods presented.

#### Financial assets

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

##### (i) *Loans and receivables*

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



# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

**e. Financial instruments**  
*(continued)*

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

Financial liabilities

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

Financial liabilities are measured subsequently at amortised cost using the effective interest method, except for financial liabilities held for trading or designated at fair value through profit or loss, that are carried subsequently at fair value with gains or losses recognised in profit or loss within the Statement of Comprehensive Income. 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 twelve months after each reporting date. Borrowing costs are expensed as incurred.

Impairment of financial instruments

All financial assets are subject to review for impairment at least at 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 within profit and loss in the Statement of Comprehensive Income.

**f. 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.

**g. Impairment**

The carrying amounts of the Parent and Group assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's 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 within profit and loss 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 indicators exist, 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 within profit and loss in the Statement of Comprehensive Income.

**h. 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.

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

**h. Property, plant and equipment**  
*(continued)*

**(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 within profit and loss 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 profit and loss within 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% DV
Furniture & Fittings	9.6% - 48% DV
The Officers Mess - Leasehold Improvements	3% DV
The Officers Mess Level 1 - Fitout Costs	30% - 48% DV
Corporals Club - Leasehold Improvements	3% DV
Commanders Residence	12% - 48% DV
Seminar Facility	3% DV
Conference Equipment	48% - 60% DV

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

**i. Employee entitlements**

Annual leave and other employee entitlements are accounted for on the basis of contractual requirements outstanding at each reporting date.

**j. Finance income and expenses**

Finance income comprises interest generated from funds invested in short-term deposits and other interest bearing bank accounts.

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

**k. 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 profit and loss within the Statement of Comprehensive Income.

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

**(i) Crown Settlements**

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

**(ii) Koha**

Koha is recognised within profit and loss 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.

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

**k. Revenue**  
*(continued)*

**(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 within profit and loss in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

**(vi) Lease Premium**

Lease Premium from the leased property is recognised within profit and loss in the Statement of Comprehensive Income when received.

**l. 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 within profit and loss in the Statement of Comprehensive Income.

An external, independent valuation company, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio at each reporting date. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

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.

**m. Taxation**

Income tax is accounted for using the taxes payable method so that the income tax expense charged to the profit and loss within 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.

**n. GST**

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

**o. Grants**

Other Government grants that compensate the Parent and Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised, or recognised in profit or loss within the Statement of Comprehensive Income as services are rendered.

**p. New NZ IFRS standards and interpretations issued but not yet adopted**

The Parent and Group have taken advantage of the opportunity to freeze the financial reporting standards applicable to them outstanding as at 1 April 2011. See note 3(f) for additional disclosures.

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

Note	Group		Parent	
	2014	2013	2014	2013
<b>NOTE 5. DIRECT EXPENSES</b>				
	\$	\$	\$	\$
Building WOF	12,213	8,618	8,323	2,860
Cleaning	9,701	10,577	8,334	10,320
Consultancy Fees	1,362	125	-	-
Electricity	54,342	60,166	3,929	6,939
Fire Monitoring	15,486	19,158	3,039	3,450
General	418	15,875	78	15,805
Grounds Maintenance	28,973	41,805	5,380	10,458
Health & Safety	-	350	-	-
Heating Ventilation & Air Conditioning	3,148	4,080	3,148	4,080
Insurance	146,148	110,842	57,233	26,289
Lift Maintenance	6,327	5,715	6,327	5,715
Professional Fees	7,659	450	7,659	450
Property Management Fees	58,015	78,260	11,375	17,563
Rates	123,001	144,319	26,042	51,028
Repairs & Maintenance	46,735	56,636	14,733	13,642
Security	12,410	16,343	2,640	7,921
Water Rates	63,546	58,220	3,143	6,278
<b>TOTAL DIRECT EXPENSES</b>	<b>589,484</b>	<b>631,539</b>	<b>161,383</b>	<b>182,798</b>
<b>NOTE 6. ADMINISTRATION &amp; OPERATING COSTS</b>				
Accountancy Fees	139,873	130,215	80,978	73,913
Advertising & PR Consulting	-	42	-	-
Annual General Meeting	81,556	98,441	81,556	98,441
Audit Fees	41,563	37,016	28,000	27,000
Bank Charges	528	651	149	126
Bad Debts	2,201	10,431	-	-
Catering & Meetings	5,002	25,824	4,476	20,523
Change Manager	93,450	-	93,450	-
Computer Expenses	13,825	17,328	1,458	1,374
Consultancy Fees	39,188	41,898	39,188	40,347
Consultancy Fees - Accounting & Tax	103,361	146,000	102,611	140,378
Depreciation	8	25,502	44,140	7,100
Directors Fees	335	1,653	-	-
General Expenses	18,797	57,546	2,072	15,650
Hui Expenses	-	4,116	-	4,116
Insurance	14,829	31,313	10,619	26,181
Koha	2,000	3,102	2,000	3,002
Legal Fees	132,386	753,805	99,617	716,310
Management Fees - Port Nicholson Block Management Limited	-	-	1,737,838	1,043,587
Motor Vehicle Expenses	96	10,281	-	-
Newsletters	-	25,029	-	25,029
Office Expenses	1,307	16,403	-	2,223
Printing & Stationery	15,407	48,439	1,880	20,098
Property Management Fees	-	1,750	-	-
Rent and Power	153,635	164,671	-	-
Right of First Refusal & Wellington Railway Deferred Selection Process	24,987	202,060	24,987	202,060
Telephone & Tolls	16,744	24,077	309	353
Travel & Accommodation	12,888	29,246	10,524	21,036
Trustees' Fees	19	86,542	86,542	111,083
Trust Wages	572,618	1,045,243	-	18,267
Valuation Fees	8,163	15,845	5,050	15,845
Waitangi Day Events	7,000	3,155	7,000	3,155
<b>TOTAL ADMINISTRATION &amp; OPERATING COSTS</b>	<b>1,613,783</b>	<b>3,100,803</b>	<b>2,427,404</b>	<b>2,637,109</b>

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

	Group		Parent	
	2014	2013	2014	2013
<b>NOTE 7. NET FINANCE INCOME/(EXPENSE)</b>				
KiwiBank - Online Call Account	\$ 13,512	\$ 6,947	\$ 12,639	\$ 6,446
KiwiBank - Term Deposits	81,285	8,312	81,285	8,312
Wharewaka O Poneke Charitable Trust	29,455	63,881	29,455	63,881
Inland Revenue - Use of Money Interest	104	407	96	66
Interest - Funds Held in Trust	-	6,058	-	4,297
Interest Paid - Other	(51,796)	(22,366)	(2,109)	(22,366)
<b>TOTAL NET FINANCE INCOME</b>	<b>72,560</b>	<b>63,239</b>	<b>121,366</b>	<b>60,636</b>
<b>NOTE 8. DEPRECIATION</b>				
Office Equipment	14,555	21,284	7,100	7,012
Furniture & Fittings	4,033	13,004	-	-
The Officers Mess - Leasehold Improvements	3,660	3,773	-	-
The Officers Mess Level 1 - Fitout Costs	1,383	2,444	-	-
Corporals Club - Leasehold Improvements	727	750	-	-
Commanders Residence	545	762	-	-
Seminar Facility	599	617	-	-
Conference Equipment	-	1,506	-	-
<b>TOTAL DEPRECIATION</b>	<b>25,502</b>	<b>44,140</b>	<b>7,100</b>	<b>7,012</b>
<b>NOTE 9. TAXATION</b>				
Net Loss Before Taxation	(1,432,918)	(3,874,139)	(1,502,125)	(3,643,428)
<b>ADD:</b>				
Revaluation on Investment Properties	140,673	4,770,673	55,000	100,000
Provision for Doubtful Debts	-	600,000	-	600,000
Increase in provision for impairment	-	-	(700,054)	1,061,800
Non Deductible Expenses	6,748	595,563	4,470	594,753
Tax Distribution from Limited Partnership	-	-	678,697	706,823
Deferred Income	666,667	-	-	-
<b>LESS:</b>				
Temporary Differences	(2,346)	3,406	-	-
Non Assessable Capital (Gains)/Losses	(1,504)	32,453	(1,504)	32,453
Non Assessable Income	-	(3,333,333)	-	-
Accounting Distribution from Limited Partnership	-	-	(61,036)	(570,156)
Tax Losses Brought Forward	(8,125,911)	(6,920,533)	(3,070,116)	(1,952,361)
<b>TAXABLE LOSS</b>	<b>(8,748,591)</b>	<b>(8,125,911)</b>	<b>(4,596,668)</b>	<b>(3,070,116)</b>
Taxation Expense	-	-	-	-
<b>LESS:</b>				
Opening Tax Balance	4,354	49,620	2,546	48,307
Tax Refunds Received	-	(48,535)	-	(48,307)
RWT Paid	14,051	3,269	13,807	2,546
Tax Transfers	1,157	-	1,795	-
<b>TAXATION REFUND DUE</b>	<b>19,562</b>	<b>4,354</b>	<b>18,148</b>	<b>2,546</b>

Tax losses amounting to \$4,596,668 (2013: \$3,070,116) are to be carried forward to be offset against future taxable income by the Parent. The Group has \$8,748,591 (2013: \$8,125,911) of tax losses to be carried forward. These losses are still subject to confirmation by Inland Revenue.

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

	Group		Parent	
	2014	2013	2014	2013
<b>NOTE 10. CASH &amp; CASH EQUIVALENTS</b>	\$	\$	\$	\$
Bank Accounts	598,571	300,331	1,030,917	583,365
KiwiBank Term Deposits	2,087,982	2,050,000	2,087,982	2,050,000
<b>TOTAL CASH &amp; CASH EQUIVALENTS</b>	<b>2,686,553</b>	<b>2,350,331</b>	<b>3,118,899</b>	<b>2,633,365</b>

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

The Parent and Group hold a term deposit investment at KiwiBank with a return interest of 4% per annum (\$2,087,982 maturing 17 June 2014), (2013: \$2,050,000 at 4%).

	Group		Parent	
	2014	2013	2014	2013
<b>NOTE 11. TRADE DEBTORS &amp; OTHER RECEIVABLES</b>	\$	\$	\$	\$
Trade debtors	199,119	315,904	14,199	118,086
Pipitea Marae Charitable Trust	1,251	1,251	1,251	1,251
Accrued Interest - Kiwibank	23,340	8,312	23,340	8,312
Accrued Interest - Wharewaka O Poneke Charitable Trust	53,494	24,040	53,494	24,040
Redwood Group Limited - 83 Waterloo Quay	600,000	600,000	600,000	600,000
Less: Provision for Doubtful Debts	(600,000)	(600,000)	(600,000)	(600,000)
<b>TOTAL TRADE DEBTORS &amp; OTHER RECEIVABLES</b>	<b>277,204</b>	<b>349,507</b>	<b>92,284</b>	<b>151,689</b>

All trade debtors and 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 and other receivables approximates their fair value.

As at 31 March 2014 there are no significant overdue trade debtors (2013: \$Nil).

An impairment allowance has been made for the debt owing to the Group by Redwood Group Limited of \$600,000, (2013:\$600,000).

	Group		Parent	
	2014	2013	2014	2013
<b>NOTE 12. TRADE CREDITORS &amp; OTHER PAYABLES</b>	\$	\$	\$	\$
Trade Creditors	239,526	581,539	192,142	448,293
Accrued Expenses	88,153	60,510	1,993	29,581
Income in Advance	72,078	-	-	-
PNBC Limited	-	-	365,718	366,867
PNBST Investments Limited Partnership	-	-	1,190,594	1,195,042
<b>TOTAL TRADE CREDITORS &amp; OTHER PAYABLES</b>	<b>399,757</b>	<b>642,049</b>	<b>1,750,447</b>	<b>2,039,783</b>

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

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

### NOTE 13. INVESTMENT PROPERTIES (at fair value)

	Opening Book Book Value \$	Additions/ Disposals at Cost \$	2014 Valuation \$	Fair Value Movement \$
<b>Reconciliation of fair value 2014</b>				
<b>Parent</b>				
1-3 Thorndon Quay, Wellington	1,650,000	-	1,570,000	(80,000)
Whites Line East, Waiwhetu	410,000	-	435,000	25,000
Honiana Te Puni Reserve	205,000	-	205,000	-
Point Dorset Recreation Reserve	590,000	-	590,000	-
Wi Tako Ngatata Scenic Reserve	296,000	-	296,000	-
Dendroglyph Site	2,000	-	2,000	-
Bed of Lake Kohangapiripiri	37,000	-	37,000	-
Esplanade Land of Kohangapiripiri	29,000	-	29,000	-
Bed of Lake Kohangatera	66,000	-	66,000	-
Esplanade Land of Kohanagatera	62,500	-	62,500	-
Makaro Scientific Reserve	1	-	1	-
Matiu Island	1	-	1	-
Mokopuna Scientific Reserve	1	-	1	-
<b>Total Fair Value Movement for Parent</b>	<b>3,347,503</b>	<b>-</b>	<b>3,292,503</b>	<b>(55,000)</b>
<b>Subsidiaries</b>				
<b>Shelly Bay Limited</b>				
Shelly Bay Road	10,010,000	673	9,850,000	(160,673)
<b>Lowry Bay Section One Limited</b>				
Wainuiomata College	1,155,000	-	1,160,000	5,000
Wainuiomata Intermediate	1,250,000	-	1,270,000	20,000
<b>PNBST Investments Limited Partnership</b>				
Petone College	330,000	-	380,000	50,000
<b>Total Fair Value Movement for Subsidiaries</b>	<b>12,745,000</b>	<b>673</b>	<b>12,660,000</b>	<b>(85,673)</b>
<b>Total Fair Value Movement for Group</b>				
<b>For the year ended 31 March 2014</b>	<b>16,092,503</b>	<b>673</b>	<b>15,952,503</b>	<b>(140,673)</b>

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

Based on the inputs used, both the Direct Comparison and Capitalisation of Net Income and Discounted Cash Flow valuation methods have been used. The Parent and Group have adopted the Collier's valuations for financial reporting purposes.

#### Valuation techniques and significant inputs

The following table details the Direct Comparison valuation technique used in measuring fair value of investment property.

Description	Valuation	Valuation Technique	Unobservable Inputs
Wainuiomata College	\$1,160,000	Direct Comparison Approach	Consideration is given to the nature, condition of the property, location and on the basis of vacant possession.
Whites Line East	\$435,000		
Wainuiomata Intermediate	\$1,270,000		
Reserves, the lake beds, esplanades and dendroglyph sites	\$1,287,500		Consideration is given to the nature and condition of each location.

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

### NOTE 13. INVESTMENT PROPERTIES

*continued*

#### Valuation techniques and significant unobservable inputs

The following table shows the Capitalisation of Net Income and Discounted Cash Flow valuation techniques used in measuring the fair value of investment property.

Description	Valuation	Valuation Technique	Unobservable Inputs	Sensitivity of fair value changes in inputs. The estimated fair value would increase/(decrease if):
<b>1-3 Thorndon Quay</b>	\$1,570,000	Discounted Cash Flow Approach	The discount range applied is 10%. Occupancy rate range applied is 87.64% - 100.00%.  Rental growth rate range is 2.18% - 2.33% over 10 years. A letting up period range of 1 - 6 months has been allowed at the end of each existing leases.	The discount rate was lower (higher). The occupancy rate was higher (lower).  Office rental growth was higher (lower).  Capital expenditure was higher (lower).
<b>Petone College</b>	\$380,000	Discounted Cash Flow Approach	The discount rate applied is 15.25% Annual rent equivalent to 5% of all resale capital gains received from the sale of retirement village units on the Property from 2026 onwards.	The discount rate was lower (higher). The resale rate was higher (lower).
<b>Shelly Bay</b>	\$9,850,000	Hypothetical Sub division	The capitalisation rate applied is 9.50%.  Estimated sub divisional costs.	Rental growth was higher (lower).  Sub divisional costs was lower (higher).

The value attributed to the Islands and Reserves is a notional "\$1" reflecting the day to day management and control of them undertaken by the Department of Conservation, with the interest of the true owners considered to now consist of a pure intrinsic benefit, rather than an asset value with a financially quantifiable dollar sum capable of being transferred between parties.

Reconciliation of fair value 2013	Opening Book Value	Additions at Cost	2013 Valuation	Fair Value Movement
	\$	\$	\$	\$
<b>Parent</b>				
1-3 Thorndon Quay, Wellington	1,750,000	-	1,650,000	(100,000)
81 - 87 Thorndon Quay, Wellington	2,000,000	(2,000,000)	-	-
Waiwhetu Primary School	2,050,000	(2,050,000)	-	-
Whites Line East, Waiwhetu	410,000	-	410,000	-
Honiana Te Puni Reserve	205,000	-	205,000	-
Point Dorset Recreation Reserve	590,000	-	590,000	-
Wi Tako Ngatata Scenic Reserve	296,000	-	296,000	-
Dendroglyph Site	2,000	-	2,000	-
Bed of Lake Kohangapiripiri	37,000	-	37,000	-
Esplanade Land of Kohangapiripiri	29,000	-	29,000	-
Bed of Lake Kohangatera	66,000	-	66,000	-
Esplanade Land of Kohangatera	62,500	-	62,500	-
Makaro Scientific Reserve	1	-	1	-
Matiu Island	1	-	1	-
Mokopuna Scientific Reserve	1	-	1	-
<b>Total Fair Value Movement for Parent</b>	<b>7,497,503</b>	<b>(4,050,000)</b>	<b>3,347,503</b>	<b>(100,000)</b>
<b>Subsidiaries</b>				
<b>Shelly Bay</b>	11,060,000	673	10,010,000	(1,050,673)
<b>Lowry Bay Section One Limited</b>				
Wainuiomata College	1,155,000	-	1,155,000	-
Wainuiomata Intermediate	1,400,000	-	1,250,000	(150,000)
<b>PNBST Investments Limited Partnership</b>				
Petone College	-	3,800,000	330,000	(3,470,000)
<b>Total Fair Value Movement for Subsidiaries</b>	<b>13,615,000</b>	<b>3,800,673</b>	<b>12,745,000</b>	<b>(4,670,673)</b>
<b>Total Fair Value Movement for Group</b>	<b>21,112,503</b>	<b>(249,327)</b>	<b>16,092,503</b>	<b>(4,770,673)</b>



# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

### NOTE 13. INVESTMENT PROPERTIES

*continued*

The investment properties have been valued based on a valuation performed by independent registered public valuer, Colliers International (Wellington Valuation) Limited as at 31 March 2014.

The valuation basis used was open fair value and was carried out in accordance with the international valuation standards and in accordance with NZ IAS 40.

The principal Registered Valuer for Colliers International (Wellington Valuation) Limited is Gwendoline P.L Callaghan FPINZ FNZIV.

#### Islands and Reserves

As part of the Settlement reached with the Crown and enacted with the Port Nicholson Block (Taranaki Whanui ki Te Upoko o Te Ika) Claims Settlement Act 2009, the Islands known as, Makaro Scientific Reserve, Mokopuna Scientific Reserve, Matiu Scientific Reserve and Matiu Historic Reserve are vested in the Trustees.

Colliers International have valued the intrinsic value of these Islands as follows:	2014	2013
	\$	\$
Makaro Scientific Reserve	60,000	60,000
Matiu Historic & Scenic Reserve	398,000	398,000
Matiu Lighthouse	21,000	21,000
Mokopuna Scientific Reserve	35,000	35,000
	<u>514,000</u>	<u>514,000</u>

### NOTE 14. SIGNIFICANT VALUATION ASSUMPTIONS

#### 1-3 Thorndon Quay

The valuation for 1-3 Thorndon Quay property is based on the assumption that the building has a structural strength of 45%-50% of New Building Standards ("NBS").

#### Shelly Bay Defence Land and Wharves

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

Retention of the three identified buildings of historical significance with possible relocation of the Submarine Barracks and probable relocation of the Bayview Hospital.

Resource Consent being granted allowing a residential subdivision or multi-unit residential development.

Formalisation for a nominal encroachment fee/regularisation to allow for "The Lodge" to legally occupy its current position.

The valuation assumes demolition of all improvements except The Lodge, garages, Vodafone cell-site, Chocolate Fish and Commanders House.

#### Petone College, Graham St Petone

The valuation for the property known as Petone College at Graham Street Petone, has been prepared based on the present value of the future estimate income benefits to the Trust from year 2026 onward.

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

	Group		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>NOTE 15. PROPERTY, PLANT &amp; EQUIPMENT</b>				
Description				
Office Equipment	110,355	98,434	23,482	6,065
Additions	6,670	11,580	7,632	14,150
Less Accumulated Depreciation	(94,015)	(79,117)	(17,380)	(7,012)
	<u>23,010</u>	<u>30,897</u>	<u>13,734</u>	<u>13,203</u>
Furniture & Fittings	110,455	130,791	-	-
Additions/(Disposals)	(35,170)	(18,569)	-	-
Less Accumulated Depreciation	(52,361)	(50,382)	-	-
	<u>22,924</u>	<u>61,840</u>	<u>-</u>	<u>-</u>
The Officers Mess - Leasehold Improvements	132,454	132,454	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	(14,115)	(10,455)	-	-
	<u>118,339</u>	<u>121,999</u>	<u>-</u>	<u>-</u>
The Officers Mess Level 1 - Fitout Costs	19,085	19,085	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	(17,043)	(15,660)	-	-
	<u>2,042</u>	<u>3,425</u>	<u>-</u>	<u>-</u>
Corporals Club - Leasehold Improvements	26,281	26,281	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	(2,768)	(2,041)	-	-
	<u>23,513</u>	<u>24,240</u>	<u>-</u>	<u>-</u>
Commanders Residence	10,225	10,225	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	(7,359)	(6,814)	-	-
	<u>2,866</u>	<u>3,411</u>	<u>-</u>	<u>-</u>
Seminar Facility	21,484	21,484	-	-
Additions	-	-	-	-
Less Accumulated Depreciation	(2,121)	(1,522)	-	-
	<u>19,363</u>	<u>19,962</u>	<u>-</u>	<u>-</u>
Conference Equipment	11,348	11,348	-	-
Additions	(1,506)	-	-	-
Less Accumulated Depreciation	(9,842)	(9,842)	-	-
	<u>-</u>	<u>1,506</u>	<u>-</u>	<u>-</u>
<b>TOTAL PROPERTY PLANT AND EQUIPMENT</b>	<u>212,057</u>	<u>267,280</u>	<u>13,734</u>	<u>13,203</u>

Kiwibank Limited has registered a security over the Port Nicholson Block Settlement Trust assets as per the Personal Property Securities Register for the guarantee given to Kiwibank Limited in relation to the loan entered into by the Wharewaka o Poneke Charitable Trust on 29 April 2011.

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

### NOTE 16. OTHER LOANS

The Group have a long term loan from Ryman Healthcare Limited of \$938,574 (2013: 955,556). This loan is to be repaid through lease income recognised over a period of 15 years in accordance with the lease agreement between the Group and Ryman Healthcare Limited.

### NOTE 17. INTER-ENTITY LOANS

#### Inter-entity loans

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

#### The inter-entity loans comprises:

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

	Parent	
	2014	2013
	\$	\$
Shelly Bay Limited	9,929,882	10,081,824
The Lodge at Shelly Bay Limited	102,259	147,711
Port Nicholson Block Management Limited	-	-
Lowry Bay Section One Limited	2,113,171	2,267,707
Port Nicholson Block Properties Limited	-	-
Education PNBST Limited	-	-
	<u>12,145,312</u>	<u>12,497,242</u>

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

	2014	2013
	\$	\$
<b>Shelly Bay Limited</b>		
<u>Carrying value at cost</u>		
Opening balance	14,403,133	14,360,333
Monies advanced/ subsidiary expenses paid by Parent	100,356	42,800
Closing balance	<u>14,503,489</u>	<u>14,403,133</u>
<u>Impairment provision</u>		
Opening balance	4,321,309	3,206,505
Current year impairment expense	252,298	1,114,804
Closing balance	<u>4,573,607</u>	<u>4,321,309</u>
Carrying value of investment in subsidiary	<u>9,929,882</u>	<u>10,081,824</u>

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

#### The Lodge at Shelly Bay Limited

	2014	2013
	\$	\$
<u>Carrying value at cost</u>		
Opening balance	462,858	444,463
Monies advanced/ subsidiary expenses paid by Parent	4,830	18,395
Closing balance	<u>467,688</u>	<u>462,858</u>
<u>Impairment provision</u>		
Opening balance	315,147	305,617
Current year impairment expense	50,282	9,530
Closing balance	<u>365,429</u>	<u>315,147</u>
Carrying value of investment in subsidiary	<u>102,259</u>	<u>147,711</u>

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

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

### NOTE 17. INTER-ENTITY LOANS

*continued*

Port Nicholson Block Management Limited	2014	2013
	\$	\$
<u>Carrying value at cost</u>		
Opening balance	3,420,395	3,738,975
Monies advanced/ subsidiary expenses paid by Parent	(1,126,089)	(318,580)
Closing balance	<u>2,294,306</u>	<u>3,420,395</u>
<u>Impairment provision</u>		
Opening balance	3,420,395	3,738,975
Current year impairment expense/ (recovered)	(1,126,089)	(318,580)
Closing balance	<u>2,294,306</u>	<u>3,420,395</u>
Carrying value of investment in subsidiary	<u>-</u>	<u>-</u>

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

Lowry Bay Section One Limited	2014	2013
	\$	\$
<u>Carrying value at cost</u>		
Opening balance	2,767,095	2,733,778
Monies advanced/ subsidiary expenses paid by Parent	(37,664)	33,317
Closing balance	<u>2,729,431</u>	<u>2,767,095</u>
<u>Impairment provision</u>		
Opening balance	499,388	256,738
Current year impairment expense	116,872	242,650
Closing balance	<u>616,260</u>	<u>499,388</u>
Carrying value of investment in subsidiary	<u>2,113,171</u>	<u>2,267,707</u>

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

Port Nicholson Block Properties Limited	2014	2013
	\$	\$
<u>Carrying value at cost</u>		
Opening balance	5,286	1,505
Monies advanced/ subsidiary expenses paid by Parent	3,201	3,781
Closing balance	<u>8,487</u>	<u>5,286</u>
<u>Impairment provision</u>		
Opening balance	5,286	1,309
Current year impairment expense	3,201	3,977
Closing balance	<u>8,487</u>	<u>5,286</u>
Carrying value of investment in subsidiary	<u>-</u>	<u>-</u>

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

Education PNBST Limited	2014	2013
	\$	\$
<u>Carrying value at cost</u>		
Opening balance	9,419	-
Monies advanced/ subsidiary expenses paid by Parent	3,383	9,419
Closing balance	<u>12,802</u>	<u>9,419</u>
<u>Impairment provision</u>		
Opening balance	9,419	-
Current year impairment expense	3,383	9,419
Closing balance	<u>12,802</u>	<u>9,419</u>
Carrying value of investment in subsidiary	<u>-</u>	<u>-</u>

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

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

### NOTE 17. INTER-ENTITY LOANS

*continued*

#### Reconciliation of impairment provision for investment in subsidiaries

	2014	2013
	\$	\$
Opening balance	8,570,944	7,509,144
Current year impairment expense	(700,053)	1,061,800
Closing balance	<u>7,870,891</u>	<u>8,570,944</u>

### NOTE 18. ACQUISITIONS OF SUBSIDIARIES

No subsidiaries were acquired in 2014 (2013: PNBST Investments Limited Partnership).

### NOTE 19. TRUSTEE REMUNERATION

Trustee remuneration during the year was as follows:

	2014	2013
	\$	\$
Neville McClutchie Baker (Chairman)	12,125	9,000
Toarangatira Pomare (Deputy Chairman)	10,250	5,250
June Te Raumange Jackson	-	3,750
Sam Kahui	2,625	-
Dr Catherine Marie Amohia Love	3,750	9,000
Peter Maru Love	3,750	9,000
Sir Ralph Heberley Ngatata Love	2,625	13,333
Rebecca Elizabeth Mellish	6,375	9,000
Kura Moeahu	2,625	-
Mahara Okeroa (Resigned March 2014)	16,917	20,500
Mark Te One	6,375	9,000
Te Rira Puketapu	6,375	9,000
Hokipera Jean Ruakere	6,375	9,000
Howard Kevin Tamati	6,375	5,250
	<u>86,542</u>	<u>111,083</u>

Hon. Mahara Okeroa received a \$Nil payment for additional Executive Chairman duties, (2013: \$9,000).

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

### NOTE 20. FINANCIAL INSTRUMENTS

The following tables detail the Trust's financial instruments:

	Group			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2014	2014	2013	2013
<b>Financial Assets</b>	\$	\$	\$	\$
Cash and Cash Equivalents	2,686,553	2,686,553	2,350,331	2,350,331
Trade Debtors and Other Receivables	328,951	328,951	389,545	389,545
Prepayments	104,084	104,084	126,681	126,681
Investment in Related Entities	87,285	87,285	1,837,285	1,837,285
	<u>3,206,873</u>	<u>3,206,873</u>	<u>4,703,842</u>	<u>4,703,842</u>

  

	Parent			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2014	2014	2013	2013
<b>Financial Assets</b>	\$	\$	\$	\$
Cash and Cash Equivalents	3,118,899	3,118,899	2,633,365	2,633,365
Trade Debtors and Other Receivables	142,370	142,370	321,268	321,268
Prepayments	36,707	36,707	39,441	39,441
Investment in Related Entities	87,285	87,285	1,837,285	1,837,285
	<u>3,385,261</u>	<u>3,385,261</u>	<u>4,831,359</u>	<u>4,831,359</u>

  

	Group			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2014	2014	2013	2013
<b>Financial Liabilities</b>	\$	\$	\$	\$
Trade Creditors and Other Payables	399,757	399,757	642,049	642,049
Loans and Advances	938,574	938,574	955,556	955,556
	<u>1,338,331</u>	<u>1,338,331</u>	<u>1,597,605</u>	<u>1,597,605</u>

  

	Parent			
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	2014	2014	2013	2013
<b>Financial Liabilities</b>	\$	\$	\$	\$
Trade Creditors and Other Payables	1,750,447	1,750,447	2,039,783	2,039,783
	<u>1,750,447</u>	<u>1,750,447</u>	<u>2,039,783</u>	<u>2,039,783</u>

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 Parent and Group's banking arrangements and accounts receivable. Funds are held with KiwiBank and also by Colliers International in their trust account held with a reputable bank.

There are no other concentrations of credit risk. Exposure to credit risk is monitored on an on-going 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 on-going 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.

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

### NOTE 20. FINANCIAL INSTRUMENTS

*continued*

#### *Interest Rate Risk*

The Parent and the Group have no interest bearing borrowings. In regards to financial assets, the Parent and the Group monitor interest rates when required to limit interest rate risk.

#### *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 Group manages its capital through the use of cash flow and corporate forecasting models to determine the future capital requirements. There were no externally imposed capital requirements at the end of the year or during each reporting period.

### 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

<i>The Parent is related to the following Subsidiary entities</i>	<i>Principal Activities</i>	<i>Interest Held by Group</i>	
		<i>2014</i>	<i>2013</i>
Port Nicholson Block Management Limited	Management of Operations	100%	100%
Shelly Bay Limited	Commercial Rental	100%	100%
The Lodge at Shelly Bay Limited	Commercial Rental	100%	100%
PNBC Limited	Treaty Negotiations	100%	100%
Lowry Bay Section One Limited	Commercial Rental	100%	100%
Port Nicholson Block Properties Limited	Commercial Rental	100%	100%
Education PNBST Limited	Project Management	100%	100%
PNBST Investments Limited Partnership	Commercial Rental	100%	100%

All members of the Port Nicholson Block Settlement Trust group are related parties of the Trust. During each reporting period, the Trust has advanced loans to support its subsidiaries as required, and received loan repayments from its subsidiaries, in the normal course of business. Details of transactions between the Parent and subsidiary entries are as 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
- Wharewaka o Poneke Charitable Trust
- Wharewaka o Poneke Enterprises Limited
- Pipitea Marae Charitable Trust

#### (c) Transactions with related parties

Significant related party transactions included:

	<u>Group</u>		<u>Parent</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	\$	\$	\$	\$
Management fees to Port Nicholson Block Management Limited	1,737,838	1,043,587	1,737,838	1,043,587
	<u>1,737,838</u>	<u>1,043,587</u>	<u>1,737,838</u>	<u>1,043,587</u>

During the Year PNBST Investments Limited Partnership recorded net income from lease premiums and lease rentals of \$61,036, (2013: \$570,156). In terms of the Limited Partnership Deed, this income has been allocated to Port Nicholson Block Settlement Trust, (Parent).

# PORT NICHOLSON BLOCK SETTLEMENT TRUST

## Notes to the Financial Statements

For the Year Ended 31 March 2014

### NOTE 21. RELATED PARTY TRANSACTIONS

*continued*

#### (d) Related Party Outstanding Debts

The following related party debts and interest accrued were outstanding at the reporting date.

	Group	
	2014	2013
	\$	\$
Wharewaka o Poneke Charitable Trust - Capitalised Interest	87,285	837,285
Wharewaka o Poneke Charitable Trust - Accrued Interest	53,494	-
Palmerston North Maori Reserve	-	500,000
Wellington Tenths Trust	-	500,000
Pipitea Marae Charitable Trust	1,251	1,251
	<u>142,030</u>	<u>1,838,536</u>

#### (e) Related Party Transactions

During the year Port Nicholson Block Management Limited paid consultancy fees to Liz Mellish, Business Mentor of \$112,500, (2013: \$108,281) and \$4,500, (\$96,600) to Mahara Okeroa and Associates Limited. Liz Mellish is a Trustee of Port Nicholson Block Settlement Trust and Mahara Okeroa was a Trustee until his resignation in March 2014.

#### (f) Other Related Party Transactions

During the year a number of Trustees and senior staff were appointed by the Trust to various positions on Council committees and other parties related to the Trust.

The following Trustees/Staff received fees for participating on such bodies.

Liz Mellish	\$670 from Greater Wellington Regional Council
Neville Baker	\$3,600 from Pipitea Marae Charitable Trust
Mahara Okeroa	\$1,600 from Pipitea Marae Charitable Trust
Aroha Thorpe	\$2,600 from Pipitea Marae Charitable Trust

### NOTE 22. CONTINGENT LIABILITIES AND COMMITMENTS

The Port Nicholson Block Settlement Trust has an agreement with Kiwibank to act as guarantor to the \$2,860,460 (2013: \$2,860,836) loan entered into by the Wharewaka o Poneke Charitable Trust on 29 April 2011. There are no other contingent liabilities or commitments as at 31 March 2014 (2013: \$Nil).

### NOTE 23. SUBSEQUENT EVENTS

The Trustees are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt within the financial statements that have significantly or may significantly affect the operation of the Parent or Group.

### NOTE 24. LEASE COMMITMENTS

	Group		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
Not later than one year	7,784	129,650	-	-
Later than one year, not later than five years	2,239	204,675	-	-
	<u>10,023</u>	<u>334,325</u>	<u>-</u>	<u>-</u>