



Te Whenua, Te Tāngata, Te Ao Āmua
The Land, The People, The Future

PALMERSTON NORTH MĀORI RESERVE TRUST ANNUAL REPORT

TE ĀTIAWA KI TE WHANGANUI-Ā-TARA

YEAR ENDED 31 MARCH 2018





Te Whenua, Te Tāngata, Te Ao Āmua
The Land, The People, The Future

TE WHENUA *THE LAND* KETE

Vanessa Tanner is of Pākehā descent. She began weaving in 2007 and joined Te Roopu Raranga o Manaia in 2015 where she received encouragement and support from the other weavers, in particular, from Trevor Kamo. Vanessa has a special interest in the cultivation of harakeke for raranga. Vanessa created the Te Whenua *The Land* kete. "I wanted the kete to have a three-dimensional aspect to give the appearance of land. The whakapuareare through the centre of the kete represents Taranaki or mountains. I used the colour blending to represent bush covered foothills at the base of mountains through to tussock colours representing the alpine environment at the top of the kete."



Vanessa Tanner

TE TĀNGATA *THE PEOPLE* KETE

Pep O'Connor is of English, Irish, Scottish and Norwegian descent. She appreciates how the process of weaving with traditional materials connects her with nature, Te Ao Māori and other people. Pep has been weaving with Te Roopu Raranga o Manaia for about 5 years. "In this kete the colour purple represents Te Tāngata *The People*, it is in different shades to depict that not everybody is the same. Where the purple is woven into the blue, this represents the people of the past and the future. The kupenga represents the people out in the world today, yet linked into other generations."



Pep O'Connor

TE AO ĀMUA *THE FUTURE*

Linda Scott is of English, Scottish and Irish descent. Linda first started weaving eight years ago at Te Wānanga o Aotearoa, and continued her studies with Kohai Grace through Whitireia's Toi Poutama programme. Linda graduated in 2017 with a Bachelor in Applied Arts, Toi Poutama degree through Whitireia. Linda has been part of Te Roopu Raranga o Manaia for approximately 6 years. "This kete represents Te Ao Āmua *The Future*. I wove the poutama pattern as the steps which symbolises levels of learning and attainment - striving upwards and for betterment."



Linda Scott

Cover photo is of all three kete representing the Trusts whakatauki:
Te Whenua, Te Tāngata, Te Ao Āmua, The Land, The People, The Future



Te Whenua, Te Tāngata, Te Ao Āmua
The Land, The People, The Future

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Te Whenua, Te Tāngata, Te Ao Āmua
The Land, The People, The Future

ANNUAL GENERAL MEETING AGENDA

Saturday 25 August 2018

10am

Palmerston North Convention Centre
354 Main Street West
Palmerston North



AGENDA

Mihi Whakatau / Karakia

Apologies

Minutes of 2017 Annual General Meeting

Report from the Chairman and Trustees

Financial Report

Appointment of Auditor

Election of Managing Trustees

Trustee Remuneration

Annual Distribution

General Business

Karakia Whakamutunga



Te Whenua, Te Tāngata, Te Ao Āmua
The Land, The People, The Future

MIHI

Te Whenua, Te Tāngata, Te Ao Āmua
Tena no tātou e ngā whanau whānui.

Nei rā ngā mihi ki a koutou. Kua tae mai anō
te wā ki te huihui tatou, kia kōrero tatou
kanohi ki te kanohi. He rangi pai te rangi, kei
runga te rangi, mā tatou rangi.

Moe mai ra e ngā tini me ngā mano
Haere atu ra

E te hūnga ora noho ora mai nā
Mouriora

The Palmerston North Māori Reserve Trust
is an Ahu Whenua Trust constituted under
Section 244 of the Te Ture Whenua Māori
Act 1993.

The Trust is governed by a board of nine
Trustees, with Liz Mellish Chairman.
Trustees are: Liz Mellish, Takiri Cotterill,
Jeanie Hughes, Paula King, Matthew Love-
Parata, Wiki Michalanney, Ann Reweti,
Aisha Ross, and Mark Te One.

Trustees are elected by the beneficial
owners.





Te Whenua, Te Tāngata, Te Ao Āmua
The Land, The People, The Future

REPORT FROM THE CHAIRMAN AND TRUSTEES

THE YEAR

Tēnā koutou, tēnā koutou, tēnā koutou katoa



Liz Mellish, MNZM, Chairman

Welcome to our Palmerston North Māori Reserve Trust Annual Report for 2018.

It is with great pleasure that I greet you with our annual review of our performance as Trustees for the 2017–2018 year. I am hoping this year has brought you all good health, much happiness, and much aroha.

The Trust has again performed financially very well and I want to highlight some of the positive and rewarding highlights for the 2017–2018 year.

TE WHENUA *THE LAND*



Te Whenua *The Land* Kete

What is pleasing is that we can report that we have secured two new tenants one being Torpedo 7 and the other, Pool and Spa 2 to replace the loss of PK Furniture and Office Products Depot as tenants. Both Torpedo 7 and Pool and Spa 2 are New Zealand owned businesses with good reputations and strong financial backing.



Torpedo 7 site during refit

We have also purchased the leasehold site on 32 and 34 Ngata Street which takes these properties from being leasehold to being fully owned by the Trust removing the Māori Reserved Land Act hold on these two assets. One tenant Te Wānanga o Aotearoa has relinquished their tenancy and we are actively seeking a new tenant. We are confident we will accomplish this within the next few months.

We have also demolished and removed properties which were in bad condition and this has reduced income in the short term but released land for re-development in the future.



Student Accommodation is available
in Palmerston North through
Baxter's and Palmy 31

We have worked hard on our student accommodation at both Baxters, and Palmy 31, and have upgraded and improved the look and feel of both properties which has resulted in improved tenancy occupation. The upgrade has resulted in higher property expenses in this financial year. We have also implemented a three-year maintenance programme. Some restructuring of staffing has also improved the experience for our students and have led to better cashflows.

Whilst we have spent more money on maintaining our assets we have saved money in administration expenses which have reduced by \$66,000. This has been achieved by bringing most of our accounting services inhouse resulting in lower accounting cost, executive office functions, stationery and legal fees.

Alongside those savings our finance costs have reduced by \$90,000 due to our strong cashflows and debt reduction.

Our operating profit of \$2,624,138 is less than last year by \$140,000 but was expected because of the tenancy changes during this financial year.

As we know the increase in property valuation in the 2016–2017 year had a marked impact on the result for that year and we certainly did not expect anywhere near the lift this year. The increase in the result for 2016-17 allowed us to increase the dividend for the year. In this financial year our increase was better than expected, in other words, our non-operating profit income improved by \$4,633,384 which emphasizes property values in Palmerston North are still strong. This is not as strong as the previous year when the non-operating profit was higher by \$1,393,789 on this year, however it is still a very strong improvement. I wish to note that revaluation does not result in cash it improves the strength of our Balance Sheet which increases our ability to raise finance when needed for development.

The key story that our Balance Sheet tells us is this:

- Equity increased by \$5,686,803 and represents 68% of total assets
- Assets increased to \$94,595,230 (2017 \$90,496,889)
- Trustees consider total assets could reach \$100 million in 2019.

This is the great story of this year's work of Trustees and our operational team at Hikoikoi Management. It should be said that this is not just this year's work but the careful work of many years and the strong foundation of former Trustees' since 1987. My thanks go to all Trustees and the management team for their support and dedicated time to ensure that we can continue to produce such strong results to you our owners.

The net result ensures a strong financial position which will allow the Trust to invest in development projects in the future.

TE TĀNGATA THE PEOPLE



Te Tāngata The People Kete

Another aspect of the work over the last year which Trustees and management have embarked on is the time spent to find owners and their whānau and encouraging owners to access their dividends. For the first time in my more than twenty years with the Trust we have reduced the unclaimed dividends. Kathleen Thompson has been diligent in processing and liaising with the Māori Land Court and in reaching out to owners and assisting their succession process. A quiet but important success.

Whilst we have an exciting financial and administrative story to tell we have not lost sight of the other important bottom line aspects of your Trust and delivering to our people as much social, environmental, and cultural bottom lines as possible.

Through our joint venture with Wellington Tenth's Trust the Ngahuru Charitable Trust support a number of activities at Hikoikoi.



Hikoikoi Waka Ama Club Men's team who are participating in the World Championships in Tahiti this year

The Hikoikoi Waka Ama Club now have a membership of approximately 100 members, the Te Ataarangi Te Reo classes have increased and are now held two nights a week, the Te Roopu Raranga o Manaia weavers continue to meet with Hikoikoi as their base, and our steadfast roopu of Kaumātua have weekly meetings and various events and activities occurring.

All of these roopu add so much to our cultural wellbeing and the staff ensure they are warm, supported, and provide manaakitanga for their diverse activities at Hikoikoi.



PHOTO: JEFF MCEWAN

The waka Te Raukura joins the rest of the waka fleet from Te Wharewaka for the Festival of the Arts "A Waka Odyssey"

Te Āti Awa / Taranaki whānui hosted the New Zealand Festival/Te Taurima o Aotearoa Waka Odyssey. This outstanding event truly celebrated Pacific waka culture with over one hundred paddlers from our whānau participating in an event not seen before on Te Whanganui a Tara. The formal event in Wellington based at Te Raukura was a spectacular choreographed event with more than 20,000 spectators.

We hosted our Pacific Islands cousins from Samoa, the Cook Islands, and manuhiri from tribes around Aotearoa on Saturday 24 February at Hikoikoi. This was a special event for us. The powhiri for the Prime Minister of Samoa, his fanau, and his Ministerial colleagues, along with the head of the House of Ariki from the Cook Islands, and the Cook Islands High Commissioner, and the presence of the Mayor of Lower Hutt made for an auspicious line of dignitaries to welcome.



Thousands gathered at Hikoikoi and on the Petone Beach to welcome waka hourua

Cultural support came from our kaumātua and from Waiwhetu Marae and together it made for an amazing day in glorious sunshine.

More than 10,000 people gathered along the Petone Beach as the waka hourua landed. Waka hourua had travelled from Samoa as well as from all around Aotearoa to participate in the Festival of the Arts and paddle alongside our own waka taua, and waka tete. The haka, waiata and karakia was a cultural exchange unlikely to be seen again on Te Whanganui a Tara.

Again, thanks go to our Hikoikoi Management team who went above and beyond their normal work to be outstanding hosts to our visitors, and a credit to us all.

TE AO ĀMUA THE FUTURE



Te Ao Āmua The Future Kete

We have of course continued our association with Wellington Tenth Trust as partners in Te Raukura, the Wharewaka. We are excited by the opportunity that this building presents to us as Te Āti Awa, Taranaki whānui to showcase our business skills, our Reo,

our stories, our culture prominently in Te Whanganui a Tara. We base ourselves at the Wharewaka with the Wellington Office of the Chairs, and our Wharewaka Tours tourism team.



School children participating in one of the learning activities, weaving, on a visit to Te Wharewaka

This investment provides us a steady income and the popularity of what we bring to both our own, to Wellingtonians, national, and international visitors, cannot be underestimated.



Tourists practicing the waka salute before going out on the waka

Palmerston North Māori Reserves Trust has two Trustees on the Board of Te Wharewaka o Pōneke, Ann Reweti and myself, Wellington Tenth Trust has two representatives, Port Nicholson Block Settlement Trust has one representative, and Wellington City Council has two representatives. Their job is to care for the building and its activities. The business is operationalised through Te Wharewaka o Pōneke Enterprises Ltd who ensures that the building and activities are economically viable. You will see we are receiving a good return on our investment. It should be noted that Hikoikoi Management is the administrator for Te Raukura.



Palmerston North Māori Reserve Trust
Rangatahi Leadership Wānanga participants
along with staff on the waka

One of the highlights over the year was the Rangatahi Leadership Wānanga we held in October 2017. We called for Rangatahi aged from 13-18 and they immersed themselves in numerous activities determined to educate them in the work of the Trust and an understanding of our business. They learnt much of our history in Te Whanganui a Tara, and much about their whakapapa, their whanaungatanga, and built strong bonds within their roopu. They were an absolute pleasure to be around and they have maintained their relationship with each other and the staff who took care of them. We fundraised for the wānanga to ensure that they could access as much as they could within that week and we concluded with a poroaki for them and their whānau. We learnt much from them too. We have invited the attendees to come to our Annual General Meeting this year to present and we are

pleased to advise that we will be providing this opportunity again this year in the October school holidays.

The Palmerston North Māori Reserve Trust Annual General Meeting is being held on Saturday 25 August 2018, at 10am, at the Palmerston North Convention Centre.

There is a bus departing from Hawera Community Centre at 7am to bring those travelling from Taranaki through to Palmerston North, and there is also a bus coming up from Wellington, departing from Hikoikoi at 6.30am. Both buses need to depart on time to ensure you get to the Annual General Meeting which starts at 10am.

The Annual General Meeting Agenda is enclosed in this report, along with your shareholding information slip to bring to the registration desk at the meeting. Further information about transportation is included on that form.

We have had a very productive year and Trustees and I expect that the upcoming year will be equally as busy. We look forward to seeing you at the Annual General Meeting. If you are unable to attend the AGM you can, for the first time, view the meeting via livestream on our Facebook page at 10am.

Nga Mihi

Liz Mellish, MNZM
Chairman

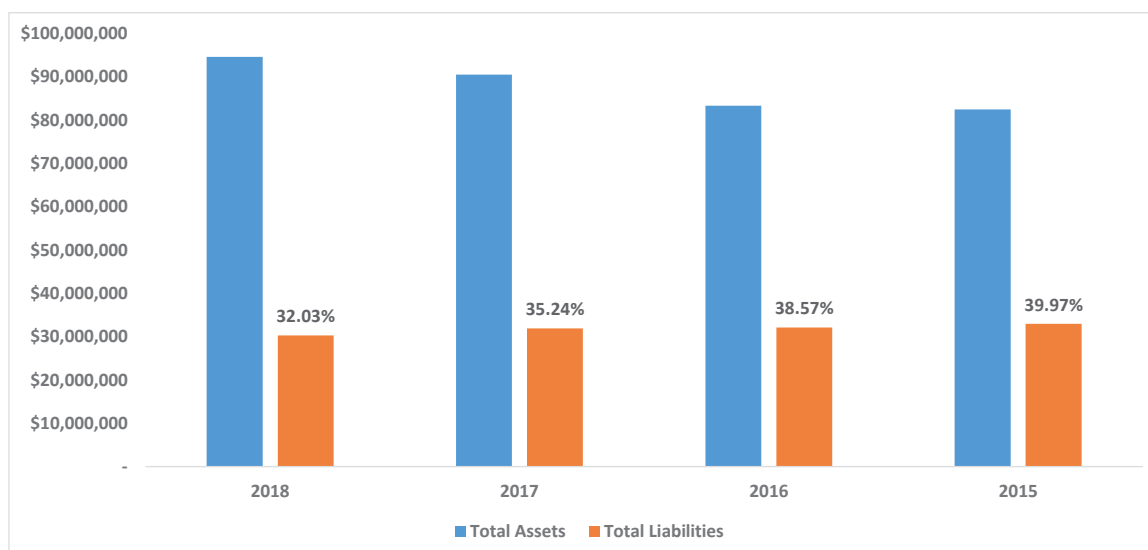
STATISTICAL INFORMATION AND DEBT TO EQUITY RATIO

STATISTICAL INFORMATION

	2018	2017	2016	2015
Number of Owners	1,023	999	982	938
Number of Shares	190,831.866	190,831.866	190,831.866	190,831.866
Total Assets	\$94,595,230	\$90,496,889	\$83,311,340	\$82,466,629
Total Liabilities	\$30,301,892	\$31,890,354	\$32,136,594	\$32,960,218
Total Equity	\$64,293,338	\$58,606,535	\$51,174,746	\$49,506,411
Value per share	\$336.91	\$307.11	\$268.17	\$259.42
Revenue	\$6,326,330	\$6,452,207	\$6,367,851	\$6,471,972
Operating Profit After Net Financing Costs	\$2,624,138	\$2,764,963	\$2,398,643	\$2,302,818
Profit for the year	\$6,670,778	\$8,385,948	\$2,622,494	\$2,443,562
Distribution to Owners	\$1,049,575	\$954,159	\$954,159	\$954,159
Distribution per Share	\$5.50	\$5.00	\$5.00	\$5.00

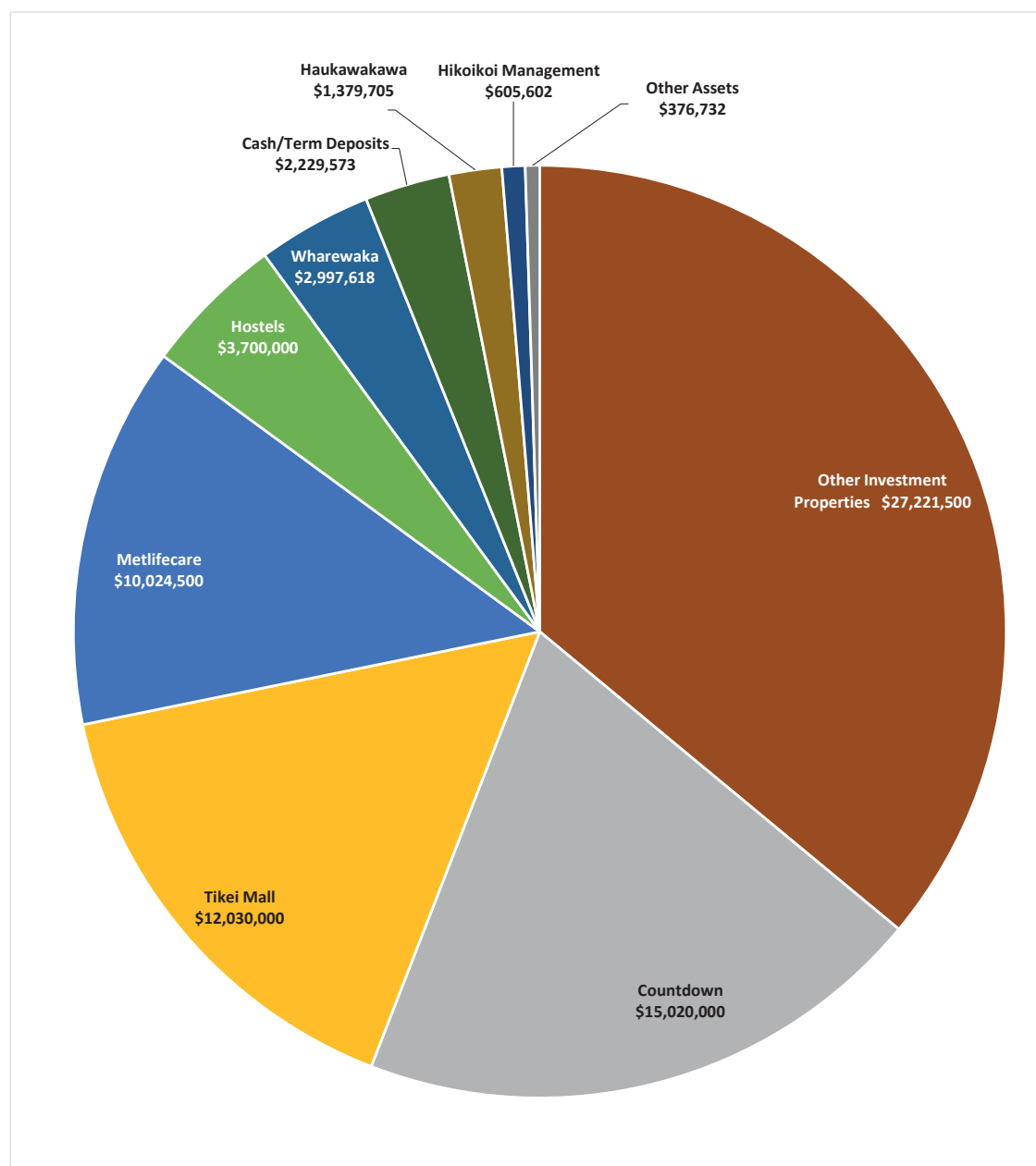
DEBT TO EQUITY RATIO

The illustration below shows the movement in the debt to total assets ratio over the past four years. As at 31 March 2018 the debt to total assets ratio is 32.03%, that is, the total liabilities of the Trust is 32.03% of the Trust's total assets. This is a strengthening of 3.21% from 31 March 2017.



TOTAL ASSETS

The illustration below shows the breakdown of the total assets of the Trust in graphical form. The graph shows in dollar terms the holdings of the Trust as at 31 March 2018. The diversified nature of the portfolio means that any risk is spread across a range of holdings and returns are generated from a range of sources reducing any potential losses in one particular area.





Te Whenua, Te Tāngata, Te Ao Āmua
The Land, The People, The Future

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2018

PALMERSTON NORTH MAORI RESERVE TRUST
CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2018

	Note	2018 \$	2017 \$
Revenue			
Gross Rental Income	4	6,288,212	6,408,755
Other Income	5	38,118	43,452
Total Revenue		<u>6,326,330</u>	<u>6,452,207</u>
Expenses			
Direct Property Expenses	4	(1,762,022)	(1,595,510)
Administration Expenses	6	(947,577)	(1,013,978)
Depreciation	11	(25,184)	(16,865)
Amortisation	12	(5)	(2,598)
Loss on Disposal of Property, Plant and Equipment		(10)	(331)
Total Expenses		<u>(2,734,798)</u>	<u>(2,629,282)</u>
Operating Profit Before Net Financing Costs		<u>3,591,532</u>	<u>3,822,925</u>
Finance Costs			
Finance Income	8	168,424	171,136
Finance Expenses	8	(1,135,818)	(1,229,098)
Net Finance Costs		<u>(967,394)</u>	<u>(1,057,962)</u>
Operating Profit After Net Financing Costs		<u>2,624,138</u>	<u>2,764,963</u>
Non-Operating Revenue and Expenses			
Share of Equity Accounted Investees Profit for the Year	14	2,081,348	1,866,287
Investment Property Revaluation	13	2,604,104	4,215,390
Demolition Costs		(52,068)	(54,504)
Profit Before Income Tax		<u>7,257,522</u>	<u>8,792,136</u>
Income Tax Expense	9	(586,744)	(406,188)
Profit for the Year		<u>6,670,778</u>	<u>8,385,948</u>
Total Comprehensive Income for the Year		<u>\$6,670,778</u>	<u>\$8,385,948</u>

The above statements should be read in conjunction with the notes to and forming part of the financial statements.

**PALMERSTON NORTH MAORI RESERVE TRUST
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Note	Retained Earnings \$	Discretionary Reserve \$	Total Equity \$
Balance at 1 April 2016		51,174,746	-	51,174,746
Profit for the Year		8,385,948	-	8,385,948
Total Comprehensive Income for the Year		8,385,948	-	8,385,948
<i>Transactions With Owners of the Trust in Their Capacity as Owners</i>				
Distributions Paid	18	(954,159)	-	(954,159)
Balance at 31 March 2017		58,606,535	-	58,606,535
Profit for the Year		6,670,778	-	6,670,778
Total Comprehensive Income for the Year		6,670,778	-	6,670,778
<i>Other Movements</i>				
Transfer to Discretionary Reserve from Distributions and Unclaimed Distributions	19	-	69,900	69,900
Transfer from Discretionary Reserve (Allocation to Rangitahi Leadership Programme)	19	-	(4,300)	(4,300)
Total other movements		-	65,600	65,600
<i>Transactions With Owners of the Trust in Their Capacity as Owners</i>				
Distributions Paid	18	(1,049,575)	-	(1,049,575)
Balance as at 31 March 2018		\$64,227,738	\$65,600	\$64,293,338

The above statements should be read in conjunction with the notes to and forming part of the financial statements.

**PALMERSTON NORTH MAORI RESERVE TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2018**

	Note	2018 \$	2017 \$
EQUITY			
Discretionary Reserve	19	65,600	-
Retained Earnings		64,227,738	58,606,535
Total Equity		\$64,293,338	\$58,606,535
ASSETS			
Current Assets			
Trade and Other Receivables	15	73,105	151,530
Prepayments		68,662	56,815
Cash and Cash Equivalents	16	829,573	1,676,640
Term Deposit	17	1,400,000	1,200,000
Work in Progress - Countdown		28,744	-
Total Current Assets		2,400,084	3,084,985
Non - Current Assets			
Property, Plant and Equipment	11	192,617	99,998
Investment Properties	13	76,981,500	73,688,000
Intangible Assets	12	4	9
Investment in Equity Accounted Investees	14	11,399,167	10,114,319
Related Party Receivables	25	3,621,858	3,509,578
Total Non - Current Assets		92,195,146	87,411,904
TOTAL ASSETS		94,595,230	90,496,889
LIABILITIES			
Current Liabilities			
Trade and Other Payables	21	266,737	721,871
Other Current Liabilities	22	247,060	300,072
Income Tax Payable	9	40,418	89,439
Related Party Payables	25	17,520	4,689
Unclaimed Distributions	18	1,405,741	1,481,166
Interest-Bearing Loans and Borrowings	20	960,000	960,000
Total Current Liabilities		2,937,476	3,557,237
Non - Current Liabilities			
Interest-Bearing Loans and Borrowings	20	26,420,823	27,380,823
Deferred Tax Liability	9	943,593	952,294
Total Non - Current Liabilities		27,364,416	28,333,117
TOTAL LIABILITIES		30,301,892	31,890,354
NET ASSETS		\$64,293,338	\$58,606,535

Approved for and on behalf of the Trustees on 29 June 2018:



Chairman



Trustee

The above statements should be read in conjunction with the notes to and forming part of the financial statements.

**PALMERSTON NORTH MAORI RESERVE TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2018**

		2018	2017
	Note	\$	\$
Cash Flows From Operating Activities			
Cash Receipts From Customers		6,372,862	6,530,617
Cash paid to Suppliers and Employees		(2,718,049)	(2,702,976)
Interest Received		165,194	171,136
Interest Paid		(1,144,304)	(1,229,098)
Income Taxes Paid	9	(644,466)	(402,117)
Net GST		(17,889)	11,388
Net Cash Inflow From Operating Activities		2,013,348	2,378,950
Cash Flows From Investing Activities			
Purchase of Property, Plant and Equipment	11	(117,814)	(47,105)
Purchase of Investment Property		(1,265,252)	-
Proceeds From Sale of Investment Property	13	45,000	-
Distribution Received From Equity Accounted Entity	14	796,500	457,500
Investment in Term Deposit	17	(200,000)	(1,200,000)
Related Party Receipts/(Advances)	25	(99,449)	678,303
Net Cash Inflow/(Outflow) From Investing Activities		(841,015)	(111,302)
Cash Flows From Financing Activities			
(Repayment of) Borrowings	20	(960,000)	(960,000)
Distributions Paid	18	(1,059,400)	(746,565)
Net Cash Outflow From Financing Activities		(2,019,400)	(1,706,565)
Net Increase in Cash and Cash Equivalents		(847,067)	561,083
Cash and Cash Equivalents at Beginning of Year		1,676,640	1,115,557
Cash and Cash Equivalents at End of Year	16	\$829,573	\$1,676,640
Cash and Cash Equivalents Comprises:			
Cash and Cash Equivalents	16	829,573	1,676,640
		\$829,573	\$1,676,640

The above statements should be read in conjunction with the notes to and forming part of the financial statements.

PALMERSTON NORTH MAORI RESERVE TRUST
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

1. REPORTING ENTITY

The consolidated financial statements of Palmerston North Maori Reserve Trust as at and for the year ended 31 March 2018 comprise the Trust and its subsidiary (together referred to as the “Group”) and individually as “Group entities” and the Group’s equity accounted interests in associates.

Palmerston North Maori Reserve Trust is an Ahu Whenua Trust constituted by the Maori Land Court Order of December 16, 2003 pursuant to Sec 244 of the Te Ture Whenua Maori Act 1993 which varied the original Trust Deed of 1977, and the subsequent variations of Deed made on November 5, 1999 and May 1993. These financial statements have been prepared in accordance with the Financial Reporting Act 2013. The Trust is eligible for, and has elected to, report in accordance with Tier 2 New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime (“NZ IFRS (RDR)”). The Trust has taken advantage of a number of disclosure concessions.

2. BASIS OF PREPARATION

(a) Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”) and comply with NZ IFRS (RDR). The Group is eligible to report in accordance with NZ IFRS RDR on the basis that it does not have public accountability and is not a large for-profit public sector entity.

These financial statements were authorised for issue by the Trustees on 29 June 2018.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for investment properties which are carried at fair value. The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

(c) Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (\$) which is the Trust’s functional and Group’s presentation currency.

(d) Use of Estimates and Judgements

The preparation of the financial statements in conformity with NZ IFRS (RDR) requires management to make judgements, 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 those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key significant estimates and judgements used have been disclosed in note 3.

PALMERSTON NORTH MAORI RESERVE TRUST
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities.

(a) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in Equity Accounted Investees

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

Other income arises mainly from other hireage income at the hostels the Group operates. Since this is not considered to be part of the main revenue generating activity, the group presents this income separately from revenue, this is recognised as revenue is received.

PALMERSTON NORTH MAORI RESERVE TRUST
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(c) Finance Income and Finance Costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables).

(d) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss,
- Temporary differences related to investments in entities to the extent it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(e) Property, Plant and Equipment

Recognition and Measurement

Items of office equipment, furniture, fittings and chattels and plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Any gain or loss on disposal of an item of plant and equipment, furniture and fittings, and office equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Depreciation

For plant and equipment, furniture and fittings, and office equipment, depreciation is based on the cost of an asset less its residual value. Where significant components of individual assets have different useful lives from the remainder of those assets, those components are depreciated separately.

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each component of an item of plant and equipment.

The estimated useful lives for the current and comparative years of significant items of plant and equipment, furniture and fittings, and office equipment are as follows:

Office Equipment	3 - 15.5 Years
Furniture, Fittings and Chattels	5 - 20 Years
Plant and Equipment	4 - 33.3 Years

The residual value, depreciation method and useful life of property, plant and equipment is reassessed annually.

(f) Investment properties

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 or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value (current market value) with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, and any other costs directly attributable to bringing the investment property to a working condition for their intended use.

Beneficial owner approval is needed prior to the disposal of investment property that is classified as Maori land. At a special general meeting of beneficiaries on 2 July 2016, it was passed that all Maori land be reclassified as general land. A submission was made to the Maori Land Court to complete the reclassification. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

PALMERSTON NORTH MAORI RESERVE TRUST
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(g) Financial Instruments

Non derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following category: loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, term deposits, trade and other receivables and loans to related parties.

Cash and cash equivalents

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

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Non-derivative financial liabilities

The Group initially recognises bank debt issued on the date that it originated.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Unclaimed Distributions

Unclaimed distributions are distributions to beneficial owners that have yet to be claimed. These amounts are carried at amortised cost until claimed by the beneficial owner and are considered to be on-demand.

PALMERSTON NORTH MAORI RESERVE TRUST
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(h) Impairment

Financial assets measured at cost

The Group considers evidence of impairment for financial assets measured at cost (loans and receivables) at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

An impairment loss in respect of a financial asset measured at cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Goods and Services Tax

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax ("GST") except for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from or payable to the IRD is included as part of other current liabilities in the Statement of Financial Position.

(j) Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period.

The estimated useful lives for the current and comparative years of significant items of intangible assets are as follows:

Database	5 - 20 Years
Website	3 - 15.5 Years

PALMERSTON NORTH MAORI RESERVE TRUST
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

(m) Determination of Fair Values

The Group's accounting policies and disclosures for investment properties require the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes based on the following method. When applicable, further information about the assumptions made in determining fair values is disclosed in the specific notes.

Highest and best use has been determined as each of the non-financial asset's current use and therefore fair value has been determined as follows:

Investment Properties

An external, independent valuation company (Colliers International (Wellington Valuation) Limited), having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year. 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.

PALMERSTON NORTH MAORI RESERVE TRUST
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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4. RENTAL INCOME

	2018	
	Gross Rental Income	Direct Property Expenses
	\$	\$
Tikei Mall	1,239,512	(249,813)
Nash Street Development	1,507,088	(254,934)
Countdown Supermarket	1,245,500	(92,438)
Hostel Accomodation	725,460	(511,271)
Other	1,570,652	(653,566)
	\$6,288,212	\$(1,762,022)
		\$4,526,190

	2017	
	Gross Rental Income	Direct Property Expenses
	\$	\$
Tikei Mall	1,246,215	(250,169)
Nash Street Development	1,651,198	(249,506)
Countdown Supermarket	1,245,500	(93,311)
Hostel Accommodation	700,095	(385,049)
Other	1,565,747	(617,475)
	\$6,408,755	\$(1,595,510)
		\$4,813,245

5. OTHER INCOME

	2018	2017
	\$	\$
Ancillary Hireage at Hostel Accommodation	14,172	19,859
Sundry Income	23,946	23,593
	\$38,118	\$43,452

6. ADMINISTRATION EXPENSES

	2018	2017
	\$	\$
Accident Insurance/Levies	(119)	682
Accountancy Fees	43,180	58,985
Audit Fees	39,165	38,830
Bad Debts	-	2,025
Bank Charges	9,310	7,436
Cleaning & Laundry	1,907	1,928
Computer Expenses	535	-
Consultancy Fees	15,211	3,881
Donation to Ngahuru Charitable Trust (refer to note 25)	-	25,000
Executive Office (refer to note 25)	484,681	505,464
General Expenses	3,308	2,674
Insurance	23,495	22,695
Legal Fees	45,006	63,896
Owners' Meetings	28,646	37,218
Postage, Printing & Stationery	1,534	2,199
Memberships & Subscriptions	3,571	3,534
Sponsorship	-	5,000
Tangi Contributions	800	500
Telephone & Internet	3,521	3,773
Travel & Accommodation	53,979	56,617
Trustees' Fees (refer to note 25)	178,416	165,000
Trustees' Expenses	11,431	6,641
	\$947,577	\$1,013,978

PALMERSTON NORTH MAORI RESERVE TRUST
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7. EMPLOYEE BENEFIT EXPENSES

	2018	2017
	\$	\$
Salaries and Wages (included in direct property expenses - note 4)	-	49,475
Kiwisaver (included in direct property expenses - note 4)	-	621
	<u>\$ -</u>	<u>\$50,096</u>

During the 2017 year all hostel employees were transferred to Westermans Property Management who act as property managers to the group.

8. NET FINANCE COSTS

	2018	2017
	\$	\$
Finance Income - Loans and Receivables		
Interest Income - Wharewaka o Poneke Charitable Trust (refer to note 25)	111,250	108,000
Interest Income - Hikoikoi Management Limited (refer to note 25)	33,574	39,327
Interest Income - Wellington Tenth Trust (refer to note 25)	-	1,659
Interest Income - Westpac	16,965	20,164
Interest Income - Other	6,635	1,986
	<u>168,424</u>	<u>171,136</u>
Finance Expense - Liabilities at Amortised Cost		
Interest Expense - Westpac	(1,135,099)	(1,227,616)
Interest Expense - Wellington Tenth Trust (refer to note 25)	(719)	-
Interest Expense - Other	-	(1,482)
	<u>(1,135,818)</u>	<u>(1,229,098)</u>
Net Finance Expense	<u>\$ (967,394)</u>	<u>\$ (1,057,962)</u>

9. INCOME TAX

	2018	2017
	\$	\$
a) Income tax recognised in profit or loss		
Current tax	595,445	561,329
Deferred tax expense	(8,701)	(155,141)
Total income tax expense	<u>\$586,744</u>	<u>\$406,188</u>

b) Reconciliation of income tax expense

Profit before income tax expense	7,257,522	8,792,136
Tax expense at 17.5%	1,270,066	1,538,624
Non-Deductible Expenses	404	4,931
Non-Assessable Investment Property Revaluation	(455,718)	(737,693)
Dividend Received From Equity Accounted Investee	139,388	80,063
Non-Assessable Equity Accounted Earnings	(362,076)	(326,600)
Income Taxed at Different Rates	1,222	4,104
Reduction in deferred tax liability from Investment Property disposal	(9,401)	(157,240)
Prior Period Adjustments	2,859	-
Total income tax expense	<u>\$586,744</u>	<u>\$406,188</u>

c) Current tax

Asset/(liability) at 1 April	(89,439)	69,773
Current year tax expense	(595,445)	(561,329)
Payments	644,466	402,117
Asset/(liability) at 31 March	<u>\$ (40,418)</u>	<u>\$ (89,439)</u>

PALMERSTON NORTH MAORI RESERVE TRUST
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9. INCOME TAX (cont.)

	2018 \$	2017 \$
d) Deferred tax		
Balance at the beginning of the year	(952,294)	(1,107,435)
Current year movement	8,701	155,141
Deferred tax asset/(liability)	<u>\$ (943,593)</u>	<u>\$ (952,294)</u>

Deferred tax assets/(liabilities) are attributable to the following:

Accrued Expenses	5,775	6,475
Investment Properties	(949,368)	(958,769)
	<u>\$ (943,593)</u>	<u>\$ (952,294)</u>

e) Maori Authority Tax Credit Account

Closing Balance of Maori Authority Tax Credit Account	4,234,220	3,596,576
	<u>\$4,234,220</u>	<u>\$3,596,576</u>

10. LEASES

The Group has a number of operating leases for both commercial and residential property related to its investment properties. Where possible the Group always endeavours to sublease vacant spaces on short-term lets. Rental income recognised under non-cancellable operating leases during the year was \$6,288,212 (2017: \$6,408,755).

11. PROPERTY, PLANT AND EQUIPMENT

	Office Equipment	Furniture, Fittings and Chattels	Plant and Equipment	Total
Cost	\$	\$	\$	\$
Balance at 1 Apr 2016	57,646	144,114	38,035	239,795
Additions	1,356	14,061	31,688	47,105
Disposals	-	-	(1,299)	(1,299)
Balance at 31 Mar 2017	<u>59,002</u>	<u>158,175</u>	<u>68,424</u>	<u>285,602</u>
Additions	3,448	31,155	83,211	117,814
Disposals	-	(5,912)	-	(5,912)
Balance at 31 Mar 2018	<u>62,450</u>	<u>183,418</u>	<u>151,635</u>	<u>397,504</u>
Accumulated Depreciation				
Balance at 1 Apr 2016	53,822	93,423	22,463	169,708
Depreciation	1,786	10,749	4,329	16,865
Disposals	-	-	(968)	(968)
Balance at 31 Mar 2017	<u>55,608</u>	<u>104,172</u>	<u>25,824</u>	<u>185,605</u>
Depreciation	2,088	12,707	10,389	25,184
Disposals	-	(5,902)	-	(5,902)
Balance at 31 Mar 2018	<u>57,696</u>	<u>110,977</u>	<u>36,213</u>	<u>204,887</u>
Net book value				
At 31 March 2017	3,394	54,003	42,600	99,998
At 31 March 2018	<u>\$4,754</u>	<u>\$72,441</u>	<u>\$115,422</u>	<u>\$192,617</u>

PALMERSTON NORTH MAORI RESERVE TRUST
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12. INTANGIBLE ASSETS

	Database	Website	Total
Cost	\$	\$	\$
Balance at 1 Apr 2016	198,284	17,456	215,740
Balance at 31 Mar 2017	198,284	17,456	215,740
Balance at 31 Mar 2018	198,284	17,456	215,740
Accumulated Amortisation			
Balance at 1 Apr 2016	195,699	17,434	213,133
Amortisation	2,585	13	2,598
Balance at 31 Mar 2017	198,284	17,447	215,731
Amortisation	-	5	5
Balance at 31 Mar 2018	198,284	17,452	215,736
Net book value			
At 31 March 2017	-	9	9
At 31 March 2018	\$-	\$4	\$4

13. INVESTMENT PROPERTIES

	2018	2017
	\$	\$
Balance at 1 April	73,688,000	68,970,500
Acquisitions	734,396	502,110
Disposals (Building only at 9 Ngata Street, Palmerston North)	(45,000)	-
Change in fair value	2,604,104	4,215,390
Balance at 31 March	\$76,981,500	\$73,688,000

Carrying Value of Individual Properties:

	2018	2017
	\$	\$
Countdown Supermarket - 247-271 Rangitikei Street, Palmerston North	15,020,000	14,630,000
Tikei Mall - 168-208 Rangitikei Street, Palmerston North	12,030,000	11,510,000
Nash Street Development (Mitre 10 Mega) - 250-270 Featherston Street, Palmerston North	19,010,000	18,440,000
	46,060,000	44,580,000

Hostels

Palmy 31 - 29 & 31 Ngata Street, 40 & 42 Carroll Street, Palmerston North	2,100,000	2,070,000
Baxters - 9-17 Ranfurly Street, Palmerston North	1,600,000	1,500,000
	3,700,000	3,570,000

Other

272-276 Featherston Street, Palmerston North	1,180,000	1,080,000
61-65 Grey Street, Palmerston North	880,000	780,000
67-71 Grey Street, Palmerston North	445,000	444,000
77-83 Grey Street, Palmerston North	680,000	660,000
152-154 Rangitikei Street, Palmerston North	630,000	630,000
156-160 & 162-166 Rangitikei Street, Palmerston North	967,000	967,000
17 Ngata Street, Palmerston North	330,000	330,000
38 Carroll Street, Palmerston North	265,000	256,500
46 Carroll Street & 33 Ngata Street, Palmerston North	2,000,000	1,905,000
35 Grey Street, Palmerston North	342,000	329,000
33-41 Grey Street, Palmerston North	1,800,000	1,770,000

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13. INVESTMENT PROPERTIES (cont.)	2018	2017
	\$	\$
51-59 Grey Street, Palmerston North	1,925,000	2,000,000
121 Grey Street, Palmerston North	378,000	365,500
19 Ngata Street, Palmerston North	249,000	241,000
21 Ngata Street, Palmerston North	250,000	242,000
27 Ngata Street, Palmerston North	248,000	245,000
32 Ngata Street, Palmerston North (leasehold interest purchased during 2018)	520,000	295,000
34 Ngata Street, Palmerston North (leasehold interest purchased during 2018)	510,000	297,500
8 Carroll Street, Palmerston North	280,000	272,000
10 Carroll Street, Palmerston North	280,000	272,000
12 Carroll Street, Palmerston North	490,000	455,000
16 Carroll Street, Palmerston North	300,000	272,000
18 Carroll Street, Palmerston North	280,000	272,000
20 Carroll Street, Palmerston North	280,000	272,000
22 Carroll Street, Palmerston North	430,000	420,000
26 Carroll Street, Palmerston North (purchased during 2018)	370,000	-
28 Carroll Street, Palmerston North	310,000	290,000
26 Fitchett Street, Palmerston North	360,000	340,000
30 Fitchett Street, Palmerston North	390,000	365,000
34 Fitchett Street, Palmerston North	440,000	405,000
40 Fitchett Street, Palmerston North	300,000	295,000
42 Fitchett Street, Palmerston North	330,000	310,000
46/46a Fitchett Street, Palmerston North	450,000	436,500
48/48a Fitchett Street, Palmerston North	390,000	370,000
3 Nash Street, Palmerston North	257,500	255,000
9-15 Nash Street, 22/26 Ngata Street Palmerston North	1,080,000	1,070,000
3 Ngata Street, Palmerston North	275,000	266,000
5 Ngata Street, Palmerston North	275,000	266,000
7 Ngata Street, Palmerston North	275,000	266,000
9a/9b/9c Ngata Street, Palmerston North	400,000	395,000
11 Ngata Street, Palmerston North	275,000	266,000
15 Ngata Street, Palmerston North	275,000	266,000
16 Ngata Street, Palmerston North	280,000	278,000
24a/24b/24c Ngata Street, Palmerston North	505,000	500,000
28a/b/c/d 30/30b Ngata Street, Palmerston North	850,000	850,000
25/25a Ward Street, Palmerston North	510,000	460,000
27/27a Ward Street, Palmerston North	480,000	440,000
29 Ward Street, Palmerston North	300,000	295,000
31 Ward Street, Palmerston North	485,000	430,000
33 Ward Street, Palmerston North	400,000	356,000
35/35a Ward Street, Palmerston North	300,000	300,000
39/39a Ward Street, Palmerston North	420,000	405,000
41 Ward Street, Palmerston North	300,000	290,000
	27,221,500	25,538,000
	\$76,981,500	\$73,688,000

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13. INVESTMENT PROPERTIES (cont.)

Investment property comprises a number of commercial and residential properties that are leased to third parties, and a number of bare development properties. For residential properties the lease terms range from six months to 12 months and commercial properties have leases negotiated with periods ranging from three years to 15 years with various rights of renewals.

Colliers International (Wellington Valuation) Limited have valued all properties for financial reporting purposes at 31 March 2018 and 31 March 2017.

14. INVESTMENT IN EQUITY ACCOUNTED ASSOCIATES

Palmerston North Maori Reserve Trust holds the following voting interests in the following entities and as such has significant influence but not control of the entities. The Group has classified the investments listed as associates and it is accounting for them using the equity method.

Investee	Balance Date	Place of Business/Country of Incorporation	Ownership Percentage	
			2018	2017
Hikoikoi Management Limited	31-Mar	NZ	50%	50%
Haukawakawa Limited Partnership	31-Mar	NZ	50%	50%
Metlifecare Palmerston North Limited	30-Jun	NZ	50%	50%

The Group has no commitments and no contingencies in relation to its investments in associates.

Non-current investment in Associate	Hikoikoi Management Limited		Metlifecare Palmerston North Limited		Total
	\$	Haukawakawa LP \$	\$		
Balance at 1 April 2016	-	977,532	7,728,000		8,705,532
Share of profit/(loss)	-	189,787	1,676,500		1,866,287
Dividends received	-	-	(457,500)		(457,500)
Balance at 31 March 2017	-	1,167,319	8,947,000		10,114,319
Share of profit/(loss)	-	207,348	1,874,000		2,081,348
Dividends received	-	-	(796,500)		(796,500)
Balance at 31 March 2018	\$ -	\$1,374,667	\$10,024,500		\$11,399,167

PALMERSTON NORTH MAORI RESERVE TRUST
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14. INVESTMENT IN EQUITY ACCOUNTED ASSOCIATES (cont.)

	2018			
	Hikoikoi Management Limited	Haukawakawa LP	Metlifecare Palmerston North Limited	Total
Assets and Liabilities of Associates	\$	\$	\$	\$
Current Assets	86,187	48,343	437,000	571,530
Non-current Assets	1,225,879	2,709,620	44,541,000	48,476,499
Total Assets	1,312,066	2,757,963	44,978,000	49,048,029
Current Liabilities	82,949	3,589	842,000	928,538
Non-current Liabilities	1,229,116	5,038	24,088,000	25,322,154
Total Liabilities	1,312,065	8,627	24,930,000	26,250,692
Net Assets	\$ -	\$2,749,336	\$20,048,000	\$22,797,337

	2017			
	Hikoikoi Management Limited	Haukawakawa LP	Metlifecare Palmerston North Limited	Total
Assets and Liabilities of Associates	\$	\$	\$	\$
Current Assets	116,543	16,906	835,000	968,449
Non-current Assets	1,255,662	2,323,819	40,569,000	44,148,481
Total Assets	1,372,205	2,340,725	41,404,000	45,116,930
Current Liabilities	1,372,205	1,047	617,000	1,990,252
Non-current Liabilities	-	5,038	22,894,000	22,899,038
Total Liabilities	1,372,205	6,085	23,511,000	24,889,290
Net Assets	\$ -	\$2,334,640	\$17,893,000	\$20,227,640

15. TRADE AND OTHER RECEIVABLES

	2018	2017
	\$	\$
Trade Receivables	25,172	21,519
Rent Arrears	47,933	130,011
Total Trade and Other Receivables	<u>\$73,105</u>	<u>\$151,530</u>

Trade receivables generally have terms of 30 days and are interest free. Trade receivables of a short-term duration are not discounted. There has been no impairment allowance during the year (2017: nil).

16. CASH AND CASH EQUIVALENTS

	2018	2017
	\$	\$
Bank Balances	829,573	1,676,640
Total cash and cash equivalents	<u>\$829,573</u>	<u>\$1,676,640</u>

Interest rate charged on overdrawn bank balances and interest received on call deposits were 10.35% and 0.1% respectively (2017: 10.1% and 0.1%). Bank balances are on call. Total overdraft available at balance date is \$250,000 (2017: \$250,000).

17. TERM DEPOSIT

	2018	2017
	\$	\$
Term Deposit	1,400,000	1,200,000
Total Term Deposits	<u>\$1,400,000</u>	<u>\$1,200,000</u>

The term deposit has a maturity date of 22 May 2018 (2017: 7 April 2017) and interest rate of 3.1% pa (2017: 3.4% pa).

PALMERSTON NORTH MAORI RESERVE TRUST
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

18. UNCLAIMED DISTRIBUTIONS

	2018	2017
	\$	\$
Balance at Beginning of Year	1,481,166	1,273,572
Distribution Declared	1,049,575	954,159
Transfer Historical Balance to Discretionary Reserve (refer to note 19)	(60,824)	-
Net Distributions Claimed	(1,064,176)	(746,565)
Balance at End of the Year	<u>\$1,405,741</u>	<u>\$1,481,166</u>
Reconciliation to Cashflow		
Net Distributions Claimed	(1,064,176)	(746,565)
Distribution relating to shares held by the Trust	9,076	-
Payment of Rangitahi Leadership expenses	(4,300)	-
	<u>\$(1,059,400)</u>	<u>\$(746,565)</u>

Unclaimed distributions represent distributions declared by Palmerston North Maori Reserve Trust but that have not been claimed by the respective beneficial owner. Unclaimed distributions are held on demand for the rightful beneficial owner. Palmerston North Maori Reserve Trust has sufficient access to capital to pay all unclaimed distributions if they were called.

19. DISCRETIONARY RESERVE

	2018	2017
	\$	\$
Transfer Historical Balance from Unclaimed Distributions (refer to note 18)	60,824	-
Distribution relating to shares held by the Trust	9,076	-
Payment of Rangitahi Leadership expenses	(4,300)	-
Balance at End of the Year	<u>\$65,600</u>	<u>\$-</u>

A parcel of 1,650 shares were originally transferred to the Trust from the Maori Trustee (on the basis that the owners could no longer be identified), these shares have been accumulating distributions since the transfer took place.

During the year the Trustees resolved that these unclaimed distributions could be applied to specific activities as resolved by the Trustees. The Trustees then resolved that \$4,300 be applied to the Rangitahi Leadership Whananga.

20. INTEREST-BEARING LOANS AND BORROWINGS

	Maturity Date	Interest Rate	2018	2017
Westpac Banking Corporation 91 Loan	1/04/2018	4.10%	\$	\$
Balance at Beginning of Year			28,340,823	29,300,823
Payments			(960,000)	(960,000)
Balance at End of the Year			<u>\$27,380,823</u>	<u>\$28,340,823</u>
Current			960,000	960,000
Non-current			26,420,823	27,380,823
			<u>\$27,380,823</u>	<u>\$28,340,823</u>

The bank loans are secured over certain investment properties with a carrying amount of \$58,012,000 (2017: \$55,861,000).

21. TRADE AND OTHER PAYABLES

	2018	2017
	\$	\$
Trade Payables	142,913	84,345
Bonds Payable	3,805	2,911
Property Settlement	-	502,110
Accrued Expenses	120,019	132,505
	<u>\$266,737</u>	<u>\$721,871</u>

Trade payables generally have terms of 30 days and are interest free. Trade payables of a short-term duration are not discounted.

PALMERSTON NORTH MAORI RESERVE TRUST
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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22. OTHER CURRENT LIABILITIES

	2018	2017
	\$	\$
GST Payable	95,304	123,423
Income Received in Advance	151,756	176,649
	\$247,060	\$300,072

23. EQUITY MANAGEMENT

The Group's equity (net assets) relates to retained earnings and the Discretionary Reserve (refer note 19).

The Group manages its equity through the use of budgets and business cases to determine future capital requirements. There are no externally imposed capital requirements at the end of the year or during each reporting period.

The Group's policies in respect of equity management and allocation are reviewed regularly by the Trustees.

There have been no material changes in the Group's management of equity during the year.

24. FINANCIAL INSTRUMENTS

The carrying amounts of financial assets and liabilities as shown in the Statement of Financial Position, are as follows. Financial assets are classified as loans and receivables, and held to maturity. All financial liabilities are classified as Financial Liabilities at Amortised Cost.

	2018	2017
	\$	\$
Loans and Receivables		
Trade and Other Receivables	73,105	151,530
Cash and Cash Equivalents	829,573	1,676,640
Held to Maturity		
Term Deposit	1,400,000	1,200,000
	\$2,302,678	\$3,028,170
Liabilities at Amortised Cost		
Trade and Other Payables	266,737	721,871
Interest bearing loans and borrowings	27,380,823	28,340,823
	\$27,647,560	\$29,062,694

25. RELATED PARTIES

The ultimate Parent of the Group is Palmerston North Maori Reserve Trust.

Subsidiary

Set out below is the significant subsidiary of the Group:

	Principal Activity	Place of Business/Country of Incorporation	Ownership Percentage	
			2018	2017
Baxters Limited	Hostel Accommodation	NZ	100%	100%

Other Related Parties

In addition to the above, and the associates listed in note 14, Palmerston North Maori Reserve Trust is related to the following entities:

Entity	Relationship
Wharewaka o Poneke Charitable Trust	Palmerston North Maori Reserve Trust has the right to appoint two trustees
Wharewaka o Poneke Enterprises Limited	Common Trusteeship/Directorship
Wellington Tenth's Trust	Common Trusteeships
Ngahuru Charitable Trust	Common Trusteeships

PALMERSTON NORTH MAORI RESERVE TRUST
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018

25. RELATED PARTIES (cont.)

Transactions with related parties

Transactions with related parties are to be settled in cash. None of these balances are secured. There have been no impairments of related party balances during the year (2017: nil) and there have been no write-offs of related party balances during the year (2017: nil).

Related Party Transactions included:	2018	2017
	\$	\$
Interest received from Wharewaka o Poneke Charitable Trust (refer to note 8)	111,250	108,000
Interest received/(paid) from/(to) Wellington Tenth Trust (refer to note 8)	(719)	1,659
Interest received from Hikoikoi Management Limited (refer to note 8)	33,574	39,327
Executive office fees charged by Hikoikoi Management Limited (refer to note 6)	(484,681)	(505,464)
Donations to Ngahuru Charitable Trust (refer to note 6)	-	(25,000)
	<u>\$ (340,576)</u>	<u>\$ (381,478)</u>
Related Party Balances at year end included:	2018	2017
	\$	\$
Payable to Wellington Tenth Trust	(17,520)	(4,689)
Receivable from Wharewaka o Poneke Charitable Trust	2,997,618	2,907,618
Receivable from Hikoikoi Management Limited	605,602	596,922
Receivable from Haukawa Limited Partnership	5,038	5,038
Receivable from Ngahuru Charitable Trust	13,600	-
	<u>\$3,604,338</u>	<u>\$3,504,889</u>
Related Party Balances		
Non-Current Related Party Receivables	3,621,858	3,509,578
Current Related Party Payables	(17,520)	(4,689)
	<u>\$3,604,338</u>	<u>\$3,504,889</u>
Reconciliation		
Balance at Beginning of Year	3,504,889	4,183,192
Net Payments/(Receipts)	99,449	(678,303)
Balance at End of the Year	<u>\$3,604,338</u>	<u>\$3,504,889</u>

Trustee Remuneration

Trustee fees are determined by way of resolution at the Trust's annual general meeting. Trustee remuneration by trustee is as follows:

	2018	2017
	\$	\$
Liz Mellish (Chairman)	53,750	45,000
Jeanie Hughes	15,583	15,000
Paula King	15,583	15,000
Dr Catherine Love (trusteeship ended 24 November 2017)	8,917	15,000
Matthew Love-Parata	15,583	15,000
Wiki Michalanney	15,583	15,000
Ann Rewiti	15,583	15,000
Aisha Ross	15,583	15,000
Mark Te One	15,583	15,000
Takiri Cotterill (appointed 24 November 2017)	6,667	-
	<u>\$178,416</u>	<u>\$165,000</u>

**PALMERSTON NORTH MAORI RESERVE TRUST
NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2018**

26. COMMITMENTS

Other than those disclosed within these financial statements there are no further commitments at 31 March 2018 (2017: nil).

27. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2018 (2017: nil).

28. EVENTS OCCURRING AFTER THE REPORTING DATE

Subsequent to balance date the Group has committed to undertake seismic strengthening work on the investment property leased by Countdown to the amount of \$213,291.

There are no other events subsequent to the reporting date that would affect the financial statements (2017: nil).

INDEPENDENT AUDITOR'S REPORT



Crowe Horwath
New Zealand Audit Partnership
Member Crowe Horwath International

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To the Beneficial Owners of Palmerston North Maori Reserve Trust **Report on the Audit of the Consolidated Financial Statements**

Opinion

We have audited the consolidated financial statements of Palmerston North Maori Reserve Trust and its controlled entities (the Group) on pages 12 to 33, which comprise the consolidated statement of financial position as at 31 March 2018, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2018, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards with Reduced Disclosure Regime.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Palmerston North Maori Reserve Trust or any of its controlled entities.

Crowe Horwath New Zealand Audit Partnership is a member of Crowe Horwath International, a Swiss Verein. Each member firm of Crowe Horwath is a separate and independent legal entity.

Information other than the financial statements and auditor's report

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Trustees' Responsibilities for the Consolidated Financial Statements

The Trustees are responsible on behalf of the entity for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards with Reduced Disclosure Regime, for maintaining the Owner's Register and for such internal control as the Trustees determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Trustees are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The Owners' Register conforms and has been properly kept in accordance with the requirements of the Trust Deed.

The engagement partner on the audit resulting in this independent auditor's report is Les Foy.
For and on behalf of:



Crowe Horwath New Zealand Audit Partnership
CHARTERED ACCOUNTANTS
29 June 2018



*Te Whenua, Te Tāngata, Te Ao Āmua
The Land, The People, The Future*

MINUTES OF THE ANNUAL GENERAL MEETING HELD ON SATURDAY 26 AUGUST 2017 AT 10AM AT THE PALMERSTON NORTH CONVENTION CENTRE, 354 MAIN STREET WEST, PALMERSTON NORTH

TRUSTEES PRESENT

Aisha Ross, Ann Reweti, Jeanie Hughes,
Liz Mellish (Chairman), Mark Te One,
Matthew Love-Parata, Paula King, and
Wikitoria Michalanney

ADVISERS PRESENT

Aaron Titter (BDO), Ben Westerman,
Maz Williams, Yvonne Westerman, and
Froyle Wideck (Westerman Property Solutions)

EXECUTIVE AND WELLINGTON OFFICE STAFF PRESENT

Ariki Brightwell, Cherie Douglas,
Christine Fox, Erini Shepherd, Gilbert Douglas,
Keith Hindle, Lena Leatherby, Matiu Julian,
Neavin Broughton, Tracey Betham, Tracey
Heffernan, Tuparahuia Pita, and Vicki Hollywell

ATTENDEES

Aidan Daly, Allan Brown, Anahera Tutahione,
Anne Somerville, Ashleigh Gooch, Bill
Manaia, Charmaine Bailey Puru, Colleen
Makowharemahihi, Dinah King, Dione King,
Gina Rangiwhetu, Harmony Hailwood, Hera
Hailwood, Ina Rangiwhetu, James Reo, Jean
Cameron, Jim Turahui, Josephine Love,

Judy Evans, Kara Thomas, Karena Efaraimo,
Karin Tucker, Kataraina Bailey Miller, Kieron
Te Awhe, Korallie Bailey-Taurua, Laryhs
Makowharemahihi, Leah Henrietta Hartley,
Mana Huntley, Mana Jenkins, Marama Cock,
Marere Potaka, Marie Broughton, Marika King,
Mary Nicholson, Melvyn Cock, Morrie Love,
Ngawai King, Pam Workman, Paul Jenkins,
Perry Mason Solomon, Piki Carroll, Poiria Love
Erskine, Raihania Potaka, Reena Huntley,
S Hemara, Sharus Laurence, Sue Turahui, Takiri
Cotterill, Tamaari Kupe-King, Tina Thomas,
Trev Nunn, Tui Love, Turei Thompson, Turoa
King, Turuhira Bailey Mohi, Vaughan Gooch,
Wanda Whana, and Wiki Gear

APOLOGIES

Alamaine McGregor, Annie Te One, Atamira Te
Paki, Carson Robinson, Christine Wanoa, David
Love, Dianne Jones, Euan Playle, Frances
Kingi-Katene, Grace Luke, Heather McPhee,
Hine Love-Thompson, Hinekiwi Matoe, Huia
Maeke, James Mango John Mako, James
Taumanu, Joe Jones, Julia Marino, Karen
Ramsbottom, Kereana Gooch, Kevan Jason
Gooch, Mahara Okeroa, Marama Butler-Manu,
Marama Ruhia Love, Marama Shona Mako,
Marie-Nui Biss, Marina Paki, Maurice Maaka,

Meka Mauriri, Mereana Smith Te Paki, Michael Jenkins, Miriama Te One, Mohi Te One, Molly Mauriri, Ngarie Jenkins, Nora McAuley, Patricia Wahanui, Pearl Sidwell, Peter Luke, Piki Hunia, Piri Te Paki, Pirihiara Joyce Te Paki, Richard Te One, Steven Manuera, Thomas Taumanu, Tuhi McGregor, Urutahua Gilbert, and Wayne Kingi

OPENING AND WELCOME

Mark Te One opened the meeting at 10am with mihi and karakia with an acknowledgement of those that have passed. Waiata: E ngā iwi.

The Chairman welcomed those that have not been to the annual general meetings before. The Chairman introduced two staff from Westpac to the meeting who were there to promote the Palmerston North and Tenth Platinum iwi pack which provides for discounted banking rates. The Chairman went through the housekeeping and agenda for the meeting.

MINUTES OF THE 2016 ANNUAL GENERAL MEETING

The minutes of the last Annual General Meeting were produced on pages 36 to 42 of the Annual Report. Trustees reviewed those minutes and recommended that they be accepted as a correct record of proceedings.

Resolution

It is hereby resolved that beneficial owners accept the Minutes of the 2016 Annual General Meeting held on 27 August 2016 as a correct record of proceedings

Moved – Bill Manaia

Seconded – Poiria Love Erskine

Carried Unanimously

MATTERS ARISING FROM THE PREVIOUS MINUTES

The Chairman advised those present that the Chairman and Trustee reports at today's meeting will cover any matters arising from the last annual general meeting.

NEW WHAKATAUKĪ

Mark Te One and the Chairman revealed the new whakataukī for the Trust - Te Whenua, Te Tāngata, Te Ao Āmua: The Land, The People, The Future. Owners were invited to take home with them a pikopiko plant.

REPORT FROM THE CHAIRMAN AND TRUSTEES

The Chairman presented a PowerPoint presentation on behalf of Trustees. The Chairman noted the Land and Building Purchases in 2017:

- The Trust has purchased back the Palmerston North City Council car park behind Warehouse Stationery which was taken off the Trust under the Public Works Act a 100 years ago
- Arnotts Building (freeholding and taking away the Māori Reserve Land legislation)
- 26 Carroll Street, a two house property, has been purchased
- The Trust is in negotiation with Palmerston North City Council for parts of Nash Street

A map showing the properties owned by the Trust was presented on the powerpoint.

The value of the Metlifecare is now \$8.9m and the three Directors are Jeanie Hughes, Keith Hindle and Liz Mellish.

Mega Mitre 10 is valued at \$18.4m, Countdown is valued at \$14.6m, and Tikei Mall at \$11.5m all of these properties are wholly owned by the Trust.

Baxters and Palmy 31 are worth \$3.5m. Aisha Ross and Paula King are the Directors on Baxters Ltd. Trustees realised there was a need to change the culture of the student accommodation and Froyle Wideck, the newly appointed Manager to the facilities, was introduced to the meeting. If owners have young ones coming in from Taranaki or from Wellington that are attending UCOL or Massey University for study then they should talk to Froyle.

The Joint Venture partner for Haukawakawa General Partnership is the Wellington Tenth Trust and the value of this property on 81-87 Thorndon Quay in Wellington is worth \$1.1 million. The Trust continue to consider options for the site. From a Trust's perspective the property is breaking even and won't progress any proposals until there is a clear business case.

Hikoikoi Management Limited is valued at \$597k and is the company established by the Trust and Wellington Tenth Trust to manage day to day operations. Mark Te One, Liz Mellish and Jeanie Hughes are Directors on that board. The administration team at Hikoikoi Management Limited is led by Keith Hindle. The financials depict that the income is up and the expenses are down. The Chairman reminded owners that they can hire the facilities at Hikoikoi for functions.

The Wharewaka o Poneke Charitable Trust is valued at \$2.9 million with Mark Te One, Ann Reweti and Liz Mellish as Trustees on this Trust.

Tuparahuia Pita and Noel Woods recently participated in the Grand Ronde Tribal Canoe Journey 2017, in British Columbia, Canada. Tuparahuia explained that the journey took two weeks and they paddled 150kms and it was a wonderful experience. The Trust is very proud of them both.

The Trust's Rangatahi Leadership Wananga is being held in October and the aim is to teach our people our story. The wananga will be led by Neavin Broughton, Matiu Julian and the team. If owners have young people that would be interested then contact the Trust Secretary.

The Directors on the Wharewaka o Poneke Enterprises Limited are Mark Te One and Liz Mellish. The tours have a contract with an American tour group. The Kura Ahurea the korero has been written and is about to be launched into primary schools into Wellington. The artwork for the programme was done by Ariki Brightwell an employee.

The Ngahuru Charitable Trust trustees from

this Trust are Mark Te One, Liz Mellish, Jeanie Hughes and Wiki Michalanney. The kaumātua meet on Mondays at Hikoikoi. There are also Te Ataarangi Classes held weekly during school terms, Te Roopu Raranga o Manaia gather for weaving once a week, and the Hikoikoi Waka Ama Club also operates from Hikoikoi. These groups are supported by the Ngahuru Charitable Trust.

POLICY INFORMATION

The Trustees have been looking at various policies and agreed to reduce the trustee numbers from 10 to 9. Two Trustees that have stood down (Ngatata Love and Catherine Love) have both provided a lot of energy and input into the Trust and we acknowledge them for their work over many years. Both Trustees have retired from their former roles and this gave the opportunity to reduce the numbers to 9. We prefer 9 Trustees so that the Chair doesn't have to have a casting vote and all Trustees are on an equal footing.

At the last annual general meeting there was some confusion on the tangihanga fund. Since then the Chairman of the Wellington Tenth Trust has prepared a paper and once Trustees from both Trusts have reviewed that at their November joint Trustee meeting then that can be put up on the website.

The Chairman advised that there have been a number of issues around the dividend distribution in relation to the value of the minimum payment made, particularly the costs incurred to distribute the dividend (producing a cheque, posting a cheque, administration staff time, cheques being reversed, returned, and then for international cheques the international transaction fee incurred is sometimes more than the distribution amount). Trustees reviewed the policy and proposed a resolution that the minimum dividend distribution for owners that live overseas must be of \$100 or more, and that the minimum distribution amount for owners that live in New Zealand be \$50 or above. The Trust will accumulate the dividend amount until it reaches \$50 and then distribute

it, however if owners would like to receive their dividend amount prior to reaching \$50 then a payment can be made out. With the costs associated with the distribution it has been determined that this year will be the last year that payments are made by cheque. The Trust has asked owners to provide bank account numbers and IRD numbers at every meeting.

Ina Rangiwhetu asked that in the minutes it be noted that the original resolution read that the minimum amount of dividend distribution for owners that live overseas be \$100 and that the minimum distribution amount for owners that live in New Zealand be \$50, and the amended resolution put forward to the meeting was amended to read:

Resolution

It is hereby resolved that the minimum accumulated distribution for owners that have overseas bank accounts be \$100 and that the minimum accumulated distribution amount for owners that have New Zealand bank accounts be \$50 and reviewed bi-annually by Trustees.

Moved – Perry Mason Soloman

Seconded – Tui Love

Carried Unanimously

Resolution

It is hereby resolved that beneficial owners receive the report from the Chairman and Trustees as presented in the Annual Report.

Moved – Anne Somerville

Seconded – Ina Rangiwhetu

Carried Unanimously

PROPOSED SALE OF 33-41, 35 GREY STREET AND 26D NGATA STREET

The Chairman put the map of 33-41, 35 Grey Street and 26d Ngata Street, Palmerston North on the powerpoint and advised that the land under consideration is bare land, has a perpetual Lease, with a rent review every 7 years, and that the leasehold land is not increasing in value compared with other property. The Trust has no proposal to sell the land but would like to consider swapping the land however due diligence would need to be

completed to ensure it is right for the Trust. A requirement of the Trust under our Trust Deed is that when we sell land we buy land and the Trust has brought the car park back, the Arnotts site, and is under negotiations with the Council for Nash Street. The Trust has not been decreasing our portfolio but shifting it.

Ina Rangiwhetu asked who the Trust would sell the property to and the Chairman advised that the Trust has one particular person who the Trust has been building a relationship with, who owns some land around this property. The Trust currently receives nominal rent for the tenancy, the value of the land has decreased, and the Trust would like to rationalise it and have the current government tenant. It would also take that land out of the draconian Maori Reserved Land Act. James Reo could see the need to forecast for the future and that this proposal would enable the Trust to then act on that land. Ina also understood that the Trust needed flexibility in order to make that decision at the appropriate time.

Resolution

It is hereby resolved that beneficial owners agree to the recommendation by Managing Trustees for the Palmerston North Maori Reserve Trust to have the ability in the future to sell the lots at 33-41, 35 Grey Street and 26d Ngata Street, Palmerston North.

Moved – Ina Rangiwhetu

Seconded – James Reo

Carried Unanimously

FINANCIAL REPORT

Aaron Titter introduced himself and thanked owners for the opportunity to present the Financial Statements for the Trust for the year ended 31 March 2017 on behalf of the Chairman and Trustees. The key highlights for 2017:

- The Trust generated a \$8.39 million surplus after tax compared to \$2.62 million in 2016
- The Trust equity increased from \$51.2 million last year to \$58.6 million this year

- The property portfolio increased by \$4.72 million due to the revaluation of properties
- Owners have been the recipients of a \$5 per share dividend in November 2016, 2015, and 2014
- The Trust received an unmodified audit opinion from the auditors, Crowe Horwath

Each year the Trust's assets are depicted in a pie chart. This can be seen on page 9 of the annual report. This year the largest individual asset is the Nash Street development, now worth \$18.4 million. The next largest asset is Countdown which is worth \$14.6 million, and then Tikei Mall at \$11.5 million. The investment in Metlifecare has a book value of \$8.95 million. The other large wedge of the pie graph is the Trusts Other Investment properties, 52 in total which are valued at \$25.5 million.

As at 31 March 2017 the amount owing by the Trust totalled 35.24% of total assets, this is down from 38.57% in 2016. This is a result of total assets increasing and liabilities decreasing year on year. This graph can be seen on page 8 of the annual report.

The Statement of Profit and Loss was shown on page 11 of the annual report. The total revenue from properties has increased by approximately \$85,000. This is attributable to a combination of increases from the hostels and other rentals, but offset by a decrease from Countdown. This detail can be seen on page 22 of the annual report. At the same time direct property expenses decreased by approximately \$155,000.

Administration expenses increased year on year which is a combination of the first donation to Ngahuru Charitable Trust, and increased executive office costs. The rest of the detail of what comprises the administration expenses is in note 6 on page 22 of the annual report. Ngawai King asked what the administration increase was due to and was advised that the majority of increase was due to employee wages.

The net financing costs of the Trust, which comprises of interest income earned less the

interest paid is detailed in note 8 on page 23 of the annual report. The main driver of the decrease in net financing costs was the decrease in interest paid to Westpac on the mortgages. This leaves the Trust with an operating profit of nearly \$2.77 million for 2017 versus \$2.40 million for 2016.

The Trust's share of the after tax profit of Metlifecare and Haukawakawa has increased significantly due to the revaluations of the Metlifecare buildings.

After deducting income tax on the profits generated the Trust has ended up at a net surplus after tax of \$8.39 million versus \$2.62 million for 2016. Overall this is an excellent result. Focusing on the net surplus after tax it is interesting to split this between what is cash earnings, or earnings from operating businesses and rentals, and non-cash earnings, i.e. earnings from revaluations. This has been prepared at a very high level and of the \$8.39 million net surplus after tax, approximately \$2.35 million is a result from operating businesses and rentals, and approximately \$6.03 million from revaluations of properties and deferred income tax.

The largest movements in property revaluations this year were the increases for Mitre 10 Mega and Countdown, up by \$1.67 million and \$1.03 million respectively.

Aaron Titter then went on to the Statement of Financial Position (what the Trust owns less what it owes) and explained that the total current assets is \$3.08 million for 2017 which included approximately \$2.88 million of cash reserves, some of which was subsequently used to purchase further property.

The loans to Hikoikoi, the Wharewaka, and Ngahuru Charitable Trust are approximately \$3.51 million. The Trust has equity investments in Metlifecare and Haukawakawa and combined they are carried at a book value of \$10.11 million.

There was a single property purchase during the year, which was paid for after 31 March. This purchase plus the revaluation increase has lifted the value of properties owned directly by

the Trust to \$73.69 million from \$68.97 million in 2016.

Current liabilities have increased from 2016 primarily as a result of the purchase of the Palmerston North City Council car park on Ngata Street which was settled after 31 March, and an increase in the unclaimed distributions balance and also the term liabilities of the Trust have decreased by over \$1.1 million. Deducting total liabilities from the total assets shows a net asset value for the Trust of \$58.6 million for 2017 versus \$51.2 million for 2016.

Aaron Titter then discussed the Statement of Cash Flows which was on page 15 of the annual report. The Trust generated \$2.38 million from its operations, which includes rents less expenses, including interest. A net \$790,000 was invested, which includes distributions from Metlifecare less monies placed on term deposit for future use. \$960,000 was repaid to Westpac less \$678,000 received from related entities such as Wellington Tenth Trust, and nearly \$747,000 was distributed to owners either for last year's dividend, or for historic amounts (unclaimed dividends) where owners have been identified and funds distributed.

Resolution

It is hereby resolved that beneficial owners accept the audited Financial Statements for the year ended 31 March 2017 as a correct reflection of the Trust's financial position.

Moved – Poiria Love Erskine

Seconded – Bill Manaia

Carried Unanimously

APPOINTMENT OF AUDITOR

Aaron Titter explained the need to appoint an Auditor for the following financial year. The auditor was Crowe Horwath New Zealand, who have been the Trust's Auditors for a number of years.

Resolution

It is hereby resolved that beneficial owners appoint Crowe Horwath New Zealand Audit Partnership as the independent auditors for the

Palmerston North Māori Reserve Trust for the year ended 31 March 2018.

Moved – Perry Mason Soloman

Seconded – Bill Manaia

Carried Unanimously

TRUSTEE REMUNERATION

Trustees asked Aaron Titter as an independent person from the Trust to discuss and propose a resolution regarding Trustee Remuneration.

Aaron Titter advised that currently Trustees receive the following remuneration for their duties:

- Liz Mellish as Chairman currently receives \$45,000 gross per annum
- All other Trustees receive \$15,000 gross per annum

Research has been undertaken to review what other governing bodies are paid that have similar characteristics and metrics to the Trust based on the Institute of Directors annual governance survey. The most recent survey was published in the last couple of weeks and includes Ahu Whenua Trusts amongst survey participants. Based on the survey data, and significant discussions, Trustees have proposed an increase in trustee remuneration as follows:

- The role of Chairman increases from \$45,000 gross per annum to \$60,000 gross per annum
- The role of Trustee increases from \$15,000 gross per annum to \$16,000 gross per annum

Piki Carroll and Mana Jenkins asked for the dividend amount to be advised to owners prior to determining whether Trustees would receive an increase as they would like to know what the shareholder is going to get paid and ensure that there was a balance between the two. It was advised that proposed resolution would see the Chairman getting a 33% jump, and Trustees a 6% jump (over 2 years). Piki advised that she did not want to go away without an \$8 per share dividend payment and the Chairman noted that this Trust pays the highest amount compared to any other Trust.

Laryhs Makowharemahihi asked for more information to be provided prior to the meeting so that owners don't have to make these calls on the spot and Aaron Titter explained that the 2016 research from the Institute of Directors had been available for some time however the 2017 research came in yesterday morning. The median non-executive for total assets of \$50-90 million is \$36k for a Trustee, and a non-executive Chair median is \$50k.

Resolution

It is hereby resolved that the Trustee Remuneration for each Trustee be increased from \$15,000 to \$16,000, and that the remuneration for the Chairman be increased from \$45,000 to \$60,000

- *Chairman: \$60,000 gross per annum*
- *Trustees (each): \$16,000 gross per annum*

Moved – Ina Rangiwhetu

Seconded – Perry Mason Solomon

Carried Unanimously

DISTRIBUTION

The Chairman advised that whilst the Trust has made \$8 million most of that is in our properties and it doesn't generate cashflow, and the Trust did not want to be in a position where it had to borrow money to pay a dividend. The Chairman and Trustees proposed a resolution to owners of a distribution of \$5.50 per share. This is a distribution of just over \$1 million out of cash reserves. Piki Carroll noted that the Trust is doing well and asked if there was any reason why owners couldn't become debenture holders of some of the projects going forward. Keith Hindle responded to advise that that is possible and although debenture may be worth considering it is not on the table at the moment. He noted that the Trust has really good support from the bank and because our balance sheet is so strong it can raise money from the bank. Allan Brown noted that the distribution is \$5.50 per share to the owner, however if the owner had to pay tax the dividend would equate to the \$8 being floated at the meeting.

Resolution

It is hereby resolved that beneficial owners agree to a distribution of \$5.50 per share being a total commitment of \$1,049,575.

Moved – Tui Love

Seconded – Allan Brown

Against – Piki Carroll

Carried

APPOINTMENT OF MANAGING TRUSTEES

The Chairman noted that there would be no election for the two Trustee positions. Two people have put themselves forward Paula King (current Trustee) and Takiri Cotterill. The Chairman called for a round of applause for the Trustees to be appointed. The Chairman also noted that Catherine Love had not sought re-election and Catherine was thanked for the many years work she had undertaken for the Trust and wished her well in her future. Takiri introduced herself.

GENERAL BUSINESS

INFORMATION

The Chairman encouraged owners to ensure that they have a Will and some forms and template were included in each of the folders presented to owners prior to the meeting start. When the Te Ture Whenua Act comes through it will be up to Te Puni Kokiri to determine what happens to shares if a Will is not in place. Two staff members, Erini Shepherd and Kathleen Thompson, are working through successions on the database. We have included a change of details form in the folders.

PANUI

The following event dates were noted:

- Rangatahi Leadership Wananga is being held from 9-13 October at Hikoikoi.
- Waitangi Day – 6 February 2018 at Te Raukura
- Festival of the Arts Waka Odyssey – 23 February 2018 along Wellington Waterfront

- Festival of the Arts Petone Day – 24 February 2018 along Petone foreshore
- Matariki 2018 – in July, Great Harbour Waka Ama Challenge

ACKNOWLEDGEMENTS

The Chairman thanked the Trustees for their effort in making some big decisions in relation to the lands and investments going forward. As well the Chairman thanked Keith Hindle and Tracey Betham, and introduced the staff that provide the administrative services to the Trusts. Matiu Julian who delivers the Te Aroha programme introduced himself to the meeting. The Chairman thanked Nga Tekau Alcohol and Drug Counselling service delivered by Gilbert Douglas and Lena Leatherby, Te Wharewaka o Poneke management staff and tours staff, and our advisors, Aaron Titter (BDO), Nigel Moody (Gibson Sheat), Bruce Farquhar (Bisson Moss), Westermans Property, and a special thanks to the owners and whanau.

Poiria Love Erskine also asked to acknowledge the lovely photos and artwork in the annual report.

MEETING CLOSE

There being no further business the annual general meeting was closed by Mark Te One at 12.05pm. Waiaata: Whaakaria Mai



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TRUSTEES REGISTER OF INTERESTS

LIZ MELLISH, MNZM

Booktown Featherston, Trustee
 Card Reserve Artificial Surface Trust, Chairman
 Federation of Māori Authorities, Deputy Chairman
 Haukawa General Partnership Limited, Director
 Hikoiki Management Limited, Director
 Lion Foundation, Committee Member
 Lux Light Festival, Director
 Māori Heritage Council Te Kaunihera Māori o te Pouhere Taonga,
 Board Member
 Matiu/Somes Island Charitable Trust, Chairman
 Metlifecare Palmerston North Limited, Director
 Ngahuru Charitable Trust, Trustee
 Palmerston North Māori Reserve Trust Audit and Risk Committee,
 Ex-Officio
 Palmerston North Māori Reserve Corporate Trustee Limited, Director
 Te Wharewaka o Pōneke Charitable Trust, Trustee
 Te Wharewaka o Pōneke Enterprises Limited, Director



Chairman

TAKIRI COTTERILL

Alpha Corporation Limited, Director
 Coastland Shoppingtown Limited, Director
 Ngahuru Charitable Trust, Trustee
 Rēnata Te Munu me Epiha Kararo Ahu Whenua Trust, Trustee



JEANIE HUGHES

Haukawakawa General Partnership Limited, Director
Hīkoikoi Management Limited, Director
Metlifecare Palmerston North Limited, Director
Ngahuru Charitable Trust, Trustee
Wellington Tenths Trust Corporate Trustee Limited, Director
Wellington Tenths Trust, Trustee



PAULA KING

Baxters Limited, Director
Palmerston North Māori Reserve Trust Audit and Risk Committee,
Member



MATTHEW LOVE-PARATA

Āti Awa Mai i Kukutauaki Ki Whareroa Charitable Trust, Trustee
Haukawakawa General Partnership Limited, Director
Ngahina Trust (Paraparaumu), Member
Renata Te Munu me Epiha Karoro Ahu Whenua Trust, Trustee
Te Whanau a Te Ngarara Incorporated (Paraparaumu Airport),
Member
Wellington Tenths Trust, Trustee
Whirinaki Rainforest Experiences, Development Advisor



WIKI MICHALANNEY

Justice of the Peace, NZ
Māori Women's Welfare League, Aotea Regional Council Treasurer
Māori Women's Welfare League, Waitara Branch Treasurer
Te Ātiawa Kaumātua Housing Trust, Admin/Project Manager support
Ngati Rahiri Hapu (Land), Trustee
Ngati Rahiri Hapu o Te Ātiawa (Taranaki) Society Incorporated, Trustee, Secretary/Treasurer



ANN REWETI

Palmerston North Māori Reserve Corporate Trustee Limited, Director
Te Wharewaka o Pōneke Charitable Trust, Trustee
Wellington City Council, Employee



AISHA ROSS

23iKa Limited, Director
Baxters Limited, Director
Palmerston North Māori Reserve Trust Audit and Risk Committee, Chairman
Te Wānanga o Aotearoa, Employee



MARK TE ONE

Haukawakawa General Partner Limited, Director
Hīkoikoi Management Limited, Director
Hutt Minoh House Friendship Charitable Trust
Matiu/Somes Island Charitable Trust, Trustee
National Archives Te Pae Whakawairua Committee, Member
Ngahuru Charitable Trust, Chairman
New Zealand Geographic Board Ngā Pou Taunaha o Aotearoa,
Ministerial Observer
Palmerston North Māori Reserve Corporate Trustee Limited,
Director
Pipitea Marae Charitable Trust, Trustee
Roopu Tiaki, Board Member
Taranaki 217 Limited, Director
Te Puni Kōkiri, Employee
Te Wharewaka o Pōneke Charitable Trust, Trustee
Te Wharewaka o Pōneke Enterprises Limited, Director
Wellington Tenths Trust, Trustee



Anchor Stones – Trophies for the Matariki Waka Ama Harbour Challenge



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EXECUTIVE OFFICE STAFF

Keith Hindle, Business Manager

Vicki Hollywell, Operations Manager

Kathleen Thompson, Database Administrator

Tracey Heffernan, Finance

WELLINGTON OFFICE OF THE CHAIRS

Liz Mellish, Chairman Palmerston North Māori
Reserve Trust

Morrie Love, Chairman Wellington Tenth Trust

Tracey Betham, Trust Secretary

NGA TE KAU ALCOHOL AND DRUG SERVICE STAFF

Gilbert Douglas, Senior Clinician

Lena Leathery, Senior Clinician

Cherie Douglas, Administrator

WHAREWAKA O PŌNEKE TOURS STAFF

Christine Fox, Tourism Manager

Matt Ammunson-Fyall, Business Liaison

Neavin Broughton, Cultural Engagement
Facilitator

Tuparahuia Pita, Kaihautū/Captain

Ariki Brightwell, Tour Guide/Administrator

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