



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

PALMERSTON NORTH MĀORI RESERVE TRUST

Annual Report 2020



Objective

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

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



Mihi

Tuia i runga, Tuia i raro

Tuia i te here tangata, ka rongo te pō ka rongo te ao.

E ngā whānau whānui

*Kei rōtō i ngā kainga, i runga i ngā marae hūri noa
te motu me te waipounamu rānei.*

Tēnā koutou katoa.

E ngā tini me ngā mano haere atu rā.

Oti atu.

E te hūnga ora, Kia kaha, Kia māia, Kia manawanui.





The Land, The People,
The Future

*Te Whenua, Te Tāngata,
Te Ao Āmua*



CONTENTS

| | |
|--|----|
| Section One: General | 5 |
| Notice of Annual General Meeting | 6 |
| Report from the Chairman and Trustees | 7 |
| Statistical Information | 12 |
| Section Two: Consolidated Financial Statements .. | 15 |
| Consolidated Financial Statements | 16 |
| Independent Auditor's Report | 41 |
| Section Three: Appendices | 45 |
| Appendix One – Minutes | 46 |
| Appendix Two – Register of Interests | 59 |
| Appendix Three – Proxy Form 2020 | 63 |





section one

General



Notice of

Annual General Meeting

PALMERSTON NORTH MĀORI RESERVE TRUST ANNUAL GENERAL MEETING

Saturday 5 September 2020 — 1.30pm

Pipitea Marae, Thorndon Quay, Wellington

Agenda

Mihi Whakatau/Karakia

Apologies

Minutes of 2019 Annual General Meeting

Report from the Chairman and Trustees

Election of Managing Trustees

Financial Report

Appointment of Auditor

Trustee Remuneration

Annual Distribution

Karakia Whakamutunga



Report from the

Chairman and Trustees

Tēnā koutou, tēnā koutou, tēnā koutou katoa

On behalf of Trustees I am pleased to welcome you all to our **2020 Annual Report**.

I firstly acknowledge the people who have passed in the 2019-2020 year we have lost some koroua and kuia who have been strong supporters of the Palmerston North Māori Reserve Trust, and others, younger members of the whānau who have passed much before their full potential has been realised.

It is a burden on our modern society that we continue to be recognised in all the worst statistics. I know we as an Iwi Authority must look at ways to improve outcomes for our whānau. I am pleased to see our statistics from Coronavirus (Covid-19) are not as bad as we had feared and I hope we are still vigilant in our manaaki of our most vulnerable whānau to ensure we don't become just another bad statistic. Our newsletter has outlined quite clearly our concern and how we are managing ourselves as we manage our business in this 2020-2021 year. Without a doubt health is our major priority in all sense of the word.



We have managed our property portfolio with much care as the retention of tenancies and workers was uppermost in our minds through the Covid-19 crisis and we had to show leadership as landlords. We reduced rents and the Opex charges during the worst of the crisis in April/May and our tenants were very pleased with our proactive response to their needs. In doing that we ensured we understood the economic impact and we were able to react positively through the period. We are particularly grateful to Westerman Property Solutions Limited and especially Ben Westerman for their support and day to day management of all our tenants. We are grateful also to the Managers of our two Student Hostels, Palmy 31 and Baxters, who looked after those students who stayed and those who went home to their whānau in Aotearoa and have now returned to continue their study. The net result of our actions has meant that the loss of rent was minimised.

I also want to make a special mention of our Hikoikoi Management staff who maintained the business, albeit from home and worked longer hours to keep everything running smoothly – a mammoth effort from them all. In times of crisis seeing them rise to the occasion is humbling.



We have reduced activities at Hikoikoi for the remainder of this year as Trustees have the responsibility to look after our staff welfare. Whilst we accept that it is somewhat frustrating, not abiding by the Ministry of Health rules can result in disaster so we must remain vigilant.

As well as maintaining the existing property portfolio, we are very pleased to announce that we have opened our new early childcare centre on Ngata Street. Trustees were pleased to attend the dawn opening which was led by Rangitane and the Mayor of Palmerston North – Grant Smith. The tenant, Learn-a-Lot Kindy, are delighted with this purpose-built facility and it is an asset we are all proud of.

Not only have we completed the childcare centre, we are well on the way with the development of new premises for Steve's Tyres on the corner of Grey and Ngata Streets. We expect to complete this by December. We have completed the movement of two houses to 40 Fitchett Street and they are now tenanted.

All these projects of course will produce income to be recorded in 2020-2021 year's accounts.



Returning to the accounts and performance for 2019-2020 we are pleased to announce our new valuations and improved cashflow performance have meant we continue to grow the gross value of our assets to \$106,866,812. A very creditable result which we are proud of and especially the improved cash income. Valuations this year have had a different lens applied by Covid-19 impacts, as Valuers manage the process not knowing how and when Covid-19 will affect property. Our Auditors have been careful and discussed with us and our Valuer the methods applied and we are very comfortable with the conservative approach taken when valuing our portfolio.

It is fair to say that although we have done well in the 2019-2020 year we need to be careful in our decision making as we have a number of projects under consideration which will require funding.

Whilst Te Raukura the Wharewaka is not listed as an asset within our property portfolio, along with Wellington Tenths Trust we have invested \$3,063,016 in the property. We receive a monthly payment of interest on the investment and are active managers of the complex alongside our contractor Manaaki Management Limited. This business was affected by the Covid-19 virus and was closed until Level 2 of Lockdown and partially operating until we reached Level 1. The recovery is happening but it will be some time before



the business fully recovers from the lockdown. Manaaki has laid off staff and that is not an easy thing to do. We expect as we head into the summer season we could be operating at full capacity.

Our tourism business has taken a hefty knock but we have managed to retain our two full time staff built on the back of a very good season. We have adapted our programme and work with Māori Tourism, Wellington City Council and Wellington NZ to launch the “Shop Local” and holiday in Wellington promotion. In the 2019-2020 season we had 16 casual staff of which 9 were Te Atiawa/Taranaki Whanui. We hope to see most of them return. The casuals are generally secondary school pupils or university students and this work is a real help to whānau.

In conclusion we look forward to another progressive year that we manage through the strange and difficult times. We are still uncertain what the world will bring but we remain positive and excited for our projects and the growth they bring to us all.

Ngā Mihi Nui

A handwritten signature in black ink, appearing to read 'Liz Mellish'.

Liz Mellish, MNZM
Chairman

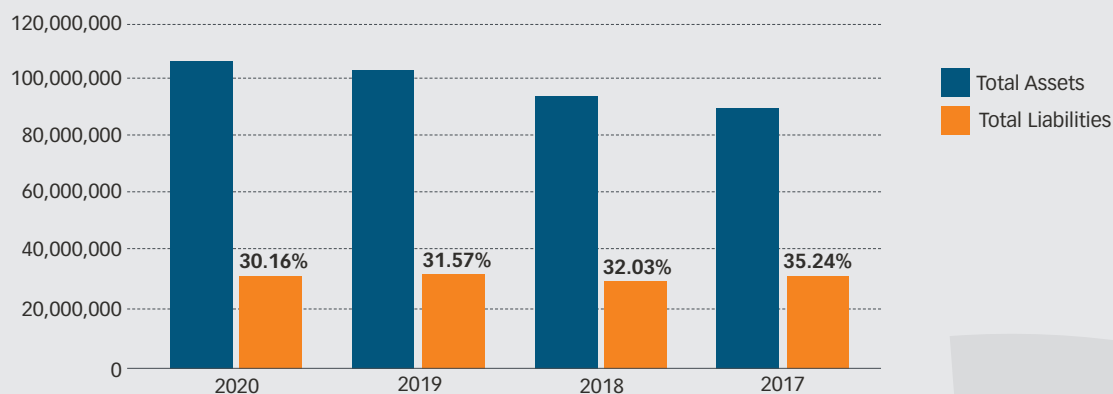
Statistical Information

| | 2020 | 2019 | 2018 | 2017 |
|--|----------------------|---------------|--------------|--------------|
| Number of Owners | 1,089 | 1,062 | 1,023 | 999 |
| Number of Shares | 190,831.866 | 190,831.866 | 190,831.866 | 190,831.866 |
| Total Assets | \$106,866,812 | \$103,551,766 | \$94,595,230 | \$90,496,889 |
| Total Liabilities | \$32,227,472 | \$32,693,479 | \$30,301,892 | \$31,890,354 |
| Total Equity | \$74,639,340 | \$70,858,287 | \$64,293,338 | \$58,606,535 |
| Indicative Value per Share | \$391.13 | \$371.31 | \$336.91 | \$307.11 |
| Revenue | \$6,962,983 | \$6,685,786 | \$6,326,330 | \$6,452,207 |
| Operating Profit After Net Financing Costs | \$2,814,819 | \$2,494,796 | \$2,624,138 | \$2,764,963 |
| Profit for the year | \$4,733,444 | \$7,512,696 | \$6,670,778 | \$8,385,948 |
| Distribution to Owners | \$954,159 | \$954,159 | \$1,049,575 | \$954,159 |
| Distribution per Share | \$5.00 | \$5.00 | \$5.50 | \$5.00 |



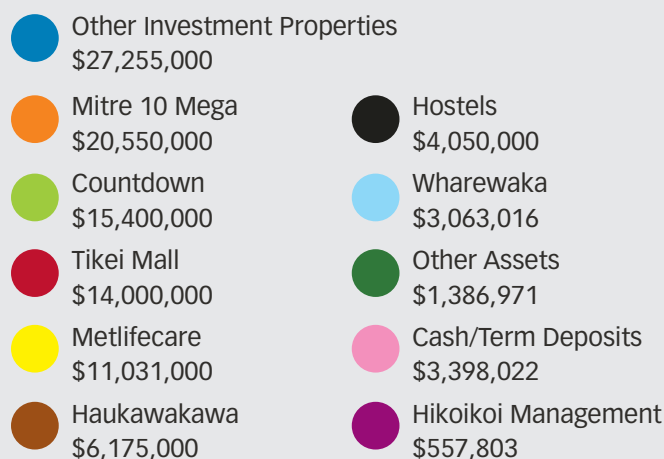
Debt to Equity Ratio

The illustration below shows the movement in the debt to total assets ratio over the past four years. As at 31 March 2020 the debt to total assets ratio is 30.16%, that is, the total liabilities of the Trust is 30.16% of the Trust's total assets. This is a strengthening of 1.41% from 31 March 2019.

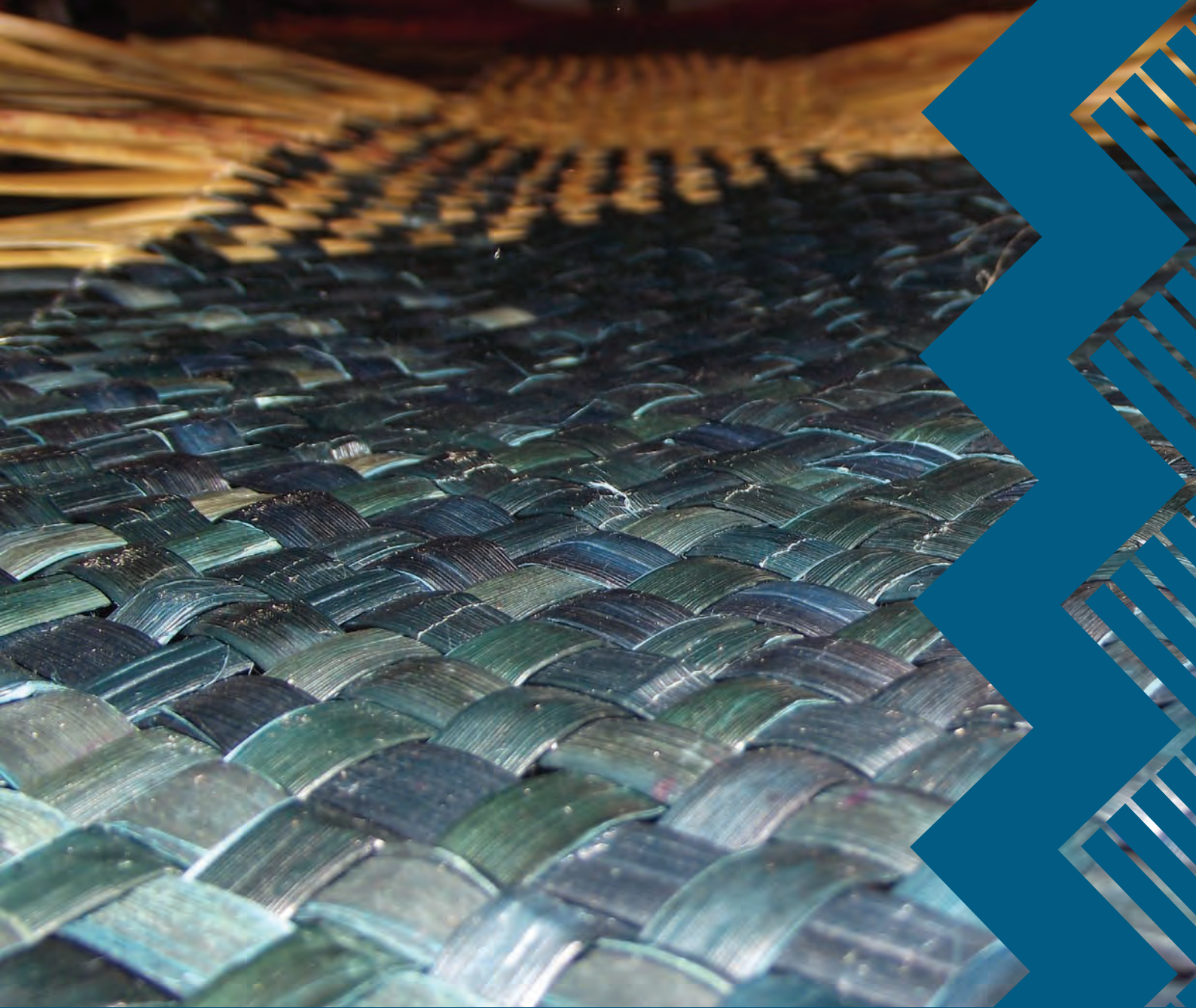


Total Assets

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 2020. 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.







section two

Consolidated Financial Statements

PALMERSTON NORTH MĀORI RESERVE TRUST

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

| | NOTE | 2020 \$ | 2019 \$ |
|---|------|--------------------|--------------------|
| Revenue | | | |
| Gross Rental Income | 13 | 6,868,991 | 6,646,661 |
| Other Income | | 93,992 | 39,125 |
| Total Income | | 6,962,983 | 6,685,786 |
| Expenses | | | |
| Direct Property Expenses | 13 | (2,362,274) | (2,176,214) |
| Administration Expenses | 15 | (943,855) | (1,008,171) |
| Depreciation | | (52,085) | (45,551) |
| Amortisation | | – | (4) |
| Loss on Disposal of Property, Plant and Equipment | | (1,813) | (8,349) |
| Total Expenses | | (3,360,027) | (3,238,289) |
| Operating Profit Before Net Financing Costs | | 3,602,956 | 3,447,497 |
| Finance Costs | | | |
| Finance Income | 14 | 155,443 | 187,409 |
| Finance Expenses | 14 | (943,580) | (1,140,111) |
| Net Finance Costs | | (788,137) | (952,702) |
| Operating Profit After Net Financing Costs | | 2,814,819 | 2,494,796 |
| Non-Operating Revenue and Expenses | | | |
| Share of Equity Accounted Investees Profit for the Year | 4 | 730,000 | 727,710 |
| Loss on Sale of Investment Property | 3 | – | (595,000) |
| Investment Property Revaluation | 3 | 1,788,500 | 5,423,062 |
| Demolition Costs | | (65,462) | (141,202) |
| Profit Before Income Tax | | 5,267,857 | 7,909,366 |
| Income Tax Expense | 16 | (534,413) | (396,670) |
| Profit for the Year | | 4,733,444 | 7,512,696 |
| Total Comprehensive Income for the Year | | \$4,733,444 | \$7,512,696 |

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

PALMERSTON NORTH MĀORI RESERVE TRUST
CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2020

| | NOTE | Retained Earnings \$ | Discretionary Reserve \$ | Total Equity \$ |
|---|------|----------------------------|--------------------------------|-----------------------|
| Balance at 1 April 2018 | | 64,227,738 | 65,600 | 64,293,338 |
| Profit for the Year | | 7,512,696 | – | 7,512,696 |
| Total Comprehensive Income for the Year | | 7,512,696 | – | 7,512,696 |
| <i>Other Movements</i> | | | | |
| Transfer to Discretionary Reserve from Distributions and Unclaimed Distributions | 12 | – | 8,252 | 8,252 |
| Transfer from Discretionary Reserve (Allocation to Rangatahi Leadership Programme) | 12 | – | (1,838) | (1,838) |
| Total Other Movements | | – | 6,414 | 6,414 |
| <i>Transactions with Owners of the Trust in their capacity as Owners</i> | | | | |
| Distributions Paid | 10 | (954,159) | – | (954,159) |
| Balance at 31 March 2019 | | 70,786,273 | 72,014 | 70,858,287 |
| Profit for the Year | | 4,733,444 | – | 4,733,444 |
| Total Comprehensive Income for the Year | | 4,733,444 | – | 4,733,444 |
| <i>Other Movements</i> | | | | |
| Transfer to Discretionary Reserve from Distributions and Unclaimed Distributions | 12 | – | 8,251 | 8,251 |
| Transfer from Discretionary Reserve (Allocation to Rangatahi Leadership Programme) | 12 | – | (6,482) | (6,482) |
| Total Other Movements | | – | 1,769 | 1,769 |
| <i>Transactions with Owners of the Trust in their capacity as Owners</i> | | | | |
| Distributions Paid | 10 | (954,159) | – | (954,159) |
| Balance as at 31 March 2020 | | \$74,565,558 | \$73,783 | \$74,639,340 |

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

PALMERSTON NORTH MĀORI RESERVE TRUST

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

| | NOTE | 2020 \$ | 2019 \$ |
|--|------|---------------------|---------------------|
| Equity | | | |
| Discretionary Reserve | 12 | 73,783 | 72,014 |
| Retained Earnings | | 74,565,558 | 70,786,273 |
| Total Equity | | \$74,639,340 | \$70,858,287 |
| Assets | | | |
| Current Assets | | | |
| Trade and Other Receivables | | 95,044 | 103,050 |
| Sundry Receivable (25-41 Ward Street) | | – | 2,400,000 |
| Prepayments | | 92,863 | 87,176 |
| Cash and Cash Equivalents | 5 | 3,398,022 | 911,043 |
| Total Current Assets | | 3,585,929 | 3,501,269 |
| Non-Current Assets | | | |
| Property, Plant and Equipment | | 251,369 | 276,194 |
| Investment Properties | 3 | 87,430,000 | 85,641,500 |
| Investment in Equity Accounted Investees | 4 | 11,031,000 | 10,426,000 |
| Related Party Receivables | 6 | 3,697,510 | 3,645,142 |
| 22-24 Ngata Street Development Costs | 7 | 807,231 | 43,174 |
| Investment Property Work in Progress | | 63,773 | 18,487 |
| Total Non-Current Assets | | 103,280,883 | 100,050,497 |
| Total Assets | | 106,866,812 | 103,551,766 |
| Liabilities | | | |
| Current Liabilities | | | |
| Trade Payables and Other Current Liabilities | 11 | 546,963 | 630,101 |
| Income Tax Payable | 16 | 252,733 | 56,894 |
| Related Party Payables | 6 | – | 2,203 |
| Unclaimed Distributions | 10 | 1,579,930 | 1,695,517 |
| Interest-Bearing Loans and Borrowings | 9 | 960,000 | 960,000 |
| Total Current Liabilities | | 3,339,626 | 3,344,715 |
| Non-Current Liabilities | | | |
| Interest-Bearing Loans and Borrowings | 9 | 28,038,323 | 28,498,323 |
| Deferred Tax Liability | 16 | 849,523 | 850,441 |
| Total Non-Current Liabilities | | 28,887,846 | 29,348,764 |
| Total Liabilities | | 32,227,472 | 32,693,479 |
| NET ASSETS | | \$74,639,340 | \$70,858,287 |

Approved for and on behalf of the Trustees on 24 June 2020:

Liz Mellish, MNZM
Chairman



Mark Te One
Trustee



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

PALMERSTON NORTH MĀORI RESERVE TRUST
CONSOLIDATED STATEMENT OF
CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020

| | NOTE | 2020 \$ | 2019 \$ |
|--|------|--------------------|--------------------|
| Cash Flows From Operating Activities | | | |
| Cash Receipts From Tenants | | 6,860,279 | 6,701,823 |
| Cash Paid to Suppliers and Employees | | (3,329,803) | (3,245,821) |
| Interest Received | | 155,443 | 172,020 |
| Interest Paid | | (943,580) | (1,140,044) |
| Income Taxes Paid | 16 | (339,492) | (473,346) |
| Net GST Paid | | (71,671) | (8,251) |
| Net Cash Inflow From Operating Activities | | 2,331,176 | 2,006,381 |
| Cash Flows From Investing Activities | | | |
| Purchase of Property, Plant and Equipment | | (29,073) | (137,476) |
| Purchase of Investment Property | | (764,057) | (3,839,857) |
| Proceeds From Sale of Investment Property | | 2,400,000 | 275,000 |
| Distribution Received From Equity Accounted Entity | 4 | 125,000 | 325,000 |
| Maturity of Term Deposit | | – | 1,400,000 |
| Advances Made to Related Parties | 6 | (54,571) | (33,563) |
| Purchase of 50% share in Haukawakawa LP | 8 | – | (1,375,878) |
| Cash and Cash Equivalents of Subsidiary Acquired | 8 | – | 40,495 |
| Net Cash Inflow/(Outflow) From Investing Activities | | 1,677,299 | (3,346,279) |
| Cash Flows From Financing Activities | | | |
| Drawdown of Borrowings | 9 | 3,000,000 | 3,037,500 |
| Repayment of Borrowings | 9 | (3,460,000) | (960,000) |
| Net Cash (Outflow)/Inflow From Financial Activities | | (460,000) | 2,077,500 |
| Cash Distributions to Owners | | | |
| Distributions Paid | 10 | (1,061,496) | (656,132) |
| Net Increase in Cash and Cash Equivalents | | 2,486,979 | 81,470 |
| Cash and Cash Equivalents at Beginning of Year | | 911,043 | 829,573 |
| Cash and Cash Equivalents at End of Year | 5 | \$3,398,022 | \$911,043 |

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

PALMERSTON NORTH MĀORI RESERVE TRUST

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

1. REPORTING ENTITY

The consolidated financial statements of Palmerston North Māori Reserve Trust, which is domiciled in New Zealand, as at and for the year ended 31 March 2020 comprise the Trust and its subsidiaries (together referred to as the “Group”) and individually as “Group entities” and the Group’s equity accounted interests in associates.

Palmerston North Māori Reserve Trust is an Ahu Whenua Trust constituted by the New Zealand Māori Land Court Order of December 16, 2003 pursuant to Sec 244 of the Te Ture Whenua Māori Act 1993 which varied the original Trust Deed of 1977, and the subsequent variations of Deed made on November 5, 1999 and May 1993. For the purposes of complying with generally accepted accounting practice in New Zealand (“NZ GAAP”) the Group is a for-profit entity.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime (“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 24 June 2020.

(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 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.

The determination of the fair value of investment properties requires the use of key estimates. Information on those estimates is provided in Note 3.

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

PALMERSTON NORTH MĀORI RESERVE TRUST
NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

(e) 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.

(f) Impairment for 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. Any impairment loss is recognised in profit and loss.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. 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.

PALMERSTON NORTH MĀORI RESERVE TRUST

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

(g) Good and Services Tax (GST)

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 assets or other current liabilities in the Statement of Financial Position.

(h) New Standards and Interpretations

NZ IFRS 16 Leases and NZ IFRIC 23 Uncertainty over Income Tax Treatments have come into effect during the 2020 financial year.

NZ IFRS 16 impacts entities who are lessees therefore as the entity is a lessor, there is no impact on the financial statements. There has also been no impact of the adoption of NZ IFRIC 23.

(i) Comparatives

Comparative figures have been reclassified to conform to the current years presentation.

3. 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 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.

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.

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 investment property's current use and therefore fair value has been determined as follows:

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

3. INVESTMENT PROPERTIES *(continued)*

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.

Colliers International (Wellington Valuation) Limited have valued all properties for financial reporting purposes at 31 March 2019 and 31 March 2020.

COVID-19 was declared a 'Global Pandemic' by the World Health Organisation on 11 March 2020. Restrictions imposed across New Zealand meant market activity was impacted as at 31 March 2020 and the real estate market was effectively frozen until restrictions were eased from 14 May 2020. The valuation performed by Colliers is under a 'Material Valuation Uncertainty' which indicated that less weight can be given to previous market evidence for comparison purposes and highlighted the difficulties in valuing property under these circumstances. Colliers provided a valuation which reflected the market prior to COVID-19 of \$91,015,500. Colliers adjusted key assumptions given changes in the property market and the economy due to COVID-19 and arrived at a valuation of \$87,430,000. This 'post COVID-19' value has been adopted as at 31 March 2020 for financial reporting purposes.

PALMERSTON NORTH MĀORI RESERVE TRUST

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

3. INVESTMENT PROPERTIES (continued)

| | 2020 \$ | 2019 \$ |
|--|---------------------|---------------------|
| Balance at 1 April | 85,641,500 | 76,981,500 |
| Acquisition on Consolidation of Haukawakawa Limited Partnership | – | 2,700,000 |
| Acquisitions | | |
| 89-95 Thordon Quay, Wellington | – | 3,500,000 |
| Countdown Seismic Strengthening | – | 306,938 |
| | – | 3,806,938 |
| Disposals | | |
| Buildings only at 24 Ngata Street, Palmerston North | – | (75,000) |
| 21-45 Ward Street, Palmerston North | – | (2,600,000) |
| | – | (2,675,000) |
| Loss on Sale | – | (595,000) |
| Change in fair value | 1,788,500 | 5,423,062 |
| Balance at 31 March | \$87,430,000 | \$85,641,500 |

| | 2020 \$ | 2019 \$ |
|---|------------|------------|
| Carrying Value of Individual Properties: | | |
| Countdown Supermarket – 247-271 Rangitikei Street, Palmerston North | 15,400,000 | 15,320,000 |
| Tikei Mall – 168-208 Rangitikei Street, Palmerston North | 14,000,000 | 13,250,000 |
| Nash Street Development (Mitre 10 Mega) – 250-270 Featherston Street, Palmerston North | 20,550,000 | 20,760,000 |
| | 49,950,000 | 49,330,000 |
| Hostels | | |
| Palmy 31 – 29 & 31 Ngata Street, 40 & 42 Carroll Street, Palmerston North | 2,400,000 | 2,450,000 |
| Baxters – 9-17 Ranfurly Street, Palmerston North | 1,650,000 | 1,720,000 |
| | 4,050,000 | 4,170,000 |

PALMERSTON NORTH MĀORI RESERVE TRUST
NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

3. INVESTMENT PROPERTIES *(continued)*

| | 2020 \$ | 2019 \$ |
|---|---------------------|---------------------|
| Other | | |
| 272-276 Featherston Street, Palmerston North | 1,150,000 | 1,190,000 |
| 61-65 Grey Street, Palmerston North | 900,000 | 900,000 |
| 67-71 Grey Street, Palmerston North | 505,000 | 468,000 |
| 77-83 Grey Street, Palmerston North | 580,000 | 640,000 |
| 152-166 Rangitikei Street, Palmerston North | 1,755,000 | 1,680,000 |
| 38 Carroll Street, Palmerston North | 240,000 | 261,000 |
| 46 Carroll Street & 33 Ngata Street, Palmerston North | 1,990,000 | 2,040,000 |
| 35 Grey Street, Palmerston North | 315,000 | 340,000 |
| 33-41 Grey Street, Palmerston North | 2,075,000 | 2,035,000 |
| 51-59 Grey Street, Palmerston North | 2,290,000 | 2,100,000 |
| 121 Grey Street, Palmerston North | 435,000 | 400,000 |
| 19 Ngata Street, Palmerston North | 320,000 | 295,000 |
| 21 Ngata Street, Palmerston North | 355,000 | 295,000 |
| 27 Ngata Street, Palmerston North | 320,000 | 295,000 |
| 32 Ngata Street, Palmerston North | 595,000 | 562,500 |
| 34 Ngata Street, Palmerston North | 540,000 | 490,000 |
| 26 Fitchett Street, Palmerston North | 465,000 | 415,000 |
| 30 Fitchett Street, Palmerston North | 520,000 | 445,000 |
| 34 Fitchett Street, Palmerston North | 550,000 | 470,000 |
| 40 Fitchett Street, Palmerston North | 580,000 | 350,000 |
| 42 Fitchett Street, Palmerston North | 440,000 | 380,000 |
| 46/46a Fitchett Street, Palmerston North | 560,000 | 520,000 |
| 48/48a Fitchett Street, Palmerston North | 520,000 | 440,000 |
| 3 Nash Street & 16 Ngata Street, Palmerston North | 740,000 | 645,000 |
| 9 - 15 Nash Street & 22-26 Ngata Street Palmerston North | 1,855,000 | 1,670,000 |
| 28a/b/c/d 30/30b Ngata Street, Palmerston North | 1,200,000 | 850,000 |
| 81-87 Thorndon Quay & 89-95 Thorndon Quay, Wellington | 6,175,000 | 6,300,000 |
| 8-28 Carroll Street & 3-17 Ngata Street, Palmerston North | 5,460,000 | 5,665,000 |
| | 33,430,000 | 32,141,500 |
| | \$87,430,000 | \$85,641,500 |

PALMERSTON NORTH MĀORI RESERVE TRUST

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

4. INVESTMENT IN EQUITY ACCOUNTED ASSOCIATES

Palmerston North Māori Reserve Trust holds the following voting interests in the following entities and as such has significant influence but not control of the entities, with the exception of Haukawakawa Limited Partnership which Palmerston North Māori Reserve Trust now has full control (refer to note 8). 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 2020 | Ownership Percentage 2019 |
|--------------------------------------|---------------------|--|----------------------------------|----------------------------------|
| Hikoikoi Management Limited | 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.

During the year ended 31 March 2019 Palmerston North Māori Reserve acquired Wellington Tenth Trust's 50% share in Haukawakawa Limited Partnership held by Wellington Tenth Trust for \$1,375,878. Following this acquisition Haukawakawa Limited Partnership is now recognised as a subsidiary of Palmerston North Māori Reserve (refer to note 8).

| Non-current Investment in Associate | Hikoikoi Management Limited \$ | Haukawakawa LP \$ | Metlifecare Palmerston North Limited \$ | Total \$ |
|---|---------------------------------------|--------------------------|--|---------------------|
| Balance at 1 April 2018 | – | 1,374,667 | 10,024,500 | 11,399,167 |
| Share of profit/(loss) | – | 1,210 | 726,500 | 727,710 |
| Dividends received | – | – | (325,000) | (325,000) |
| Consolidation into Subsidiary following Acquisition | – | (1,375,878) | – | (1,375,878) |
| Balance at 31 March 2019 | – | – | 10,426,000 | 10,426,000 |
| Share of profit/(loss) | – | – | 730,000 | 730,000 |
| Dividends received | – | – | (125,000) | (125,000) |
| Balance at 31 March 2020 | \$ – | \$ – | \$11,031,000 | \$11,031,000 |

Hikoikoi Management Limited has no profit/(loss) for the year ended 31 March 2019 and 31 March 2020.

PALMERSTON NORTH MĀORI RESERVE TRUST

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

4. INVESTMENT IN EQUITY ACCOUNTED ASSOCIATES *(continued)*

| Assets and Liabilities of Associates | 2020 | | Total \$ |
|---|---|--|---------------------|
| | Hikoikoi Management Limited \$ | Metlifecare Palmerston North Limited \$ | |
| Current Assets | 119,146 | 6,277,000 | 6,396,146 |
| Non-current Assets | 1,166,931 | 44,863,000 | 46,029,931 |
| Total Assets | 1,286,077 | 51,140,000 | 52,426,077 |
| Current Liabilities | 100,546 | 4,240,000 | 4,340,546 |
| Non-current Liabilities | 1,185,531 | 24,840,000 | 26,025,531 |
| Total Liabilities | 1,286,077 | 29,080,000 | 30,366,077 |
| Net Assets | \$- | \$22,060,000 | \$22,060,000 |

| Assets and Liabilities of Associates | 2019 | | Total \$ |
|---|---|--|---------------------|
| | Hikoikoi Management Limited \$ | Metlifecare Palmerston North Limited \$ | |
| Current Assets | 95,117 | 1,207,000 | 1,302,117 |
| Non-current Assets | 1,180,293 | 46,630,000 | 47,810,293 |
| Total Assets | 1,275,410 | 47,837,000 | 49,112,410 |
| Current Liabilities | 91,749 | 1,557,000 | 1,648,749 |
| Non-current Liabilities | 1,183,661 | 25,429,000 | 26,612,661 |
| Total Liabilities | 1,275,410 | 26,986,000 | 28,261,410 |
| Net Assets | \$- | \$20,851,000 | \$20,851,000 |

PALMERSTON NORTH MĀORI RESERVE TRUST

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

5. CASH AND CASH EQUIVALENTS

| | 2020 \$ | 2019 \$ |
|--|--------------------|------------------|
| Bank Balances | 3,398,022 | 911,043 |
| Total cash and cash equivalents | \$3,398,022 | \$911,043 |

Interest rate charged on overdrawn bank balances and interest received on call deposits were 10% and 0.05% respectively (2019: 10.35% and 0.1%). Bank balances are on call. Total overdraft available at balance date is \$250,000 (2019: \$250,000).

6. RELATED PARTY RECEIVABLES

Related party relationships are detailed in note 20. The balances below have arisen from a combination of trading activities and loans.

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 (2019: nil) and there have been no write-offs of related party balances during the year (2019: nil).

Related Party (refer to note 20) Balances at year end included:

| | 2020 \$ | 2019 \$ |
|--|--------------------|--------------------|
| Payable to Wellington Tenths Trust | – | (2,203) |
| Receivable from Wharewaka o Poneke Charitable Trust | 3,063,016 | 3,063,713 |
| Receivable from Hikoikoi Management Limited | 557,803 | 567,829 |
| Receivable from Ngahuru Charitable Trust | 76,691 | 13,600 |
| | \$3,697,510 | \$3,642,939 |
| Related Party Balances | | |
| Non-Current Related Party Receivables | 3,697,510 | 3,645,142 |
| Current Related Party Payables | – | (2,203) |
| | \$3,697,510 | \$3,642,939 |
| Reconciliation | | |
| Balance at Beginning of Year | 3,642,939 | 3,604,338 |
| Net Payments/(Receipts) | 54,571 | 33,563 |
| Haukawakawa Limited Partnership Elimination Adjustment | – | 5,038 |
| | \$3,697,510 | \$3,642,939 |

PALMERSTON NORTH MĀORI RESERVE TRUST

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

7. 22-24 NGATA STREET DEVELOPMENT COSTS

| | 2020 \$ | 2019 \$ |
|--|------------------|-----------------|
| Balance at Beginning of Year | 43,174 | – |
| Development Costs incurred during the Year | 764,057 | 43,174 |
| Balance at End of the Year | \$807,231 | \$43,174 |

The Trust has undertaken a development at 22-24 Ngata Street to build a facility for early childhood education. The project is expected to be completed during June 2020. Further anticipated development costs to completion are \$322,801. When this development is completed it will be classified as Investment Property (note 3).

8. ACQUISITION OF HAUKAWAKAWA LIMITED PARTNERSHIP

On 18 July 2018 Palmerston North Māori Reserve acquired the remaining 50% of Haukawakawa Limited Partnership it did not own.

The following table summarises the consideration paid for Haukawakawa Limited Partnership, the fair value of assets acquired, and liabilities assumed at acquisition date.

| | 18 July 2018 \$ |
|--|--------------------|
| Consideration transferred | |
| Cash | 1,375,878 |
| Fair value of equity interest in Haukawakawa Limited Partnership before the business combination | 1,375,878 |
| | \$2,751,756 |
| Recognised amounts of identifiable assets acquired and liabilities assumed | |
| Cash and Cash Equivalents | 40,495 |
| Accounts Receivable | 7,286 |
| Investment Property | 2,700,000 |
| Legal fee in relation to Acquisition of 89-95 Thorndon Quay | 739 |
| Related Party Balances | 4,284 |
| Accounts Payable | (849) |
| GST | (199) |
| Total identifiable net assets | \$2,751,756 |

The rental revenue included in the consolidated statement of comprehensive income since 18 July 2018 contributed by Haukawakawa Limited Partnership was \$145,004, along with a revaluation gain on investment property of \$100,000. Haukawakawa Limited Partnership contributed profit of \$160,032.

PALMERSTON NORTH MĀORI RESERVE TRUST

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

9. INTEREST-BEARING LOANS AND BORROWINGS

| | 2020 | 2019 |
|---|---------------------|---------------------|
| | \$ | \$ |
| Westpac Banking Corporation 91 Loan | | |
| <i>Maturity Date: 31/03/2022 Interest Rate: 2.50%</i> | | |
| Balance at Beginning of Year | 29,458,323 | 27,380,823 |
| Drawdown | 3,000,000 | 3,037,500 |
| Repayments | (3,460,000) | (960,000) |
| Balance at End of the Year | \$28,998,323 | \$29,458,323 |
| Current | 960,000 | 960,000 |
| Non-current | 28,038,323 | 28,498,323 |
| | \$28,998,323 | \$29,458,323 |

Borrowings are initially recognised at fair value net of transaction costs and subsequently carried at amortised cost.

The bank loans are secured over certain investment properties with a carrying amount of \$63,685,000 (2019: \$69,195,000).

10. UNCLAIMED DISTRIBUTIONS

Unclaimed distributions represent distributions declared by Palmerston North Māori 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 Māori Reserve Trust has sufficient access to capital to pay all unclaimed distributions if they were called.

| | 2020 | 2019 |
|---|----------------------|--------------------|
| | \$ | \$ |
| Balance at Beginning of Year | 1,695,517 | 1,405,741 |
| Distribution Declared | 954,159 | 954,159 |
| Net Distributions Claimed | (1,069,746) | (664,384) |
| Balance at End of the Year | \$1,579,930 | \$1,695,517 |
| Reconciliation to Cashflow | | |
| Net Distributions Claimed | (1,069,746) | (664,384) |
| Distribution relating to shares held by the Trust (refer to note 12) | 8,251 | 8,252 |
| | \$(1,061,495) | \$(656,132) |

PALMERSTON NORTH MĀORI RESERVE TRUST

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

11. TRADE AND OTHER PAYABLES AND OTHER CURRENT LIABILITIES

| | 2020 | 2019 |
|----------------------------|------------------|------------------|
| | \$ | \$ |
| Trade Payables | 356,526 | 238,428 |
| Bonds Payable | 8,161 | 3,773 |
| Accrued Expenses | 95,861 | 125,586 |
| GST Payable | 18,443 | 91,158 |
| Income Received in Advance | 67,972 | 171,156 |
| | \$546,963 | \$630,101 |

Trade payables are initially recognised at fair value and subsequently carried at amortised cost. Trade payables generally have terms of 30 days and are interest free. Trade payables of a short-term duration are not discounted.

12. DISCRETIONARY RESERVE

| | 2020 | 2019 |
|---|-----------------|-----------------|
| | \$ | \$ |
| Balance at the Beginning of the Year | 72,014 | 65,600 |
| Distribution relating to shares held by the Trust | 8,251 | 8,252 |
| Total Distributions Transferred | 8,251 | 8,252 |
| Allocation to Rangitahi Leadership Wananga | (6,482) | (1,838) |
| Balance at End of the Year | \$73,783 | \$72,014 |

A parcel of 1,650 shares were originally transferred to the Trust from the Māori 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 2018 year the Trustees resolved that these unclaimed distributions could be applied to specific activities as resolved by the Trustees. The Trustees resolved that \$6,482 during the 2020 year (2019: \$1,838) be applied to the Rangitahi Leadership Wananga.

PALMERSTON NORTH MĀORI RESERVE TRUST

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

13. RENTAL INCOME

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

Leases are operating leases and are classified as an operating lease when the Group substantially maintains all the risks and rewards incidental to ownership of the investment property.

| | 2020 | | |
|--------------------------------|------------------------|--------------------------------|----------------------|
| | Gross Rental Income | Direct Property Expenses | Net Rental Income |
| | \$ | \$ | \$ |
| Tikei Mall | 1,197,657 | (290,345) | 907,312 |
| Nash Street Development | 1,727,497 | (315,047) | 1,412,450 |
| Countdown Supermarket | 1,245,500 | (97,355) | 1,148,145 |
| Hostel Accommodation | 1,108,842 | (671,977) | 436,865 |
| Thorndon Quay – Haukawakawa LP | 204,948 | (150,348) | 54,600 |
| Other | 1,384,547 | (837,202) | 547,345 |
| | \$6,868,991 | \$(2,362,274) | \$4,506,717 |

| | 2019 | | |
|--------------------------------|------------------------|--------------------------------|----------------------|
| | Gross Rental Income | Direct Property Expenses | Net Rental Income |
| | \$ | \$ | \$ |
| Tikei Mall | 1,259,981 | (339,947) | 920,034 |
| Nash Street Development | 1,422,559 | (352,580) | 1,069,979 |
| Countdown Supermarket | 1,245,500 | (96,608) | 1,148,892 |
| Hostel Accommodation | 981,604 | (613,371) | 368,233 |
| Thorndon Quay – Haukawakawa LP | 145,004 | (60,941) | 84,063 |
| Other | 1,592,013 | (712,767) | 879,246 |
| | \$6,646,661 | \$(2,176,214) | \$4,470,447 |

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 \$6,868,991 (2019: \$6,646,661).

NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

14. NET 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). Interest expense is recognised using the effective interest method.

| | 2020 \$ | 2019 \$ |
|---|--------------------|--------------------|
| Finance Income | | |
| Interest Income from Loans and Receivables | 114,375 | 141,613 |
| – Wharewaka o Poneke Charitable Trust (refer to note 20) | | |
| Interest Income from Loans and Receivables | 36,179 | 38,394 |
| – Hikoikoi Management Limited (refer to note 20) | | |
| Interest Income from Loans and Receivables | 4,024 | – |
| – Wellington Tenths Trust (refer to note 20) | | |
| Interest Income – Westpac | 674 | 6,588 |
| Interest Income – Other | 191 | 814 |
| | 155,443 | 187,409 |
| Finance Expense – Liabilities at Amortised Cost | | |
| Interest Expense – Westpac | (943,580) | (1,138,973) |
| Interest Expense – Wellington Tenths Trust (refer to note 20) | – | (1,138) |
| | (943,580) | (1,140,111) |
| Net Finance Expense | \$(788,137) | \$(952,702) |

PALMERSTON NORTH MĀORI RESERVE TRUST

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

15. ADMINISTRATION EXPENSES

| | 2020 | 2019 |
|-------------------------------------|------------------|--------------------|
| | \$ | \$ |
| Accountancy Fees | 50,275 | 42,799 |
| Audit Fees | 31,782 | 40,760 |
| Bank Charges | 8,878 | 10,029 |
| Cleaning & Laundry | 3,833 | 2,790 |
| Consultancy Fees | – | 9,637 |
| Executive Office (refer to note 20) | 472,701 | 473,615 |
| General Expenses | 5,876 | 11,112 |
| Insurance | 27,164 | 25,323 |
| Koha | 1,093 | 750 |
| Legal Fees | 39,055 | 75,683 |
| Owners' Meetings | 40,130 | 50,655 |
| Postage, Printing & Stationery | 1,293 | 975 |
| Memberships & Subscriptions | 11,007 | – |
| Tangi Contributions | 1,000 | 1,400 |
| Telephone & Internet | 3,104 | 2,971 |
| Trustees' Fees (refer to note 20) | 188,000 | 188,000 |
| Trustees' Expenses | 58,664 | 71,672 |
| | \$943,855 | \$1,008,171 |

16. INCOME 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, when it will be recognised in equity or other comprehensive income respectively.

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,

NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

16. INCOME TAX *(continued)*

Temporary differences related to investments in subsidiaries and associates, where the reversal of the difference is controlled by the Group and it is probable that the temporary difference 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. Deferred tax assets are only recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

| | 2020 \$ | 2019 \$ |
|---|------------------|------------------|
| a) Income tax recognised in profit or loss | | |
| Current tax | 535,331 | 489,822 |
| Deferred tax expense | (918) | (93,152) |
| Total income tax expense | \$534,413 | \$396,670 |

PALMERSTON NORTH MĀORI RESERVE TRUST

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

16. INCOME TAX (continued)

| | 2020 \$ | 2019 \$ |
|---|--------------------|--------------------|
| b) Reconciliation of income tax expense | | |
| Profit before income tax expense | 5,267,857 | 7,909,366 |
| Tax expense at 17.5% | 921,875 | 1,384,139 |
| Non-deductible expenses | 10,953 | 19,459 |
| Non-deductible loss on sale of investment property | – | 104,125 |
| Non-assessable income | (8,134) | (62,002) |
| Non-assessable investment property revaluation | (312,988) | (949,036) |
| Non-assessable equity accounted earnings | (127,750) | (65,135) |
| Dividend received from equity accounted investee | 21,875 | 56,875 |
| Income taxed at different rates | 2,414 | – |
| Reduction in deferred tax liability from Investment Property disposal | (1,535) | (92,189) |
| Prior period adjustments | 2,944 | 280 |
| Income tax losses not utilised | – | 154 |
| Ring-fenced residential losses | 24,759 | – |
| Total income tax expense | \$534,413 | \$396,670 |
| c) Current tax | | |
| Asset/(liability) at 1 April | (56,894) | (40,418) |
| Current year tax expense | (535,331) | (489,822) |
| Payments | 339,492 | 473,346 |
| Asset/(liability) at 31 March | \$(252,733) | \$(56,894) |
| d) Deferred tax | | |
| Balance at the beginning of the year | (850,441) | (943,593) |
| Current year movement | 918 | 93,152 |
| Deferred tax asset/(liability) | \$(849,523) | \$(850,441) |
| <i>Deferred tax assets/(liabilities) are attributable to the following:</i> | | |
| Accrued Expenses | 6,121 | 6,738 |
| Investment Properties | (855,644) | (857,179) |
| Deferred tax asset/(liability) | \$(849,523) | \$(850,441) |
| e) Māori Authority Tax Credit Account | | |
| Balance at the beginning of the year | 4,698,602 | 4,234,220 |
| Current year movement | 349,545 | 464,382 |
| Balance at 31 March | \$5,048,147 | \$4,698,602 |

NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

17. COVID-19

On 25 March 2020 New Zealand entered a government enforced Level 4 lockdown period in response to the COVID-19 global pandemic. Entry into Level 3 restrictions on 27 April 2020 meant that the large majority of rent reductions negotiated with tenants related to April 2020 only. The financial impact of Level 4 lockdown is not expected to have a material effect on total rental income for the financial year ending 31 March 2021.

18. FINANCIAL INSTRUMENTS

Financial Assets

The Group classifies its financial assets as amortised cost, the Group's accounting policy is as follows:

These assets arise principally from the provision of services to customers (e.g. trade receivables), but also incorporates other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Group's financial assets measured as amortised cost comprise trade and other receivables, related party loans and cash and cash equivalents in the consolidated statement of financial position.

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.

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.

Financial Liabilities

The Group classifies its financial liabilities as amortised cost, the Group's accounting policy is as follows:

The Group's financial liabilities comprise of borrowings, trade and other payables, unclaimed distributions and related party payables.

Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2020

18. FINANCIAL INSTRUMENTS (continued)

Impairment for financial assets measured at amortised cost

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in profit and loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

| | 2020 \$ | 2019 \$ |
|--|---------------------|---------------------|
| Financial Assets at Amortised Cost | | |
| Trade and Other Receivables | 45,820 | 103,050 |
| Cash and Cash Equivalents | 3,398,022 | 911,043 |
| | \$3,443,842 | \$1,014,093 |
| Financial Liabilities at Amortised Cost | | |
| Trade and Other Payables | 460,548 | 367,787 |
| Interest bearing loans and borrowings | 28,998,323 | 29,458,323 |
| | \$29,458,871 | \$29,826,110 |

19. EQUITY MANAGEMENT

The Group's equity (net assets) relates to retained earnings and the Discretionary Reserve (refer note 12). 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.

PALMERSTON NORTH MĀORI RESERVE TRUST
NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020

20. RELATED PARTIES

The ultimate Parent of the Group is Palmerston North Maori Reserve Trust. All Related Party loans are shown in note 6.

Subsidiaries

Set out below is the significant subsidiaries of the Group:

| | Principal Activity | Balance Date | Place of Business /Country of Incorporation | Ownership Percentage 2020 | 2019 |
|---------------------------------|---------------------------|---------------------|--|----------------------------------|-------------|
| Baxters Limited | Hostel Accommodation | March | NZ | 100% | 100% |
| Haukawakawa Limited Partnership | Investment Property | March | NZ | 100% | 100% |

Other Related Parties

In addition to the above, and the associates listed in note 9, Palmerston North Māori Reserve Trust is related to the following entities:

| Entity | Relationship |
|--|--|
| Wharewaka o Poneke Charitable Trust | Palmerston North Māori Reserve Trust has the right to appoint two trustees |
| Wharewaka o Poneke Enterprises Limited | Common Trusteeship/Directorship |
| Wellington Tenths Trust | Common Trusteeships |
| Ngahuru Charitable Trust | Common Trusteeships |

Transactions with related parties

Related Party Transactions included:

| | 2020 \$ | 2019 \$ |
|--|--------------------|--------------------|
| <i>Interest received from</i> | | |
| Wharewaka o Poneke Charitable Trust (refer to note 14) | 114,375 | 141,613 |
| <i>Interest received/(paid) from/(to)</i> | | |
| Wellington Tenths Trust (refer to note 14) | 4,024 | (1,138) |
| <i>Interest received from</i> | | |
| Hikoikoi Management Limited (refer to note 14) | 36,179 | 38,394 |
| <i>Executive office fees charged by</i> | | |
| Hikoikoi Management Limited (refer to note 15) | (472,701) | (473,615) |
| | \$(318,123) | \$(294,746) |

Balances of Related Party Loans are shown in note 6 and are required to be settled in cash. Executive office fees are charged by Hikoikoi Management Limited covering expenses incurred in the management and administration of the Palmerston North Māori Reserve Trust and Wellington Tenths Trust.

PALMERSTON NORTH MĀORI RESERVE TRUST

**NOTES TO AND FORMING PART OF THE
CONSOLIDATED FINANCIAL STATEMENTS**

FOR THE YEAR ENDED 31 MARCH 2020

20. RELATED PARTIES *(continued)*

Trustee Remuneration

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

| | 2020 | 2019 |
|------------------------|------------------|------------------|
| | \$ | \$ |
| Liz Mellish (Chairman) | 60,000 | 60,000 |
| Jeanie Hughes | 16,000 | 16,000 |
| Paula King | 16,000 | 16,000 |
| Matthew Love-Parata | 16,000 | 16,000 |
| Wiki Michalanney | 16,000 | 16,000 |
| Ann Rewiti | 16,000 | 16,000 |
| Aisha Ross | 16,000 | 16,000 |
| Mark Te One | 16,000 | 16,000 |
| Takiri Cotterill | 16,000 | 16,000 |
| | \$188,000 | \$188,000 |

21. COMMITMENTS

At 31 March 2020 there is a \$332,801 commitment to the completion of 22-24 Ngata Street Development (note 7). There are no further commitments at 31 March 2020 (2019: nil).

22. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2020 (2019: nil).

23. EVENTS OCCURRING AFTER THE REPORTING DATE

Other than those detailed in note 17, there are no other events subsequent to the reporting date that would affect the financial statements (2019: nil).

INDEPENDENT AUDITOR'S REPORT

To the Beneficial Owners of Palmerston North Māori Reserve Trust

Opinion

We have audited the consolidated financial statements of Palmerston North Maori Reserve Trust and its controlled entities (the "Group") on pages 16 to 40, which comprise the consolidated statement of financial position as at 31 March 2020, and the consolidated statement of 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 2020, 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* (NZ IFRS RDR).

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.

Information Other Than the Consolidated 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.

Emphasis of Matter for COVID-19

We draw attention to Note 17 of the financial statements, which describes the effects of the World Health Organisation's declaration of a global health emergency on 11 March 2020 relating to the spread of COVID-19. Our opinion is not modified in respect to this matter.

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 NZ IFRS RDR, 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 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.

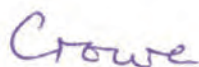
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. 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.



Crowe New Zealand Audit Partnership

CHARTERED ACCOUNTANTS

24 June 2020

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

Findex (Aust) Pty Ltd, trading as Crowe Australasia is a member of Crowe Global, a Swiss verein. Each member firm of Crowe Global is a separate and independent legal entity. Findex (Aust) Pty Ltd and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Findex (Aust) Pty Ltd.

Services are provided by Crowe New Zealand Audit Partnership an affiliate of Findex (Aust) Pty Ltd.

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section three

Appendices

Appendix One

Minutes

Minutes of the Annual General Meeting held on Saturday, 31 August 2019

*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, Takiri Cotterill and Wikitoria Michalanney.

ADVISERS PRESENT

Aaron Titter and Lucy Fisher (BDO), Ben Westerman (Westerman Property Solutions), Pirihiara Cribb and Amiria Joseph-Wiari (Māori Land Court).

EXECUTIVE AND WELLINGTON OFFICE

Cherie Douglas, Kathleen Thompson, Tracey Heffernan, Keith Hindle, Tracey Betham, and Vicki Hollywell.

ATTENDEES

Aaron Makowharemahihi, Anahera Rambo, Anahera Tutahione, Anne Somerville, August Betham, Brian Jones, Carrie Tantrum, Cheryl Callaghan, Colleen Makowharemahihi, Debbie Hirini, Dianne Jones, Dinah King, Doug Workman, Fiona Mako, Gay Te One, Geraldine Gear, Helena Rambo, Hemi Ranford, Huia Maeke, James Makowharemahihi, Joseph Rambo, Judith A Evans, Karen Rambo, Jean Cameron, Jewel Makowharemahihi, Karin Tucker, Katie Nunn, Kieron Te Awhe, Laryhs Makowharemahihi, Leigh Ross, Mana Huntley, Mana Jenkins, Marika King, Marama Cock, Marama Mako, Marie Broughton, Melvyn Cock, Pam Workman, Paul Michalanney, Pauline Owen, Peter Scandlyn, Piri Te Paki, Poiria Love Erskine, Rata Cannon, Reena Huntley, Richard Te One, Richie Wharemate, Sierra-Sealle Gear, Sonia Rogers, Taylor Rambo, Teri-Jane Whana, Ti wha Pikirapu, Patrick Hinga, Tony Nuku, Tracey Evans, Tracey Wairau, Trev Nunn, Trevor Maru, Vicki Monk, Vivienne Rangimaimaiao Ross, Wanda Whana, Wiki Gear, Wiki Te Paki, and William Owen.

APOLOGIES

Aidan Rangiwhetu, Ani Te Paki, Anihaka Marino, Anne White, Annie Te One, Atamira Te Paki, Avril Koko, Brenda Hapimarika, Carol Nita Hill, Cecilia Mana, Cyril Campbell, Daniel Campbell, Dione King, Doreen Blain, Elisabeth Jones, Euan Playle, Frances Kingi-Katene, Fraser Mako, Gina Rangiwhetu, Henry John Graham, Hera Hailwood, Hine Love-Thompson, James Taumanu, Joseph Jones, Julia Marino, June Hagan, Kenneth Smith, Kereana Gooch, Keri Hapimarika, Kevan Gooch, Kim Hapimarika, Kingi Mako, Koha Mako, Leanne Snooks, Lester Rogers, Marama Mako, Maria Tangiora, Martha Gilbert, Mereana Smith (Te Paki), Michael J Rzoska, Mike Gilbert, Miria Mako, Miriama Te One, Mohi Te One, Ngawai King, Noel Kingi, Nui Biss, Paora Te Paki, Phil Nuku, Phillip Campbell, Puhi Nuku, Richard Owen, Rosey Havard, Roy Frost, Ruhia Love, Sandra Bishop, Stephen Murray, T K Marino, Tahu Owen, Tam Bishop, Tamaari Kupe-King, Teremoana McBride, Tom Taumanu, Tui Love, Vanessa Sturmey, Vaughan Kingi Gooch, William Campbell, Whetu Mako, Yvonne Westerman.

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 everyone to the meeting and explained the agenda and housekeeping matters noting that an election was required to be held at this meeting.

Amiria Joseph Wiari and Pirihana Cribb from the Māori Land Court were welcomed to the meeting, along with the Advisors, Aaron Titter who will manage the election, and Ben Westerman from Westerman Property Solutions.

The Chairman advised that a request was received at the Succession Hui to run a bus from Waitara to Palmerston North however it was unfortunate that the service was not utilised. Next year the bus will depart from Hawera.

The Chairman advised that Te Korowai o Nga Ruahine Trust were very pleased to host us in Hawera and they have sent through registration forms for those people that whakapapa. Forms are available at the registration desk. The Chairman asked that everyone sign the attendance register.

ELECTION OF MANAGING TRUSTEES

The Chairman handed over to Aaron Titter to independently manage the election process. Aaron advised that the three year terms of Managing Trustees, Mark Te One, Matthew Love-Parata and Wiki Michalanney retired by rotation at this annual general meeting. There were four nominations received for three positions from the following candidates: Laryhs Makowharemahihi, Mark Te One, Matthew Love-Parata, and Wiki Michalanney. Each of the candidates were given 2 minutes to address the audience. Voting boxes were circulated and Aaron advised that the voting would remain open until the end of the financial report presentation so that the vote count could be undertaken and a result advised during lunch.

MINUTES OF THE 2018 ANNUAL GENERAL MEETING

The minutes of the last Annual General Meeting were produced on pages 52 to 62 of the Annual Report. Trustees reviewed these 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 2018 Annual General Meeting as a correct record.

Moved:

Pauline Owen

Seconded:

Anne Sommerville

CARRIED UNANIMOUSLY

MINUTES OF THE 2019 SPECIAL GENERAL MEETING

The minutes of the Special General Meeting held on 9 February 2019 were produced on pages 63 to 68 of the Annual Report. Trustees reviewed these 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 2019 Special General Meeting held on 9 February 2019 as a correct record.

Moved:

William Owen

Seconded:

Pauline Owen

CARRIED UNANIMOUSLY

MATTERS ARISING FROM THE PREVIOUS MINUTES

The Chairman advised that any matters raised from the minute of both meetings would be addressed in the Report from the Chairman and Trustees.

Report from the Chairman and Trustees

TE WHENUA

Key Headlines

The Chairman advised that the celebration today is that the total assets value has now reached over \$100m, to exactly \$103,551,776. In the last four years the assets have increased by \$20 million. The Trust Equity is \$70.8 million, the Net Surplus After Tax is \$7.5 million, with an increase in the value of the properties of \$5.4 million.

Mitre10 Mega

The Trust owns 100% of Mitre10 Mega building and this asset is worth \$20.7 million.

Countdown Rangitikei Street

The Countdown Rangitikei Street is worth \$15.3 million.

Tikei Mall

Tikei Mall is now worth \$13.2 million. The base tenant is Warehouse Stationery.

Metlifecare Joint Venture

Our joint venture with Metlifecare share is worth \$10.4 million and it is anticipated that when the new extension is completed that this figure will double in value.

81-95 Thorndon Quay

Part of Pipitea Pa, this property now has a valuation of \$6.3 million. 81-87 Thorndon Quay is the carpark which was purchased from Wellington Tenth Trust and is valued at \$2.8m and 89-95 Thorndon Quay is the building next door which was purchased in July 2018 for \$3.5m.

Student Accommodation

Palmy 31 and Baxters are the student accommodation in Palmerston North which are valued at \$4.1 million.

Te Wharewaka ō Poneke

Our loan to Te Raukura Te Wharewaka o Poneke is \$3 million. The board consists of two members from this Trust, two from Wellington Tenth trust, two from Wellington City Council and one from the other founding Trust, the Port Nicholson Block Settlement Trust.

Hikoikoi Management

The Trust has contributed \$567,829 towards the Hikoikoi facilities. The land belongs to Hutt City Council and the lease has been renegotiated for another 30 years. The value of Hikoikoi Management is the value of the buildings, however the people and the work that is being done through the Executive Office is worth much more than a dollar value.



TE TANGATA

Succession Hui

On 13 and 14 June five Trustees travelled to Taranaki for Succession Hui which were held in Waitara, New Plymouth and Hawera. The Māori Land Court, Te Korowai o Nga Ruahine Trust, Parinihihi ki Waitotara were also at the hui to provide advice. The hui proved to be very valuable and the intention is to hold a hui at the Top of the South later this year.

The Chairman advised that every month the Māori Land Court hold clinics around the rohe, and the Trusts host monthly hui at Hikoikoi.

Successions/Dividends

Kathleen Thompson was introduced to owners so that they could identify her as the person that manages the database. The Chairman advised that at an earlier annual general meeting it was decided to accumulate dividend amounts until the accumulated payment reached \$50 for owners in NZ, and \$100 for owners overseas has been working well.

Te Rōpu Kaumātua Hikoikoi

The kaumātua group meeting regularly on Mondays and participate in various activities such as mirimiri, visits to Matiu Island and other places of interest, te reo classes, and for weekly networking. The Chairman noted that Pauline and Billie Owen who attend kaumatua hui were present at this meeting. Cherie Douglas was introduced to owners as the person that looks after the kaumātua who meet on Mondays.

Hikoikoi Waka Ama Club

The Waka Ama Club is also based at Hikoikoi and continues to be active with a number of students from colleges within the region that are involved in waka ama. Some of those young people that are in waka ama move on to work with us at the Wharewaka as tour guides.



Te Rōpu Raranga o Manaia

Another active group, the weavers meet every Thursday night at Hikoikoi and hold noho periodically. The Chairman pointed out the three kete that the Trust holds as an example of the beautiful work that they do. Takiri Cotterill, one of the Trustees is heavily involved in the weaving group.

Te Puna Ihi Manaaki Reo Classes

The reo classes are run at Hikoikoi every Tuesday, and a reo hub has been created that runs for the entire day. They work with school children on waiata, hold kaumātua reo classes, and staff classes, they have a reo library, and hold adult classes in the evening from 6-9pm during school term.

TE AO ĀMUA

The map of Trust properties was displayed on the powerpoint.

New Developments

The Chairman advised that there are new developments that the Trust is working on. The Early Childcare Centre, the extension to Metlifecare, Baxters, and the Rangitikei Street development.

New Development Childcare Centre

The Chairman expressed her disappointment at the lengthy process required to get the resource consent through. She met with the Mayor and some action has been taken to improve processes. An application for resource consent was completed last year and the Chairman indicated that the Trust should have building consent by Tuesday and the build could then begin within the next month.

The tenant currently has a childcare centre in one of the Trusts old villas on Nash Street and the intention is to move them the centre into the new build.

New Development Metlifecare

The Chairman advised that the new development to build 39 villas with Metlifecare was underway. Resource consent has been submitted to Council. The Trust will continue to be a 50/50 joint venture in the extended facility. The Trust provides the land and Metlifecare match that dollar for dollar, and the joint venture company is talking with banks to support the rest of the development. The team are looking at building methods and prefabricated buildings could well be built in Petone and moved up to the site.

New Development Baxters

The Manager at Baxters has been inundated with requests for accommodation from overseas students who are completing their doctorate and have families. The Trust is in discussion with Massey University on the requirements. This development would join up with the existing student accommodation at Baxters.

New Development Rangitikei Street

The land on Rangitikei Street has been cleared in preparation for a build. The development will be a three shop complex and we are currently in negotiations with two potential tenants.

Wharewaka o Pōneke Enterprises

The Wharewaka on Wellington's waterfront offers waka and walking tours, conferencing as well as an onsite café. A short video about the Wharewaka was then played.

Resolution

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

Moved:

Poiria Love Erskine

Seconded:

James Makowharemahihi

CARRIED UNANIMOUSLY

FINANCIAL REPORT

Aaron Titter presented the financial report for the year ended 31 March 2019.

Total Assets

The total assets for the Trust is now \$103 million as is a huge achievement. In 2012 it was \$78m. The Trusts investment properties make up \$85.6 million of this amount and Metlifecare \$10.4 million. The balance is other assets such as cash and loans to related entities.

Debt to Equity Ratio

The percentage of debt to total assets is continuing to decrease year on year. While bank debt has increased, the overall asset base of the Trust has increased more which means the percentage of debt to total assets has decreased.

Statement of Financial Position

A summary of the statement of profit and loss is shown on page 20 of the annual report. The total revenue from the Trusts properties increased by approximately \$360,000. This is attributable to buying Thorndon Quay rental income and an increase in hostel income. This detail can be seen on page 32 of the annual report. At the same time the direct property expenses increased by approximately \$415,000 across all rental properties. As a result, the net income from properties decreased by approximately \$55,000.

Administration expenses increased from 2018 to 2019. The detail of what comprises the administration expenses is shown in note 6 on page 33 of the annual report, but the main two attributing expenses were owners meetings as a result of having both an annual general meeting and a special general meeting in February, and legal fees due to increased investment activity.

Net financing costs of the Trust continue to decrease as result of higher interest income from the Wharewaka loan. We have lent the Wharewaka money and it is paying interest on the loan. This leaves the Trust with an operating profit of nearly \$2.49 million for 2019 versus \$2.62 million for 2018.

After deducting income tax on the profits the net surplus after tax of \$7.51 million versus \$6.67 million for 2018. This is a really good result for which Trustees and management should be congratulated.

The statement of financial position is basically what the Trust owns less what it owes. Total current assets is \$3.56 million for 2019. This included approximately \$900k of cash reserves. Money receivable from the Ward Street properties sold that were received after balance date.

The loans to Hikoikoi, the Wharewaka, and Ngahuru Charitable Trust are approximately \$3.64 million.

The Trust has an equity investment in Metlifecare which has a book value of \$10.42 million.

The Trust purchased 89-95 Thorndon Quay in Wellington and purchased the half share in Haukawakawa from the Wellington Tenths Trust. At the same time the Trust sold 21-45 Ward Street in Palmerston North as approved at a prior annual general meeting, and after revaluing the properties, they are valued at \$85.64 million of land and buildings owned directly by this Trust. This gives the result of \$103 million in assets which is a huge achievement. Movements in this property value are outlined in note 12 on pages 37 and 38 of the annual report.

Current liabilities have increased from 2018 due to an increase in trade payables. The term liabilities of the Trust have increased by approximately \$2 million.

Deducting total liabilities from the total assets the net asset value for the Trust is \$70.8 million for 2019 versus \$64.2 million for 2018.

Mana Jenkins asked about Unclaimed Distributions and Aaron Titter explained that unclaimed distribution is money that the Trust holds for owners that we cannot find. He noted that significant work has been done to find owners and that quite an amount has been claimed by whānau since balance date which is very impressive.

Laryhs Makowharemahihī asked if the term deposit was reinvested and Aaron Titter advised that the monies were used for the purchase of Thorndon Quay. The Trust paid approximately \$3.5m for 89-95 Thorndon Quay and \$1.3m to buy the half share for Haukawakawa (81-87 Thorndon Quay) from Wellington Tenths Trust that the Trust did not own, so the Trust used the \$1.7m, as well as new bank debt, to purchase Thorndon Quay.

Statement of Cash Flows

The Trust generated \$2 million from its operations, which includes rents received, less expenses, including interest.

A net \$3.35 million was invested, purchases and sales of property, distributions from Metlifecare and loans to related entities.

The Trust borrowed at net \$2 million from Westpac. \$960,000 was repaid to Westpac in respect of the Trust mortgages, but at the same time \$3.03 million was borrowed for the purchase of Thorndon Quay.

\$656,000 was distributed to owners either for last year's dividend, or for historic amounts where owners have been identified and funds distributed.

This results in net cash on hand of \$911,000 in the Trust operating accounts at the end of the year.

Resolution

***It is hereby resolved** that beneficial owners accept the audited Financial Statements for the year ended 31 March 2019 as a true record reflection of the Trust's financial position.*

Moved:

Pauline Owen

Seconded:

Rata Cannon

CARRIED UNANIMOUSLY

APPOINTMENT OF AUDITOR

Following the financial report, Trustees asked Aaron Titter to undertake the annual requirement to appoint the auditor on behalf of the Trust for the following financial year.

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 202.*

Moved:

William Owen

Seconded:

Laryhs Makowharemahihi

CARRIED UNANIMOUSLY

VOTING CLOSE

As the financial presentation was completed, Aaron Titter called for all outstanding votes be placed in the voting box.

TRUSTEE REMUNERATION/MEETING FEES

Trustees recommended that the Trustee Remuneration for each Trustee remain the same as in 2018 and 2017 which is:

- Liz Mellish as Chairman currently receives \$60,000 gross per annum
- All other Trustees receive \$16,000 gross per annum

Mana Jenkins thanked Trustees for the work that they have done, and James Makowharemahihi also reiterated this.

Resolution

It is hereby resolved that the Trustee Remuneration for each Trustee remain the same as in 2017 and 2018, that is:

- *The Chairman receive \$60,000 gross per annum*
- *Trustees receive \$16,000 gross per annum.*

Moved:

Mana Jenkins

Seconded:

James Makowharemahihi

CARRIED UNANIMOUSLY

DISTRIBUTION

Trustees recommended the same dividend payment be paid out as per 2018. There are a number of projects that are coming up such as Baxters, Rangitikei Street, Metlifecare and the Childcare Centre.

Resolution

It is hereby resolved that Trustees recommend that beneficial owners agree to a distribution of \$5.00 per share being a total commitment of 190831.866 shares = \$954,159.33.

Moved:

Huia Maeke

Seconded:

Wiki Te Paki

CARRIED UNANIMOUSLY

The distribution will be made in November.

GENERAL BUSINESS

PNMRT Rangatahi Leadership Wānanga

The Chairman advised that the Trust has only received two applications for the wānanga that is being held from 7-11 October 2019. Application forms are at the registration desk and owners were encouraged to talk to their mokopuna or tamariki aged between 13-18 years of age to see if they would like to register to attend. The wānanga is open to rangatahi that whakapapa to Wellington Tenth Trust and Palmerston North Māori Reserve Trust. Applications close on Monday 9 September.

New Website

The Trust now has its own website www.pnmrt.maori.nz which went live today.

Strategy Plan

Laryhs Makowharemahihi raised the matter that she raised at the last annual general meeting where she had asked if the Trust had a Strategic Plan. The Chairman advised that Trustees hold a strategic planning meeting every year and have always had the focus on the projects in Te Whenua and Te Ao Amua.

The area of communication has also been a focus and this was the purpose of the road trip held in June to Taranaki to meet face to face with owners and assist with succession. The new website, annual report, newsletter, and increasing use of the facebook page have also been important factors in improving the communication with owners.

Another key strategic goal has been the return to Wellington as that is where we belong and we have done that by investment in Hikoikoi, in Te Raukura the Wharewaka, and in further investment in Thorndon Quay. Those three places say a lot about the Palmerston North Māori Reserve Trust.

The Chairman advised that she and Trustees take on the board the comments that Laryhs Makowharemahihi has made and will undertake to make a strategic plan available next year.

Capital Dividend Tax

The Chairman advised that today owners approved a dividend payment of \$5 a share which is not taxable for owners. The Trust has been doing that continuously with dividend payments and we will continue to do that for as long as is possible.

\$100m Celebration

To celebrate reaching the \$103m mark there was a cupcake for everyone to take home with them.



ACKNOWLEDGEMENTS

The Chairman thanked each of the Trustees for their hard work, and their support. She thanked Ben Westerman and the team for their day to day help with the properties. The biggest thanks went to the staff, noting that it is a very small staff that runs a \$100 million business.

The Chairman also acknowledged that the driving force behind all this laid at the feet of Keith Hindle who has negotiated hard on all of the transactions on behalf of the Chairman and Trustees and thanked him for this.

KARAKIA WHAKAMUTUNGA



There being no further business the annual general meeting was closed by Mark Te One at 11.40am. Waiata: Whaakaria Mai. One further song 'Happy Birthday' was sung and that was for Mana Jenkins who was celebrating her birthday the next day.

ELECTION RESULTS

Aaron Titter returned with the results of the election. Mark Te One, Matthew Love-Parata, and Wiki Michalanney were successful in being re-elected as Managing Trustees for another three years term. Laryhs Makowharemahihi was unsuccessful this time.

Appendix Two

Register of Interests

| Trustee | Interests |
|--|---|
|  Liz Mellish | <ul style="list-style-type: none">• Booktown Featherston, Trustee• Card Reserve Artificial Surface Trust, Chairman• Federation of Māori Authorities, Deputy Chairman• Haukawakawa General Partner Limited, Director• Hikoikoi Management Limited, Director• Lion Foundation, Committee Member• Māori Heritage Council Te Kaunihera Māori o te Pouhere Taonga, Board Member• Matiu/Somes Island Charitable Trust, Trustee• Metlifecare Palmerston North Limited, Director• Palmerston North Māori Reserve Trust Audit and Risk Committee, Ex-Officio• Palmerston North Māori Reserve Corporate Trustee Limited, Director• Palmerston North Māori Reserve Trust, Chairman• Te Aro Pa, Director• Te Wharewaka o Pōneke Charitable Trust, Chairman• Te Wharewaka o Pōneke Enterprises Limited, Director• Victoria School of Business Advisory Board Member |
|  Takiri Cotterill | <ul style="list-style-type: none">• Alpha Corporation Limited, Director• Coastland Shoppingtown Limited, Director• Ngahuru Charitable Trust, Trustee• Palmerston North Māori Reserve Trust, Trustee• Rēnata Te Munu me Epiha Kararo Ahu Whenua Trust |

Trustee

Interests



Jeanie Hughes

- Haukawakawa General Partner Limited, Director
- Hikoikoi Management Limited, Director
- Metlifecare Palmerston North Limited, Director
- Ngahuru Charitable Trust, Trustee
- Palmerston North Māori Reserve Trust, Trustee
- Wellington Tenths Trust, Trustee
- Wellington Tenths Trust Corporate Trustee Limited, Director



Paula King

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






**Matthew
Love-Parata**

- Ati Awa Mai i Kukutauaki Ki Whareroa Charitable Trust, Trustee
- Haukawakawa General Partner Limited, Director
- Ngahina Trust (Paraparaumu)
- Palmerston North Māori Reserve Trust, Trustee
- Renata Te Munu me Epiha Karoro Ahu Whenua Trust, Trustee
- Te Whanau A Te Ngarara Incorporated (Paraparaumu Airport)
- Wellington Tenths Trust, Trustee
- Whirinaki Rainforest Experiences, Development Advisor



**Wiki
Michalanney**

- Justice of the Peace, NZ
- Māori Women's Welfare League, Aotea Regional Council, President
- Te Atiawa Kaumatua Housing Trust, Admin/ Project Manager support
- Ngati Rahiri Hapu (Land), Trustee
- Palmerston North Māori Reserve Trust, Trustee

| Trustee | Interests |
|---|--|
|  <p>Ann Reweti</p> | <ul style="list-style-type: none"> • Ngahuru Charitable Trust, Trustee • Palmerston North Māori Reserve Trust, Trustee • Palmerston North Māori Reserve Corporate Trustee Limited, Director • Te Wharewaka o Pōneke Charitable Trust, Trustee • Wellington City Council, Employee |
|  <p>Aisha Ross</p> | <ul style="list-style-type: none"> • 23iKa Limited, Director • Baxters Limited, Director • Palmerston North Māori Reserve Trust, Trustee • Palmerston North Māori Reserve Trust Audit and Risk Committee, Chairman • SKY City Community Trust, Trustee • Te Wānanga o Aotearoa, Employee |
|  <p>Mark Te One</p> | <ul style="list-style-type: none"> • Capital Hill Limited, Director • Haukawakawa General Partner Limited, Director • Hutt Minoh House Friendship Charitable Trust • Matiu/Somes Island Charitable Trust, Trustee • New Zealand Geographic Board Ngā Pou Taunaha o Aotearoa, Ministerial Observer • Ngahuru Charitable Trust, Chairman • Palmerston North Māori Reserve Corporate Trustee Limited, Director • Palmerston North Māori Reserve Trust, Trustee • Pipitea Marae Charitable Trust, Trustee • Taranaki 217 Limited, Director • Te Puni Kōkiri, Contractor • Te Wharewaka o Pōneke Charitable Trust, Trustee • Te Wharewaka o Pōneke Enterprises Limited, Director • Wellington Tenths Trust, Deputy Chairman |

It is each Trustee's absolute responsibility to ensure that the register is kept up to date.

INDEPENDENT ADVISORS – REGISTER OF INTERESTS

Doug Buchanan

- Buchanan Property Limited, Director
- Optimax Property Advisory Limited, Director
- Hylamn Holdings Limited, Director
- HBM Ventures Limited, Director
- DR&BA Buchanan Family Trust, Trustee
- Palmerston North Māori Reserve Trust – Asset Development Team, Advisor

Keith Hindle

- Metlifecare Palmerston North Limited, Director
- Palmerston North Māori Reserve Trust – Asset Development Team, Advisor

Euan Playle

- BDO Wellington Limited, Retired Partner
- Horowhenua Vintage Machinery Club, Treasurer
- Palmerston North Māori Reserve Trust Audit and Risk Committee Member
- Parkville Limited, Director
- Tenth Hospital Limited, Director
- The Park Early Learning Centre Limited, Director
- Village At The Park Limited, Director
- Village At The Park Care Limited, Director
- Village At The Park Lifecare, Director
- Village Tenth Limited, Director
- Waikawa Property Limited, Director
- Wellington Racing Club, Steward and Committee Member, and Chairman of Audit and Risk Committee
- Wellington Tenth Trust Assurance and Risk Committee, Chairman

Ben Westerman

- Palmerston North Māori Reserve Trust – Asset Development Team, Advisor
- Town Centre Taupo, Board Member
- Westerman Property Solutions Limited, Director



PO Box 39294, Wellington Mail Centre, Lower Hutt 5045
24d Marine Parade, Hikoikoi 5012

Tel 04 473 2502 or **Freephone** 0508 445 645

Email info@tekau.maori.nz

PALMERSTON NORTH MĀORI RESERVE TRUST

Proxy Form 2020

I

OF

BEING AN OWNER IN THE PALMERSTON NORTH MĀORI RESERVE TRUST

SHAREHOLDER NUMBER

DO HEREBY APPOINT

OR FAILING HIM/HER

TO ACT AS MY PROXY TO ATTEND AND VOTE ON ALL MATTERS AT THE ANNUAL GENERAL MEETING OF
BENEFICIAL OWNERS TO BE HELD ON SATURDAY 5 SEPTEMBER 2020, AND AT ANY ADJOURNMENT THEREOF.

DATED THIS

DAY OF

2020

SIGNATURE OF OWNER

IN THE PRESENCE OF WITNESS

(SEE 11.25 OF THE ATTACHED PROXY VOTING RULES)

OCCUPATION

ADDRESS

NOTES:

The proxy form when completed must either be handed in at the meeting or lodged with the secretary or the executive office of the Trust before 10.00am on the working day before the meeting (see 11.26 of the attached Proxy Voting Rules)

A proxy must be an owner or a descendant of an owner (see 11.23 of the attached Proxy Voting Rules)

PALMERSTON NORTH MĀORI RESERVE TRUST

Proxy Voting Rules

The rules are contained at clause 11 of the Trust Deed and are set out as follows:

PROXY

- 11.23** A proxy must be an owner or a descendant of an owner.
- 11.24** If an owner giving the proxy is opposed to:
- a** any exchange;
 - b** any lease;
 - c** any other proposed resolution;
- he or she is entitled to direct his or her proxy to vote against any of these. For that purpose he or she must write in the space provided on the proxy such directions as he or she requires, namely:
- d** I direct my proxy to vote against any exchange; or
 - e** I direct my proxy to vote against any lease of the land; or
 - f** I direct my proxy to vote against the proposed resolution.
- 11.25** The persons following are qualified to act as witness to a signature on a proxy form:
- Kaumātua
Solicitor of the High Court
Justice of the Peace
Officer of the Māori Land Court
Licensed Interpreter of the Māori language
Registered Medical Practitioner
Officiating Minister
Registered Nurse
Registered School Teacher
Officer of the Department of Justice
Chartered Accountant.
- 11.26** The proxy form when completed must either be handed in at the meeting or lodged with the secretary or the executive office of the Trust before 10.00am on the working day before the meeting.

INSTRUMENT OF APPOINTMENT

- 11.27** No person shall be entitled to vote as proxy at a meeting unless the chairperson of the meeting is satisfied that the instrument containing his or her appointment is prima facie in order.
- 11.28** If any instrument of appointment is ruled by the chairperson to be out of order, the reason for the ruling shall be certified on the instrument.
- 11.29** The chairperson of the meeting shall, on request, give to any person entitled to vote at the meeting an opportunity to inspect any instrument of appointment which has been lodged and to raise any objection to the instrument.

CANCELLATION AND LAPSE OF APPOINTMENT

- 11.30** An appointment as proxy may be cancelled by the person who has given the proxy by writing by him or her and either lodged at the notified office of the Trust before 10.00 am on the last working day before the day of the meeting or lodged with the chairperson of the meeting.
- 11.31** An appointment as proxy shall lapse on the death of the person giving the proxy or on the cancellation of the appointment as provided in the immediately preceding subclause.
- 11.32** If a person who has appointed a proxy attends the meeting personally and notifies the chairperson that he or she is present and the chairperson notifies the meeting accordingly the proxy shall not vote for him or her after the chairperson's notification, but the validity of voting which has already been completed prior to that notification to the meeting shall not be affected thereby.

Contact us ...

Hikoikoi Management Limited

Executive Office

24d Marine Parade, Hikoikoi, Petone
PO Box 39294, Lower Hutt 5045

Phone: 04 473 2502

Freephone: 0508 445 645

Email: info@tekau.maori.nz

Web: www.tekau.maori.nz

Executive Office Staff

Keith Hindle, Business Manager
Vicki Hollywell, Operations Manager
Kathleen Thompson, Database Administrator
Tracey Heffernan, Finance
Helen Lloyd, Kura Ahurea Programme Administrator
Mo Imrie, Administrator

Ngā Tekau Alcohol and Drug Service

Gilbert Douglas, Senior Clinician
Lena Leatherby, Senior Clinician

Wellington Office

Level 1, Te Raukura, (Te Wharewaka)
2 Taranaki Street, Wellington
PO Box 24599, Wellington 6146

Phone: 04 901 3332

Phone: 04 901 3333 (Wharewaka Tours)


Wellington Office Staff

Liz Mellish, Chairman

Wharewaka o Pōneke Tours Staff

Christine Fox, Tourism Manager
Ariki Brightwell, Tour Guide





PALMERSTON NORTH MĀORI RESERVE TRUST
www.pnmrt.maori.nz