

PORT NICHOLSON BLOCK SETTLEMENT TRUST  
Annual Report 2014





## Moemoeā / Vision

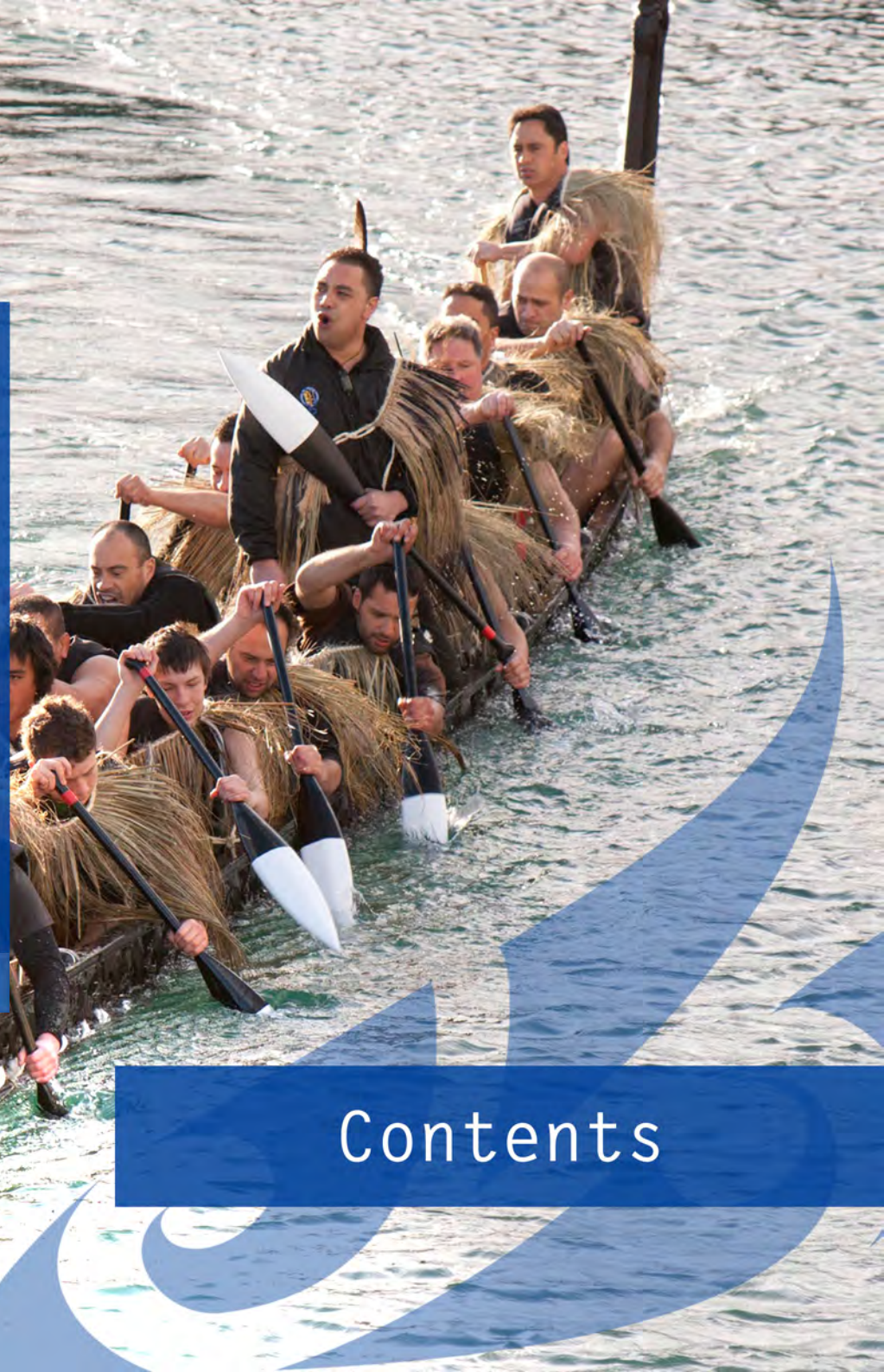
Ki te whakahou, whakapakari  
me te whakanikoniko i te ahurea,  
papori, rangatiratanga o  
Taranaki Whanui ki Te Upoko o Te Ika

To restore, revitalise, strengthen  
and enhance the cultural, social  
and economic well-being of  
Taranaki Whanui ki Te Upoko o Te Ika

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# Port Nicholson Block Settlement Trust

Minutes from 2013 Annual General Meeting

**Saturday 31 August 2013**

**Pipitea Marae, Thorndon Quay, Wellington**

**Trustees Present:**

Hon The Chairman (Chairman), Toa Pomare (Deputy Chairman), Liz Mellish, Mark Te One, Dr Catherine Love, Peter Love, Neville Baker, Teri Puketapu, Howie Tamati, Hokipera Ruakere

**Attendance**

Montgomery Ahie, Janine Ahie, Fred Allen, John Aratema, Janis Awatere, Turuhira Bailey-Mohi, Raitatukia Bailey-Tomlinson, Brendon Baker, Rae Belton, Jose Bigham, Marie-Nui Biss, Janet Bowen, Minnie Broughton, Jacqui Brown, Leslie Brown, Erueti Brown, Dr Leo Buchanan, Ronald Butler, Veronica Caldwell, Rata Cannon, Kristen Carey, David (Tuffy Churton), Melvyn Cock, Marama Cock, Shona Coffey, Haerewaru Coffey, Russ Cook, Takiri Cotterill, Cherry Davey, Caress Dittmer, Vennessa Ede, Joan Ellis, Stewart Erb, Judy Erb, Allan Erskine, Mynetta Erueti, Judith Evans, Philippa Fairclough, Mark Fenwick, Sally Fenwick, Louana Fruean, Adrienne Fruean, Roz Gaylard, Urutaahua Gilbert, Martha Gilbert, Mike Gilbert, Manuelita Gilbert, Colleen Goodgaine, Muriwai Goodman, Caii-Michelle Gordon, Nardine Gourlay, Rini Graham, Hera Hailwood, Doug Hawkins, Coree Healey, Ripeka Healey, Raymond Henry, Kerin Herlihy, Pam Herlihy, Hana Heta, Jacqueline Hamon, Vicki Hollywell, Jeanie Hughes, Sharon Hughes Hirini, Myra Hunter, Sarah Hunter-Love, Reena Huntley, Mana Huntley, Mana Jenkins, Helen Johnson, Sam Kahui, Hariesa Kanavatoa, Wayne Kingi, Frances Kingi-Katene, Huia Kirk, Joy Kirk, Grant Knuckey, Morris Love, Lennox Love, Ben Love, Amohia Love, Honiana Love, Hami Love, Laura Love, Sir Ngatata Love, Daniel Love, Poiria Love-Erskine, Niki Luke, Peggy Luke-Ngaheke, John Lynch, Siobhan Lynch, Apihaka Mack, Wayne Makarini, Ngaere Makowharemahihi, Monty Man, Richard Manu, Raymond Marshall, Miriama May, Helen McConnell, Glenn McConnell, Moya McConnell, Alamaine McGregor, Tui MacGregor, Lois McNaught, Wikitoria Michalanney, Kataraina Millin, Kura Moeahu, Wikitoria Morehu, Kamiri Mullen, Daniel Nelmes-Love, Te Rae Ngaheke, Lisa Ngaia, Dan Nuku, Erina Okeroa, William Owen, Marina Paki, Wayne Peters, Maara Peters, Winsome Priest, Hinemoa Priest, Aroha Puketapu, Huia Puketapu, Tiwha Puketapu, Sharee Puketapu, Alanna Puketapu, Tamahina Puketapu, Kaira Ranginui-Love, Tommy Rangitonga, Ina Rangiwhetu, Wikitoria Ratu, Lee Rauhina-August, Riwaka Rawiri, Sarah Reeves, Pekaira Rei, Konga Reriti, Ann Reweti, Queenie Rikihana, Alice Riwaka, Makere Riwaka-Love, Anne Robertson, Jean Ruakere, Fran Ruakere, Wirape Ruakere, Samuel Ruakere, Pania Ruakere, Roena Ruakere-Te Uira, Reo Ruru, Santana Ryland, Ethan Ryland, Shamia Shariff, Rene Sharman, Erini Shepherd, Korina Sinclair, Alice Sionetama, Kim Skelton, Enoka Smiler, Margaret Smiler, Megan Somerville, Anne Somerville, Louise Studd, Laura Taepa, Hoani Taepa, Hemi Tahurangi, Te Waikaramu Takiwa, Aroaro Tamaati, Tania Tanaki, Robin Taylor, Richard Te One, Arihira Te Paki, Tina Thomas, Evelyn Tuuta, Riria Utiku, Adrian Wagner, Mere Wakefield, John Warren, Joan Warren, Alexander Watson, Bexly Weeks, Ngawhakaheke Wetere, James Wheeler, Robyn Winther, Aroha Woller, Sharon Wright

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## Staff and Advisers

Euan Playle (BDO Wellington), Aaron Titter (BDO Wellington), Nigel Moody (Gibson Sheat), Sam Jackson, Aroha Thorpe, Tracey Betham, Mere Tahuparae-Luinstra, Jane Dawson, Mel Harrington, Ben Ngaia, Chris Fox, Neil Blanchfield (electionz.com)

## Apologies

Tracey Wairau, Pauline Owen, Emily Maru, Heni O'Hare, Michael Ahie, Dawn McConnell, Julia McConnell, Trevor Warren Wi Tako Love, Renee Love, Alastair Love, Addy Love, Rosemarie McNaught, Neville McNaught, Michelle McNaught, Gabrielle Brown, Ani Parata, Ngaire Jenkins, Michael Jenkins, Sydney Mephram, Warren Skerrett, Laurayne Mariu-Peck, Damian Bishop, Samantha Banks, Marilyn Irving, Sam Kahui, Jade Irving, Anthony Bishop, Heather McPhee, Robin Irving, Ngawiki Larkins, Myna Paraha-Richmond, Melanie Paraha, Stephanie Richmond, Rowen Richmond, Gabriella Richmond, David Charleton, James Peter Scandlyn, Kerewai Moeahu, Mereana Riwaka, Arana Taepa, Poia Moeahu, Manaia Daymond, Ihaia Puketapu, Kararaina Luke, Ihaia Gilbert, Raniera Puketapu, Hina Luke, Wirangi Luke, Honeta Wirihana, Matariki Puketapu, Lee Ann Clayton, Marama Puketapu, Marlene Dawson-Love, Matthew Reweti, Waimarie Puketapu, Heni Gordon, Ngahunu Puketapu, Ariana Puketapu, Joseph Takarangi-Firmen, Gary Paul Mohi, Ngapera Moeahu, Tane Eru Mohi, Raima Moeahu, Ariana Mohi, Hinehau Moeahu, Elenor Gurnick Whanau, Bull Reriti, Avery Alloway Whanau, Hine Love-Thompson, Alice TePunga Somerville, Ashley Ede, Whero Bailey, John Studd, Lindsay Carr, Natalie Hotu, Hilary Fuller, Noel Kirk, Robin Kirk, Dave Churton, Puati Wyllie, Felicity Buchanan, Hannah Buchanan, Vaughan Kingi Gooch, Kevan Jason Gooch, Kereana Leith, Telesia Atamira Te Paki, Wikitoria Pahemata Gear, Mereana Smith, Tehuinga Herlihy, Huia Herlihy, Tracy Matthews, Matthew Tomlinson, Meshia Matthews, Gemma Matthews, Julia Marino, Te Karanga o te Tui Marino, Karen Ramsbottom, Matene Love, Tyron Love, Rebekah Love, Adam Love, Beulah Fox, Peter Charleton

## Welcome and Opening

Sam Jackson opened the meeting with mihi at 10.03am.

The Chairman commenced the meeting. He outlined the agenda and stated that the AGM was a private meeting and asked any media present to leave.

The Chairman explained the meeting's "rules of engagement". He noted that there may be some matters that will be controversial and stated that he would exercise his rights embedded in the Trust Deed to regulate the meeting if required. Those present were reminded that question time was for questions. Statements would only be made by prior arrangement with the Chairman.

Nigel Moody (on behalf of the Trustees) made the following statement to the meeting

- Trustees are aware that as a result of an SFO investigation, charges have been laid
- The Court has made orders suppressing the names of those charged

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- No-one can, without the authority of the Court, confirm the names of those charged

The Chairman reviewed the process around the Trustee election and declaration of result which will be made on Tuesday by electionz.com.

## **Minutes of 2012 AGM**

**Resolved** (Sally Fenwick/Rae Belton) that the members accept the Minutes of the Annual General Meeting held on Saturday 8 September 2012 as a correct record of proceedings

## **Chairman's Report**

The Chairman stated that he had received two requests to make statements at the AGM. He had agreed to the requests from Morrie Love, Wellington Tenth Trust Chairman and Kara Puketapu.

The Chairman stated that any questions on information given in the Chairman's report will be addressed at the end of the Chairman's report prior to members receiving the report by formal resolution.

## **Review of Trust Deed**

The Chairman advised members that there was a recommendation that consultation be undertaken with members on a possible change of name for the Trust. Once that is done a Special General Meeting will be convened for Trustees to recommend changes to the Trust Deed which will include changes to the electoral process, removing redundant clauses from the deed and looking at a possible name change.

## **Wai 2235**

The Chairman reminded members of the Waitangi Tribunal and High Court actions that had been taken and summarised by informing members that the total cost of this had been \$750,000.

## **Property**

Toa Pomare then spoke to the two property slides (attachment 1) outlining the 4 year cash impact on the Trust from the properties and also the write down in property valuations that has occurred. The summary position is that:

- 4 year cash deficit has been \$610,064
- 4 year valuation write down has been \$4,627,828

## **Lowry Bay Section One Limited**

Liz Mellish spoke about the Wainuiomata former school sites. She noted that demolition work is continuing and community groups continue to make use of the facilities for which the Trust receives minimal rental. She briefly updated members

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on the court action in respect of the kohanga reo and rental. The company is working with Carrus Developments, at no cost to the Trust, looking to positive opportunities for the site.

## **Earthquake Risks**

Aroha Thorpe advised members that following the two recent significant earthquakes, engineers have undertaken visual inspections of the Trust properties and aside from some superficial issues no other damage was visible. Written reports to this effect have been received.

## **Reducing Spending**

Noted that spending reductions were occurring, for example the rent reduction and reduction in staffing costs. With these reductions achieved there are some opportunities that have not and will not be able to be pursued. In particular cultural services and whole of government initiatives. Maintaining the cultural integrity in the rohe is critical and this needs to be addressed.

## **Harbour Islands**

Mark Te One spoke to the slide (attachment 2) and advised that the Trust does not contribute any financial support but there is time committed by staff to some matters. There are a number of volunteers who contribute also. PNBST works well with the Department of Conservation who have undergone some significant changes and are still working through operational matters.

## **Roopu Tiaki**

Mark Te One spoke to the slide (attachment 3) and reminded members that the Roopu Tiaki manage the Parangarahu Lakes. One of the lakes remains in a pristine state. Work continues on exotic weed eradication. Work is being done with the Fisheries Trust to get eel back into the lake system. The Trust holds the keys to access the area. Liz Mellish advised that there may be a trip organised for summer.

## **Oruaiti (Fort Dorset)**

Liz Mellish reminded members that we had attempted to have all of Fort Dorset returned through the settlement. PNBST got an area including the sand dunes and hills. It is the entranceway to the harbour. PNBST were successful in getting \$400,000 through the Plimmer Bequest. The Trust has not contributed financially to the work. Wellington City Council obtained some further land which was added to the reserve and into the Trust's ownership. The photo on the slide (attachment 4) is one that has been presented to the Trust from the whakawatea by Parks and Gardens staff of Wellington City Council.

## **Honiana Te Puni Reserve**

Liz Mellish stated that not a lot has been done on this reserve to date. Consideration is being given to the establishment of a water sports hub on the site



and to work with Hutt City Council to achieve this, including rowing, waka ama, ocean swimming, etc. A management plan will be developed in the future for the site. Liz also spoke briefly about the proposal of "the Great Harbour Way" cycleway. Members were also informed about the proposed road by NZTA from Grenada North to Korokoro which would be a new interchange similar to the Dowse. There is no cost to the Trust from this site other than the time spent by staff working on it.

## **Wi Tako Ngatata Reserve**

Liz Mellish spoke to the slide (attachment 5). She advised members that the reserve contains several endangered species of plant. The reserve is located between Trentham and Silverstream. Some of our whanau live next door to it.

## **Sale and Leaseback**

The Chairman spoke to the slide (attachment 6). PNBST needs to participate in this instrument As it is really significant for our go forward. PNBST has 6 years remaining to exercise the opportunity. It is an investment in land and PNBST would just collect the rent from a Crown tenant. No risk associated with buildings as they are the responsibility of the tenant. He stated Trustees must focus on this opportunity to aid in the turning around of the overall property liabilities.

## **Right of First Refusal**

The Chairman spoke to this slide (attachment 7) and outlined the process involved. He noted that none of the opportunities to date have been taken up. He emphasised it is critical that the Trust consider strategic alliances to realise the potential of this mechanism.

## **Motu Kairangi**

The Chairman advised that the creation of the national park that had been discussed last year has not eventuated. The property is 76 hectares in total. PNBST's right of first refusal is behind other Crown agencies and the local authority.

## **Relationships**

Relationships with local government are important to Taranaki Whanui. They provide income of \$178,000 per annum to PNBST. The relationships provide for ensuring and protecting mana whenua rights across the rohe.

## **Opau Urupa**

Liz Mellish spoke to the slide (attachment 8). She advised that the land has transferred to the PNBST ownership and a lot of work has been put into the planning and design of the urupa. The property will only ever have an intrinsic value on our books. Total cost of establishing the urupa is being borne by PNBST.

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The sod turning is planned for later in September with a completion date of March 2014.

## **Annual Plan 2013-2014**

The Chairman then walked through the slides of the Annual Plan 2013-2014. He particularly noted the following:

- Finalising Trust Deed changes and holding Special General Meeting
- Consideration of Sale and Leaseback portfolio
- Continuing investigations in respect of non-performing assets
- Review of strategic plan
- Maintaining and increasing the mana of Taranaki Whanui
- Continuing to review expenditure
- Maintaining watching brief on Ngati Tama 'opt—out' clause
- Continuing member application and verifications which is critical
- Increasing communications with members including providing 6 monthly newsletters

## **Kara Puketapu statement**

As Kara Puketapu was unable to attend the AGM, the Chairman read Kara Puketapu's letter to the meeting and noted that the letter had been placed on social media (Facebook).

## **Morrie Love statement**

Morrie Love stated he was speaking on behalf of Wai 145. He noted that all claims of Taranaki Whanui were fully and finally settled in August 2009. At that time the claims and claimants ceased to exist with them all becoming members of the single entity. The Port Nicholson Block Settlement Trust included Wai 105, Wai 145, Wai 571 and others.

The hearings on Wai 145 started in 1991 and continued until the release of the Wellington District Report in 2003. Wai 105 chose not to participate in the hearings therefore no evidence was before the Waitangi Tribunal. Wai 105 claimants were made an offer by Minister Graham and it was refused. Duncan Moore produced a comprehensive report and wrote much of the evidence for the Tenth's claims. Duncan struggled to find a claim for the taking of Hutt Section 19 block. In his view there had been extensive consultation and adequate compensation in the taking of that block. Therefore the claim would not have been well founded in the Waitangi Tribunal.

PNBST was largely achieved on the back of Wai 145 as reported by the Tribunal. Tenth's beneficial owners contributed extensively to the settlement but Wai 145 like Wai 105 is now fully and finally settled. The Taranaki Whanui settlement is now to be shared by all members equally with no preferences to be given. Any other arrangement or opportunity is long gone. The divisive behaviour should stop now so we can move forward effectively to do the business. The leadership for these matters needs to come from this table of Trustees.

**Resolved** (Grant Knuckey/Dr Catherine Love) that the members receive Morrie Love's report and acknowledge the opportunity afforded to Kara Puketapu to address members, but given his absence this did not happen.

## **Waiwhetu School**

Kura Moeahu asked how the funds received from the sale of Waiwhetu School would be applied. The Chairman responded that earlier in the meeting he had indicated that the sale and leaseback mechanism should be focused on. There are other opportunities that are not yet known and Trustees will address those as they arise. With the sale and leaseback the funds go back into land investment.

David Churton asked why the Trustees sold Waiwhetu School to purchase other land. The Chairman responded that as indicated earlier in the meeting the property was providing no return to the Trust and had in fact cost the Trust in excess of \$130,000 over the 4 years it had been held

Tania Tanaki noted that last year reference was made to an early child care centre at Lowry Bay Section One Limited and this year the reference is to a kohanga reo. Is the rental matter related to this change? The Chairman explained that while it is called a kohanga reo it is not funded through kohanga. It is in fact funded through the Ministry of Education and therefore the appropriate name is an early child care centre

Martha Gilbert asked why the Trust had not gone back to the community at Waiwhetu to consider an opportunity for them to purchase back the property. The Chairman advised that at a meeting Toa Pomare had asked Teri Puketapu if Waiwhetu could purchase it and the response was no. Catherine Love clarified that neither herself nor her father Sir Ngatata Love, had voted on the matter. In particular Catherine had a conflict of interest because the Ahikaa programme was operating at the site for about 150 youth, largely of Taranaki Whanui descent. Catherine also reminded those present that the Waiwhetu community includes more than just those who are currently resident at Waiwhetu.

James Wheeler asked in respect of the Waiwhetu School if the land had been sold to buy other land to get a better return? The Chairman confirmed that was the case and a positive cash generating initiative might be within the sale and leaseback opportunity.

Huia Puketapu asked if there could be a show of hands from those trustees who voted to sell the Waiwhetu School. The Chairman advised that would not occur. There had been a majority decision by the board to sell and all Trustees are bound by majority decisions, even those who may vote against any resolution of the board. Therefore it is a matter of trustee law and indeed the Trust Deed.

Huia Puketapu then asked if the trustees who did not sign, whether they could be held accountable personally for not signing. The Chairman asked the Trust legal counsel to respond.

Nigel Moody explained to the meeting that under the Trust Deed, decisions of the board are made by a majority. All those who offer themselves for election to the Trustee role should be aware of this through preparation by reading and understanding the Trust Deed. When a majority decision is made, even those Trustees who voted against the matter are liable for the decision of the majority.

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So if a majority of Trustees approve an agreement to sell and a minority of Trustees refuse to sign a transfer document, that minority would be in breach of their legal obligations and duties as Trustees,. The only recourse of the Trust, which would be in default of its obligations under the sale agreement as a result of the actions of the non- signing minority, would be to take legal action in the High Court and seek an order requiring the minority to sign the transfer and enable the Trust to discharge its obligation to settle.

Teri Puketapu stated his tuakana had asked for this property to be landbanked. Near the end of negotiations with Finlayson he put forward the Waiwhetu site in acknowledgement of the Wai 105 claim. A letter from the Ministry refers to this. He stated that he was disappointed in his fellow trustees and he had been the last Trustees to sign the document for the sale deliberately. He went on that he believed "we" could have done the development ourselves. Developers offered to purchase and Trustees agree to sell. Value of the property at the time was \$2,000,000 (sale price confirmed as \$2,050,000 following AGM). That amount was offered and taken. Developer subdivided and a total of \$8.3million was achieved through the sale of sections.

## **Wai 660**

Anne Reweti spoke about Wai 660. She stated that the claimants had been represented in the preliminary process of negotiations but not during the Waitangi Tribunal hearings. At that time the claimants believed they were entitled to research money, but the claim had been severed from the Wai 145 claim and assigned to Wai 105. The small claims were just as important as the large ones. The property at Whites Line East had been land owned solely by her grandfather. Claimants had previously tried to come up with the funds to purchase it and couldn't. The property was landbanked, not specifically for the family but into the general pot. They did sign to go with the group. It has been noted today that the property has cost the Trust \$4,186 over the four years. She suggested the property could be offered back to the original owners.

**Resolved (Morrie Love/Sally Fenwick)** that the members receive the Chairman's report presented to the Annual General Meeting

## **Audited Financial Statements to 31 March 2013**

At the Chairman's invitation Euan Playle of BDO Wellington presented the audited financial statements for the year ended 31 March 2013 on behalf of the Trustees. Euan noted the audit opinion as given by Grant Thornton NZ Audit Partnership.

Statement of Comprehensive Income for the year ended 31 March 2013 - Euan spoke to the slide (attachment 9) summarising the statement on page 21 of the Annual Report:

- Net profit from property was \$168,740 which is a significant improvement compared to the loss in previous years. The Deputy Chairman will address some matters following the financial statement presentation.
- Administration, legal and all other costs for the year were \$3,100,063 (see Note 6). There are significant one-off costs included. Key costs are set out on page 29 – accounting, Annual General Meeting, consultancy fees, legal, etc.
- Trading profit/loss is \$2,932,063 from operations

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- Other significant matters during the year includes the revaluation being a write-down of \$1,300,673. This is not in cash terms, but is a book entry and it is significant.
- There was a \$32,453 loss associated with the sale of properties. The costs relate to legal expenses, conveyancing, etc.
- Ryman Health Care paid a \$4m lease premium during the year. Those funds were used to purchase the property. The property is now in the fee simple title of the Trust.
- Other income of \$400,539 includes the income from local Councils referred to earlier by Liz Mellish as well as cultural services provided externally,
- There was a net \$3,064,685 of other income over the year in addition to rental operations and business operational costs.
- Result is a net income position for the year of \$132,622.
- The \$600,000 owed to the Trust by Redwood Group has not been able to be recovered. Members were reminded that it was originally \$750,000 with \$150,000 having been paid. Trustees and advisers believe it is best not to pursue legal remedies but to make a provision for a doubtful debt.
- Net interest of \$63,239 for the year
- Loss for the year is \$404,139

Statement of Changes in Trust Capital slide (attachment 10) - Euan noted that at the beginning of the year Trust Capital was \$23,340,159 and this has decreased by the loss for the year of \$404,139, so at the end of the year Trust Capital is \$22,936,020.

Statement of Financial Position - Euan noted the \$1m received from Ryman. It is a payment for future rental and will be spread over the next 14 years. It is paid at the base rent for that period. He then briefly explained that once the village is completed the Trust will be entitled to a share of 'churn'.

Liabilities to Assets slide (attachment 11) - Euan explained that the Trust's liabilities are 7% of assets as at 31 March 2013. Trustees will have a long-term strategy on the level of liabilities they are comfortable to carry and the consideration is in risk and reward. One of the considerations will be whether or not to be a property developer. Trust has low borrowings and has \$2m cash in the bank.

## Questions relating to the Financial Statements

1. Leo Buchanan asked how the Trustees will handle the Shelly Bay matter given the various figures presented today. The Chairman responded that the Trust had received an unsolicited interest in Shelly Bay from the Todd Family at \$10m cash. The property has significant liabilities. Because of these liabilities, the Economic Development Committee spent at least four months discussing the Todd offer with property consultants in an attempt to advance the kaupapa. The Trustees decided not to proceed with this proposal. The Chairman expressed concern that there had been a leak of information which had compromised the confidentiality agreement with the Todd Family. He concluded that it is currently unclear whether the Todd Family would be interested in revisiting their proposal.

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2. Morrie Love said that in reviewing the accounts there is a lot of red ink, but nowadays that is shown in brackets. The income of the Trust is very poor. He asked Euan Playle if he had an opinion as to whether or not the Trust could ever have developed the Waiwhetu School site? Euan Playle responded that it was difficult to know what to do. Should PNBST put the assets at risk and become a property developer? There are further options available to PNBST that would have less risk and better returns. He would not anticipate any bank supporting a property development proposal given the current lack of income to support interest payments, etc.
3. David Churton stated that in reviewing the accounts back to 2010 the Trust equity has reduced to \$22.9m. He asked whether fundamentally the Trust is being managed in a good way or will we continue to have an erosion of the asset base? Euan responded that it is important to remember that when the Trust settled it was the peak of the property market. Over the ensuing period there has been a \$4.5m write down of land value. It is the most significant aspect of what has happened. There have been trading losses but that is due to no income from the property assets. Euan then stated that he cannot tell members what the property values will do in the future, but PNBST does have opportunities.
4. Peggy Luke asked why the audit opinion was not a 'clear' one. Euan advised that the opinion given is the best you can get. It states clearly that the accounts represent the transactions for the year and assets owned at 31 March 2013. Auditors do not review every small issue, but look at risk issues. The opinion received is a good one. A qualified opinion is when auditors identify specific matters that in their opinion need to be addressed – it is the same as saying "subject to".
5. Huia Puketapu advised that she had several questions from the accounts. On page 28, what is the \$450 on professional fees? Euan responded that he could not recall off hand without referring to files. She then asked why such a large difference between the AGM costs in 2012 (\$25,000) and 2013 (\$98,000). Euan clarified that the 2013 figure is not about today it refers to last year's meeting. He then stated that in the 2012 year there had not been an election process but in the 2013 year there had been the full electoral process and costs associated with that. Huia then stated that in the Trust office expenses, it does not clearly show the salaries component. Euan responded that it includes salaries of \$514,000. Huia asked why this is not extrapolated out as she thinks best practice is to disclose, not individually but in some manner. Huia then stated that she believes the minutes of the last meeting are not correct on page 8 relating to subsidiary companies. She wants to know who the directors of the companies are and how much they have been paid. All directors with the exception of one do not receive any payment for the role. Huia then turned to the consultancy fees declared on page 22 (actually page 43) and in the related party note where Liz Mellish was paid \$108,281 and the Chairman was paid \$96,600. They are also trustees and also directors of subsidiary companies. Liz Mellish responded that she does not receive any payment for being a director of Lowry Bay Section One Limited. Of the \$108,000 she was paid she has to pay GST, PAYE, ACC, insurance, running cost of own vehicle (no taxi use), she does not receive holiday pay, or any sick leave entitlement, etc. On the other side of the ledger Liz generates \$178,000 income per

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- annum for the Trust through the Council relationships. Liz stated that she is pleased the matter has been disclosed and agrees that probably the salaries should be disclosed, perhaps in band ranges.
6. A member from Waikanae commented that she would like to see more separation between board involvement and working for the Trust. She also commented that it is a shame that the Trust is losing good people to other opportunities.
  7. Wayne Kingi asked if any of the Trust properties are at risk of not getting insurance cover because of the recent earthquakes. Euan responded as the Trust Manager Aroha Thorpe had advised earlier none of the properties have been affected by the earthquake. As part of getting insurance renewal yearly, valuers have to complete an insurance valuation for the insurance brokers and to date renewing insurance cover has not been an issue for the Trust properties.
  8. Kura Moeahu asked why Te Runanganui o Taranaki Whanui is recorded (page 42) as a subsidiary of PNBST? Euan responded that the note is about subsidiaries and associates of the Trust and related parties. The Runanga is a related party because members of its board are also Trustees for the Trust. It is a disclosure matter. It is not disclosed as a subsidiary of the Trust.
  9. Kura also asked for clarification on page 43 (e) and what the Trust policy is for tendering for services. This is a recovery of costs exercise for the Trust. The Trust does not advertise for services.
  10. Kura continued pointing out that on page 42, it is stated that the Ryman land was held by PNBST and sold to a company. What benefits for taxation and accounting purposes does PNBST get? It is more transparent if the parent holds rather than the company? Euan responded that the Trust Deed indicates that commercial activities should be done by a commercial arm. That is an inherent problem for the PNBST given, in terms of the settlement all properties went into the Trust. With all of the PNBST's subsidiary companies the Trust is and remains the 100% shareholder of the company. If legal action is taken against say a limited liability company then the risk is limited at the company level so does not affect the Trust itself.
  11. Tiwha Puketapu referred to the minutes of the 2012 AGM and identified the re-evaluation of the financial position and discussion around an investment strategy. Euan responded that this work is part of the Audit & Risk committee and will be referred to later in the presentation.
  12. Huia Puketapu referred to page 42 and said that it appeared to be a small amount for a long-term lease. Euan responded that it is a base rental until the village is fully commercial and functioning, at which stage further rental will be recognised. The upfront payment was to cover the development phase of the village. The business on the property is not the Trust responsibility – it is Ryman's business.
  13. Vennessa Ede made comments in respect of the very low income and very low cash flow for the Trust. Unpaid rentals is not acceptable.

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## **Audit & Risk Committee**

Toa Pomare spoke on behalf of the Audit & Risk Committee and gave background information on the independent member, Tom Jamison. The committee was established in May 2013. Mr Jamison receives remuneration for the role he fulfils. He reminded members of the review completed by Craig Ellison and the recommendations that were made which included the establishment of the Audit & Risk Committee. There had been a request last year to consider separating Trust core activities and commercial activities an establishing a commercial board. Mr Ellison had also recommended a similar structure. The committee have endorsed the Ellison report and priority will be given to moving forward on the recommendations. The Trust needs to make good business decisions, but to do that we need to understand the state of the Trust as at 31 March 2013.

The final result of the Trust as at 31 March 2013 is a deficit of \$404,000. If you add back or deduct the one off items from the year to March 2013 (which are not normal operating costs) you can project a result - if nothing else changes. The items identified were:

- + Redwood provision for doubtful debt - \$600,000
- + Property revaluation write down - \$1,300,000
- + Capital loss - \$32,000
- + Mahon Fee - \$84,000
- + Legal Fees (Tribunal and High Court) - \$750,000
- - Lease premium from Ryman - \$4,000,000

The projection forward is that if the 'steady state' remains, as at 31 March 2014 the deficit will be \$1,638,000.

Huia Puketapu asked how long the Trust could sustain those losses. Toa Pomare responded one and a half to two years without selling off more assets.

Toa explained that PNBST urgently needs to take positive action – mainly exploring the sale and leaseback opportunities available to PNBST and turning the current non-performing assets into cash flow positive. Further discussion took place regarding the opportunities available with Toa Pomare re-emphasising the Trust needs to turn the \$1.6m stead state loss into a positive yield. Liz Mellish reminded the meeting of the opportunities around the sale and leaseback opportunities such as the District Court.

**Resolved** (Morrie Love/Martha Gilbert) that the members receive the audited Financial Statements of the Trust for the year ended 31 March 2013

**Resolved** (Martha Gilbert/Billy Owen) that the members appoint Grant Thornton NZ Audit Partnership to be the Trust's auditors for the year ending 31 March 2014.

## **Trustee Remuneration**

The Chairman spoke to the slide (attachment 12) advising members that the Trustees are recommending a 50% reduction in the fees paid to Trustees. This is after consideration of the current financial position of the Trust.

The following comments were made:



# AGM 2013 Minutes

- James Wheeler - did not agree with the recommendation at all. Chairman responded that Trustees had discussed the matter yesterday and given the challenging position of the Trust, they believed they needed to demonstrate a commitment to reducing expenditure. He revealed to members that the initial proposition at the Trustees meeting had been to take no fees.
- Vennessa Ede supported James Wheeler's statement. It is an honourable notion but Trustees work hard and invest many hours. The application of a "minimum wage" is disgraceful. We want our Trustees to do the work necessary to increase revenue and assets for our benefit and urged members not to accept the recommendation
- Morrie Love stated that although it might go against his best interests, he believed PNBST must be prudent and every piece of cloth needs to be cut to assist in turning the situation around. It can be revisited in the future as profitability increases.
- Huia Puketapu asked how many Trustees are full time and Chairman responded that he had answered that earlier. Trustees have other commitments outside this role. He will take on board the comments made
- Peter Love stated that he had supported the reduction of fees and 'agreed to take the pain on your behalf'.

**Resolved** (Russ Cook/Sally Fenwick) that the members approve Trustee remuneration as follows:

Chairman:	\$16,000 gross per annum
Deputy Chairman:	\$6,000 gross per annum
Trustee (each):	\$4,500 gross per annum

Carried by majority

## General Business

Hikoikoi classes - Kamiria Mullin asked that the Trust continue to support the classes held at Hikoikoi. It is one programme of three and has become important to the people attending.

Draft business model - Tiwha Puketapu asked when members would receive a draft of the business model being worked on, particularly given the challenges that have been outlined today. He expressed his appreciation for the transparency today

Kapa Haka competition - Kura Moeahu advised members that there is a kapa haka competition at Te Whiti Park on 1 January 2014. It is an important kaupapa and he shared this information with Morrie at the Fisheries hui recently.

## Closure

There being no further business the meeting was closed by Sam Jackson at 1.10pm.



# Tēnā koutou katoa

As required by our Trust Deed (Clause 10) on behalf of my fellow Trustees, I am proud to present this fifth annual report on the affairs of the Port Nicholson Block Settlement Trust realising what a great future lies before us.

Included are the Trust's audited Financial Statements for the 12 months ending 31 March 2014. I was elected Chair of the Trust on 13 October 2013. This report will highlight what has been achieved in this six month period as well as outlining our plan for the 12 months to 31 March 2015.

When the Trust was established in 2009, the Trustees began working on a five year strategic plan setting out our vision, strategic goals and the principles that would govern the Trust. We also set out specific objectives of social wellbeing; healthy whānau, educating for success and affordable and healthy homes.

It is now time to begin planning our strategic goals for the next five years. We hope to notify you early in 2015 of the process for the 2015-2020 strategic plan.

## Chairman's Report

Nāku noa, nā

Neville Baker  
Chairman

Pupuha whakāea te manawa o Rangī  
Rangīnui, Rangīroa, Rangītāhua  
Tāhua-nuku, Tāhua-rangī  
E tū homai tō wairua ora, he ora  
He ora ki te whakatupua  
He ora ki te whakatawhito  
He ora ki te whāiao, ki te ao mārama  
Tīhei mouri ora!

Nau mai, piki mai kia koutou katoa e whakarauhi mai ki tēnei hui a tau o Taranaki Whānui ki Te Upoko o te Ika ki runga i te marae nei o Waiwhetu, nau mai, e rarau.

He mihi nei ki ngā mate tuatini, ki ngā mate tuamano o te wā kua riri ki te pō. Ahakoa tē taea e rātou te hoki a tinana mai. Kua māringiringi mai ō tāua roimata, kua māturuturu iho ō tāua hupe!

E Poutu, ahakoa kua huna koe ki te taipō ka korihirihi tonu ngā manu o te koukouoro o te tangata “Korihī, koroki Hamiora e”. Kai ana ngā whetu, kai ana te mārama, kua kaiātia koe ki te pō, e moe e koro, koutou te taipō, nau mai te awatea.

E ngā uri whakatupu o ngā tūpuna o Taranaki Whānui ki Te Upoko o te Ika mai Turakirae ki Remutaka, rere tōtika atu ki Pipinui maranga, tū mai, tēnā koutou! E ngā kāwai whakapapa o tō tātou tauheke mounga mai Parininihi ki Waitōtara, ki Taipāke, ka rere whakarunga ki Waikanae ki Te Upoko o te Ika ngā noninga kumu e tau nei.

Nau mai haera mai ki tēnei hui o tātou, anei rā te purongo o te hunga kaimorimori o Taranaki Whānui ki Te Upoko o te Ika mō te hui a tau mai 2013–2014 ki te whakahoki kōrero ki te tini, ki te mano a kanohi nei! E te ahi e kā mai tonu i te ao, i te pō he ahi motuhake o tātou. Kia ora mai rā aku rake tihauora.

**He ahi! He ahi!**  
He ahi motuhake o Taranaki Whānui ki Te Upoko o te Ika!  
**Hai!**

## Mihi & Acknowledgements



In October 2013, Trustees took the bold step to restructure. We could not continue along the same path and face the prospect of having to use capital and sell assets in order to continue operating.

## Change Management

The Trust engaged Jamison Partnership to review the organisation and provide interim management services. Since they started in October 2013, there have been significant changes achieved including the Head Lease Agreement with The Wellington Company for Shelly Bay; the rent agreement with the Pukeatua Kohanga Reo; initiating the housing development at the former Wainuiomata College and Intermediate site; the relocation of the Trust's office to the Tramways Building at 1-3 Thorndon Quay, Wellington; significant financial savings and reduction in outgoings; improved advice and services to Trustees to name a few.

Tom and Ben Jamison of Jamison Partnership have assumed the roles of Interim Chief Executive and Acting Business Services Manager respectively. They have been responsible for the change management process and have had to work to develop a pathway, along with the Trustees, to enable the next phase being the appointment of a Chief Executive for the Trust. The Trust has recently initiated advertising to recruit a Chief Executive. The expectation is that the Chief Executive will put in place the commercial function and the whole of government function, both with external directors as outlined below. This will be a gradual process which will be carefully managed.

## Governance

Hallmarks of the new governance structure are:

- A commercial function has been set-up to manage all commercial activities including the property portfolio. Governance for the commercial function is to include external directors from the business sector.
- A Whole of Government Accord function has also been set-up to develop and implement the inter-departmental agreements envisaged in the Settlement across the whole of central and local government. Governance for the Whole of Government Accord to include suitably experienced external people.
- The creation of two or three advisory boards comprising "younger" members of Taranaki Whanui who are interested in the affairs of the Port Nicholson Block and are the next generation of Taranaki Whanui ki Te Upoko o Te Ika leadership.
- A secretarial function to provide operational support to the Trustees, the Commercial and Whole of Government functions as well as the Pipitea Marae Charitable Trust and Harbour Islands Kaitiaki Board. The secretariat will also undertake management of cultural assets and facilitate the provision of mana whenua cultural services.

## Governance & Management



## Highlights

### Rights of First Refusal & Sale and Leaseback Properties

The Trust's most important source of revenue growth are the Rights of First Refusal and Sale and Lease Back opportunities gained in the Settlement.

We are working with a number of parties who could assist the Trust in capitalising on RFR opportunities that arise. We have also commenced negotiations for sale and lease back for land on which many key government buildings are situated in Wellington. Significant progress has been made in recent months and we expect a solid partnership will be in place before the end of 2014.

The properties available to the Trust as Sale & Leaseback entities are:

- Wellington Girls College
- Archives New Zealand
- National Library
- High Court
- Hutt Valley High School
- District Court
- Ontrack/Kiwirail properties

### Shelly Bay

The Trust has signed a head lease for Shelly Bay with The Wellington Company, a major property development company for a 5-year term with a right of renewal for a further 5 years. The lease gives us time to do some real planning for the future.

Shelly Bay lost approximately \$150,000 for the year ended 31 March 2013. Now, it will begin to generate income. Trustees Howie Tamati and Kura Moeahu are the two directors of the Trust's subsidiary company, Shelly Bay Limited which is the governing entity for all operations undertaken at Shelly Bay.

## Ryman's Retirement Village



On the 20th of May 2014, PNBST took part in the ground-breaking ceremony for the Ryman's Retirement Village on the site of the former Petone College.

The Trust is in partnership with Ryman Healthcare for this project. As well as leasing the site, we have discussed with Ryman's the employment of Weltec apprentices on the development and the employment of local people at the Retirement Village. We have had constructive discussions with Weltec about customised training programmes to assist local people in getting jobs at the Retirement Village.

This project is not just about the Maori community, but the wider community as well. It is appropriate that Port Nicholson Block Settlement Trust shares its resources with the Petone community in this sort of development.

Kura Moeahu, Neville & Cai-Michelle Baker and Ryman Healthcare at the blessing of the former Petone College Site - May 20, 2014

## Central & Local Government

The Trust is revitalising relationships with central and local government.

The Wainuiomata Intermediate and College project and the involvement of the Ministry of Business, Innovation and Employment is the starting point from which we will develop an approach for our relationships with all central and local government agencies. The fact that the financial contribution was twice what was originally discussed demonstrates the success of Trust's working relationship with the Ministry of Business, Innovation and Employment.

I do want to acknowledge the Trust's positive relationships with Wellington Mayor Celia Wade-Brown and Hutt Mayor Ray Wallace. These Mayors and their officials have been ever helpful and supportive.

The Trust has not made submissions relating to proposed legislation in the past year. This remains an important function for us and will be picked up when we put the new structure in place.



## Office of Treaty Settlements

There has been an exchange of correspondence between the Hon. Chris Finlayson, Minister of Treaty Settlements, and the Trust. Minister Finlayson is keen to re-engage with us and resume the annual forum with Ministers of the Crown in 2015 - the last forum was in 2012.

## Former Wainuiomata High School & Intermediate



The former Wainuiomata Intermediate,  
106 Moohan Street, Wainuiomata

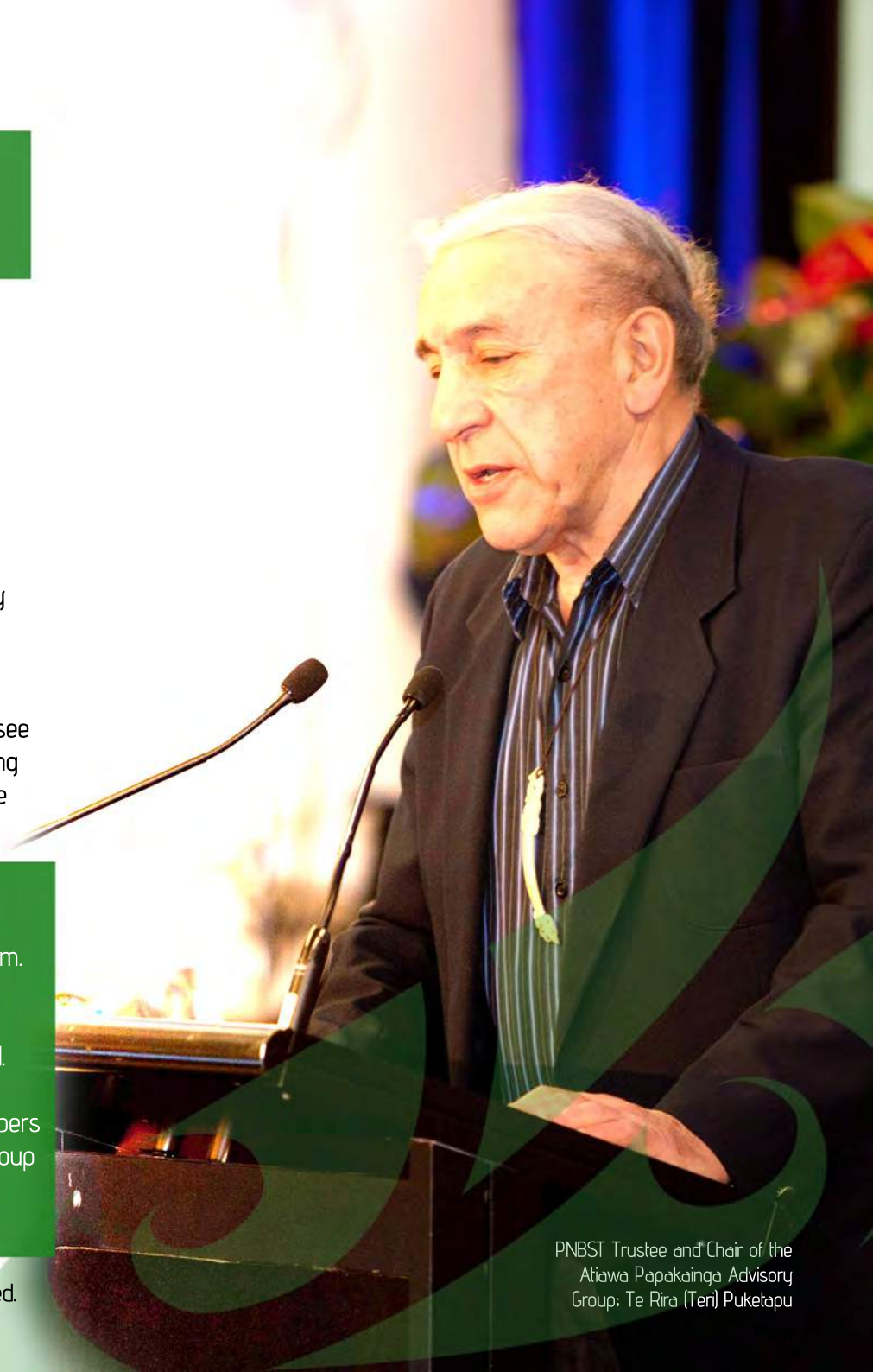
The Trust has taken the first step in developing the former Wainuiomata Intermediate and College by securing funding and people to begin work on a future development plan. The framework for the development will incorporate our culture and language. The Ministry of Business, Innovation and Employment is providing funding for the development of the concept plan for the land. Te Puni Kokiri have seconded Hugh Simonson to the Trust. Hugh has a strong background in housing. He will oversee the development of the plan as well as developing a business plan for refurbishment of some existing buildings at Wainuiomata and proposed tenancies to complement existing tenancies and enhance the community services available.

The involvement of these government agencies is a fine example of how our Whole of Government Accord process can work, alongside the good working relationship we have with local authorities. This is an exciting development for the Trust. This site has been losing us around \$100,000 per annum. In future years it will become an asset for not only ourselves, but the wider community.

Trustee Sam Kahui is the director of the Trust's subsidiary company, Lowry Bay Section One Limited.

Trustee Te Rira (Teri) Puketapu is the Chair of the Atiawa Papakainga Housing Advisory Group; members are Kuini Puketapu, Anania Randall, Rawiri Evans, Hugh Simonsen, and Tom Jamison. The advisory group was established to engage with Taranaki Whanui members regarding the development and provide feedback to the Trust.

It is good to be able to report that the long-running dispute with the Pukeatua Kohanga Reo has been settled.



PNBST Trustee and Chair of the  
Atiawa Papakainga Advisory  
Group: Te Rira (Teri) Puketapu

## Trust Deed Review

The Trust has agreed to commence a review of our Trust Deed. Troy Newton from KPMG has been appointed as the independent facilitator and will be consulting with Trust members on the details of any proposed changes to the Trust Deed in August to enable a Special General Meeting to be convened following the AGM on Saturday, 27 September 2014.

## Serious Fraud Office

Last year we reported that the Serious Fraud Office was investigating. Since then, three people have been charged however we are unable to provide any further information while the matter is before the Court.

## Trustee Election

Nominations for a Trustee to replace Hon. Mahara Okeroa closed on 17 July. Those nominated are: Luana Jane Fruenan, Morris Te Whiti Love, Ihakara Puketapu-Dentice and Warren Skerrett

Election information has been provided to registered adult members of the Trust. The election will be held by postal, internet and ballot box voting. The voting period opened at midnight on 27 August 2014. Postal and internet voting closes at noon on 27 September 2014. There will be a ballot box at the AGM on 27 September 2014 - voting at this ballot box closes at the conclusion of the AGM.

## Strategic Plan 2015-2020

In 2010 the Trust released its 5-year strategic plan. Early next year we will look at our strategic direction for the five years to 2020. Our strategic vision is "To restore, revitalise, strengthen and enhance the cultural, social and economic well-being of Taranaki Whanui ki te Upoko o te Ika". We had set strategic goals and objectives for the past five years. Now is the time to begin thinking about the strategic goals and objectives that will take us forward.

Some points to consider are:

- The Trust advocates for beneficiaries. How can the Trust advocate for our beneficiaries tribal and iwi entities?
- What does the Settlement Accord require for our clusters such as Wainuiomata or the Chatham Islands?
- What are our responsibilities for Maori who live in our rohe?
- What does our location in the capital city mean for us?

## Trust Operation



## Mana Whenua Rights & Responsibilities

The Trust has continued to fulfil our responsibilities for the Oruaiti, Honiana Te Puni and Wi Tako Ngatata Reserves, as well as the Harbour Islands Kaitiaki Board, Parangarahu Lakes Area and Opau Urupa at Makara.

Over the past 12 months many of our members have taken part in events within the rohe with local and central government and others. These activities are a significant part of our mana whenua rights and responsibilities.

## Pipitea Marae

The Trust-appointed representatives on the Pipitea Marae Charitable Trust are Neville Baker, Mark Te One and Kura Moeahu with Jamie Tuuta as an alternate representative.

Pipitea Marae continues to work closely with and provide services for key organisations throughout the year, including; Victoria University of Wellington, the Ministry of Education, New Zealand Customs, the Child Cancer Foundation as well as hosting the Wellington Kingitanga 2014.

## Cultural Matters



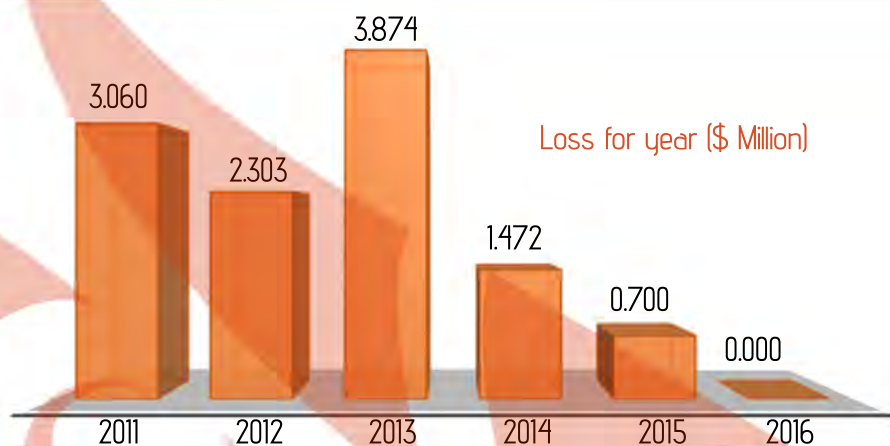
# Financial Report

At the 2013 Annual General Meeting of Port Nicholson Block Settlement Trust, I outlined three major initiatives for the Trust:

- Reduce operational expenditure
- Increase property revenues, thereby reducing Trust deficit
- Increase revenues from other sources

Total assets as at 3 March 2011 were \$31,077,193. As at 31 March 2014, total assets accounted to \$19,371,433 - a decrease in value of \$11,705,760.

The forecast deficit for 2015 is \$700,000 and a break-even position for 2016. Major cost savings have been made in office administration. The full impact of these savings will be realised in the March 2016 accounts. The lease of Shelly Bay to The Wellington Company will reduce the deficit on Shelly Bay to nil this year with a \$100,000 surplus year end 2016 and \$200,000 surplus year end 2017. Other costs saving measures have come from seconded staff from Te Puni Kokiri, Greater Wellington Regional Council and the Treasury. This has allowed the Trust to continue its work at a reduced cost.



## Financial Matters

# Audit & Risk Report

In early 2013, Craig Ellison recommended priority be given to the establishment of an Audit & Risk Committee. The Committee was established with the following members: Toarangatira Pomare (Chairman), Neville Baker, Thomas Jamison (Independent) and Mahara Okeroa (Ex-officio).

In October 2013, Mahara Okeroa resigned from the Trust and Neville Baker was appointed Trust Chairman and Tom Jamison was appointed PNBST Change Manager. This led to the following changes in the membership of the Audit & Risk Committee to Toarangatira Pomare (Chairman), Sam Kahui, Teri Puketapu and Neville Baker (ex-officio). A vacancy exists for an independent member.

The March 2013 and 2014 financial statements include disclosure of related party remuneration. Prior to the 2013 financial reports, not all related party transactions were recorded. The following individuals: Catherine Love, Matene Love, Mahara Okeroa and Liz Mellish, were either recipients or held governance positions in related party transactions. Transparency will be enhanced with disclosure.

Key issues addressed by the Committee, outside of normal financial reporting were:

- Redwood Group Limited - debt of \$600,000. Recommended legal action court hearing set down for the 2nd of October 2014
- Mahon Transaction - debt of \$100,000. This transaction was paid by a third party on behalf of PNBST unapproved by and without the knowledge of the Trustees
- Wharewaka Loan - debt of \$750,000. Both principal and interest have been paid since balance date. A contingent liability remains for the guarantee as outlined in note 22 of the financial statements

Nāku noa, nā

Toarangatira Pomare  
Deputy-Chairman

Port Nicholson Block Settlement Trust  
Consolidated Financial Statements

For the year ended 31 March 2014

Consolidated Financial Statements  
For the year ended 31 March 2014

Port Nicholson Block  
Settlement Trust

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Statement of Comprehensive Income  
For the year ended 31 March 2014

Port Nicholson Block  
Settlement Trust

	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)	-	-
		49,612	(13,613)	56,807	499,609
<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
		-	991,702	(700,053)	1,661,800
<b>Financing Income</b>					
Financial Income		124,356	85,605	123,475	83,002
Financial Expense		(51,796)	(22,366)	(2,109)	(22,366)
<b>Net Financing Income</b>	7	<b>72,560</b>	<b>63,239</b>	<b>121,366</b>	<b>60,636</b>
<b>Loss before Income Tax</b>		<b>(1,432,918)</b>	<b>(3,874,139)</b>	<b>(1,502,125)</b>	<b>(3,643,428)</b>
Income Tax Expense	9	-	-	-	-
<b>Loss for the Year</b>		<b>(1,432,918)</b>	<b>(3,874,139)</b>	<b>(1,502,125)</b>	<b>(3,643,428)</b>
Other Comprehensive Income		-	-	-	-
<b>Total Comprehensive Income/(Loss)</b>		<b>(1,432,918)</b>	<b>(3,874,139)</b>	<b>(1,502,125)</b>	<b>(3,643,428)</b>

The accompanying notes on pages 30 to 48 form part of and are to be read in conjunction with these financial statements

## Statement of Changes in Trust Capital

For the year ended 31 March 2014

### Port Nicholson Block Settlement Trust

Note	Group		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
<b>Trust Capital at Beginning of Year</b>	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)
<b>Trust Capital at End of Year</b>	<b>18,033,102</b>	<b>19,466,020</b>	<b>17,717,555</b>	<b>19,219,680</b>

The accompanying notes on pages 30 to 48 form part of and are to be read in conjunction with these financial statements

Statement of Financial Position  
As at 31 March 2014

Port Nicholson Block  
Settlement Trust

	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

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 31 March 2014

## Port Nicholson Block Settlement Trust

### 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.



**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

# Notes to the Financial Statements For the Year Ended 31 March 2014

## Port Nicholson Block Settlement Trust

### 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.

**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.

**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.

**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.

# Notes to the Financial Statements For the Year Ended 31 March 2014

## Port Nicholson Block Settlement Trust

	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	7,012
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	111,083	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>

## Notes to the Financial Statements For the Year Ended 31 March 2014

### Port Nicholson Block Settlement Trust

	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.

# Notes to the Financial Statements

## For the Year Ended 31 March 2014

### Port Nicholson Block Settlement Trust

#### NOTE 10. CASH & CASH EQUIVALENTS

Bank Accounts  
KiwiBank Term Deposits  
**TOTAL CASH & CASH EQUIVALENTS**

Group		Parent	
2014	2013	2014	2013
\$	\$	\$	\$
598,571	300,331	1,030,917	583,365
2,087,982	2,050,000	2,087,982	2,050,000
<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%).

#### NOTE 11. TRADE DEBTORS & OTHER RECEIVABLES

Trade debtors  
Pipitea Marae Charitable Trust  
Accrued Interest - Kiwibank  
Accrued Interest - Wharewaka O Poneke Charitable Trust  
Redwood Group Limited - 83 Waterloo Quay  
Less: Provision for Doubtful Debts  
**TOTAL TRADE DEBTORS & OTHER RECEIVABLES**

Group		Parent	
2014	2013	2014	2013
\$	\$	\$	\$
199,119	315,904	14,199	118,086
1,251	1,251	1,251	1,251
23,340	8,312	23,340	8,312
53,494	24,040	53,494	24,040
600,000	600,000	600,000	600,000
(600,000)	(600,000)	(600,000)	(600,000)
<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).

#### NOTE 12. TRADE CREDITORS & OTHER PAYABLES

Trade Creditors  
Accrued Expenses  
Income in Advance  
PNBC Limited  
PNBST Investments Limited Partnership  
**TOTAL TRADE CREDITORS & OTHER PAYABLES**

Group		Parent	
2014	2013	2014	2013
\$	\$	\$	\$
239,526	581,539	192,142	448,293
88,153	60,510	1,993	29,581
72,078	-	-	-
-	-	365,718	366,867
-	-	1,190,594	1,195,042
<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.



**NOTE 13. INVESTMENT PROPERTIES**

(at fair value)

**Reconciliation of fair value 2014**

**Parent**

	Opening Book Book Value \$	Additions/ Disposals at Cost \$	2014 Valuation \$	Fair Value Movement \$
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 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>3,347,503</b>	<b>-</b>	<b>3,292,503</b>	<b>(55,000)</b>

**Subsidiaries**

**Shelly Bay Limited**

Shelly Bay Road	10,010,000	673	9,850,000	(160,673)
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**Lowry Bay Section One Limited**

Wainuiomata College	1,155,000	-	1,160,000	5,000
Wainuiomata Intermediate	1,250,000	-	1,270,000	20,000

**PNBST Investments Limited Partnership**

Petone College	330,000	-	380,000	50,000
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**Total Fair Value Movement for Subsidiaries**

	<b>12,745,000</b>	<b>673</b>	<b>12,660,000</b>	<b>(85,673)</b>
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**Total Fair Value Movement for Group**

For the year ended 31 March 2014

	<b>16,092,503</b>	<b>673</b>	<b>15,952,503</b>	<b>(140,673)</b>
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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.

# Notes to the Financial Statements For the Year Ended 31 March 2014

## Port Nicholson Block Settlement Trust

### 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):
1-3 Thorndon Quay	\$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).
Petone College	\$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).
Shelly Bay	\$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>	<b>11,060,000</b>	<b>673</b>	<b>10,010,000</b>	<b>(1,050,673)</b>
<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>For the year ended 31 March 2013</b>	<b>21,112,503</b>	<b>(249,327)</b>	<b>16,092,503</b>	<b>(4,770,673)</b>

**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.

# Notes to the Financial Statements

## For the Year Ended 31 March 2014

### Port Nicholson Block Settlement Trust

#### NOTE 15. PROPERTY, PLANT & EQUIPMENT

Description	Group		Parent	
	2014 \$	2013 \$	2014 \$	2013 \$
<b>Description</b>				
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.

#### 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.

# Notes to the Financial Statements

For the Year Ended 31 March 2014

## Port Nicholson Block Settlement Trust

### NOTE 17. INTER-ENTITY LOANS

*continued*

<b>Port Nicholson Block Management Limited</b>	<b>2014</b>	<b>2013</b>
	\$	\$
<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.

<b>Lowry Bay Section One Limited</b>	<b>2014</b>	<b>2013</b>
	\$	\$
<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.

<b>Port Nicholson Block Properties Limited</b>	<b>2014</b>	<b>2013</b>
	\$	\$
<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.

<b>Education PNBST Limited</b>	<b>2014</b>	<b>2013</b>
	\$	\$
<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.

**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).

# Notes to the Financial Statements For the Year Ended 31 March 2014

## Port Nicholson Block Settlement Trust

### NOTE 20. FINANCIAL INSTRUMENTS

The following tables detail the Trust's financial instruments:

<b>Financial Assets</b>
Cash and Cash Equivalents
Trade Debtors and Other Receivables
Prepayments
Investment in Related Entities

<b>Financial Assets</b>
Cash and Cash Equivalents
Trade Debtors and Other Receivables
Prepayments
Investment in Related Entities

<b>Financial Liabilities</b>
Trade Creditors and Other Payables
Loans and Advances

<b>Financial Liabilities</b>
Trade Creditors and Other Payables

Group			
Carrying Amount	Fair Value	Carrying Amount	Fair Value
2014	2014	2013	2013
\$	\$	\$	\$
2,686,553	2,686,553	2,350,331	2,350,331
328,951	328,951	389,545	389,545
104,084	104,084	126,681	126,681
87,285	87,285	1,837,285	1,837,285
<b>3,206,873</b>	<b>3,206,873</b>	<b>4,703,842</b>	<b>4,703,842</b>

Parent			
Carrying Amount	Fair Value	Carrying Amount	Fair Value
2014	2014	2013	2013
\$	\$	\$	\$
3,118,899	3,118,899	2,633,365	2,633,365
142,370	142,370	321,268	321,268
36,707	36,707	39,441	39,441
87,285	87,285	1,837,285	1,837,285
<b>3,385,261</b>	<b>3,385,261</b>	<b>4,831,359</b>	<b>4,831,359</b>

Group			
Carrying Amount	Fair Value	Carrying Amount	Fair Value
2014	2014	2013	2013
\$	\$	\$	\$
399,757	399,757	642,049	642,049
938,574	938,574	955,556	955,556
<b>1,338,331</b>	<b>1,338,331</b>	<b>1,597,605</b>	<b>1,597,605</b>

Parent			
Carrying Amount	Fair Value	Carrying Amount	Fair Value
2014	2014	2013	2013
\$	\$	\$	\$
1,750,447	1,750,447	2,039,783	2,039,783
<b>1,750,447</b>	<b>1,750,447</b>	<b>2,039,783</b>	<b>2,039,783</b>

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.



## 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

The Parent is related to the following Subsidiary entities	Principal Activities	Interest Held by Group	
		2014	2013
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 entities 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 Tenth 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:

	Group		Parent	
	2014	2013	2014	2013
	\$	\$	\$	\$
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).

# Notes to the Financial Statements

## For the Year Ended 31 March 2014

### Port Nicholson Block Settlement Trust

#### 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>

## Independent Auditor's Report

Port Nicholson Block  
Settlement Trust

### Audit

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### To the Members of Port Nicholson Block Settlement Trust and Group

#### Report on the financial statements

We have audited the financial statements of Port Nicholson Block Settlement Trust and Group on pages 27 to 48, which comprise the Statement of Financial Position as at 31 March 2014, and the Statement of Comprehensive Income and Statement of Changes in Trust Capital for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### Trustees responsibilities

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

#### Auditor's responsibilities

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

# Independent Auditor's Report

## Port Nicholson Block Settlement Trust

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.

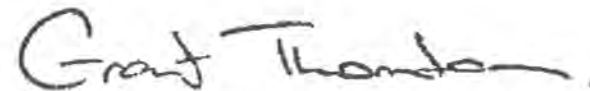
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

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 Port Nicholson Block Settlement Trust and Group.

### Opinion

In our opinion, the financial statements on pages 27 to 48 present fairly, in all material respects, the financial position of Port Nicholson Block Settlement Trust and Group as at 31 March 2014, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.



Grant Thornton New Zealand Audit Partnership  
Wellington, New Zealand  
16 September 2014

## From the Chairman

On behalf of the Trustees, I want to thank the many people who have supported the Trust over the past year. We carry a heavy responsibility to fulfil the aspirations of our forebears and to provide a better future for our mokopuna at the same time as we come to terms with the leadership role we all have as Taranaki Whanui ki te Upoko o te Ika.

I want to acknowledge that we are building a stronger relationship with Ngati Toa and we congratulate Ngati Toa on progress with their Treaty claims settlement. Our Trust is looking forward to working closely with Ngati Toa. It is pleasing to see significant progress with Treaty claims resolution not only with Taranaki Whanui but also with hapu and iwi around the motu.

The Trust has faced challenges in the past year and expect to continue to face challenges in the coming years. The test remains our ability to surmount these challenges and to be resolute in our commitment to ensure that Taranaki Whanui ki te Upoko o te Ika thrives.

Nāku noa, nā



Neville Baker  
Chairman



## Conclusion



## Directory

## Contact Details

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or Freephone: 0800 767 8642 (accessible overseas)  
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reception@portnicholson.org.nz

## Elected Board of Trustees

Chairman	Neville Baker (elected Oct 2013)
Deputy-Chairman	Toarangatira Pomare (elected Sept 2012)
Trustees	Sam Kahui (elected Oct 2013) Professor Ngatata Love (elected Sept 2012) Liz Mellish (elected Sept 2012) Kura Moeahu (elected Oct 2013) Mark Te One (elected Aug 2010) Te Rira (Teri) Puketapu (elected Aug 2010) Hokipera Ruakere (elected Sept 2012) Howie Tamati (elected Sept 2012) Hon Mahara Okeroa (resigned Mar 2013)

## Profession Advisors

**Accountants** BDO Spicers, 50 Customhouse Quay,  
PO Box 10 340, The Terrace, Wellington

**Legal Advisers** The Trustees sought legal advice on a  
number of matters from lawyers in the  
12 months to 31 March 2014

## Management Team

Interim Chief Executive  
Acting Business Services Manager  
Receptionist/Database Administrator  
Housing/Property Advisor  
Accounts Assistant  
Resource Manager

Tom Jamison  
Ben Jamison  
Ngahuia Wright  
Hugh Simonsen  
Jane Dawson  
Lee Rauhina-August