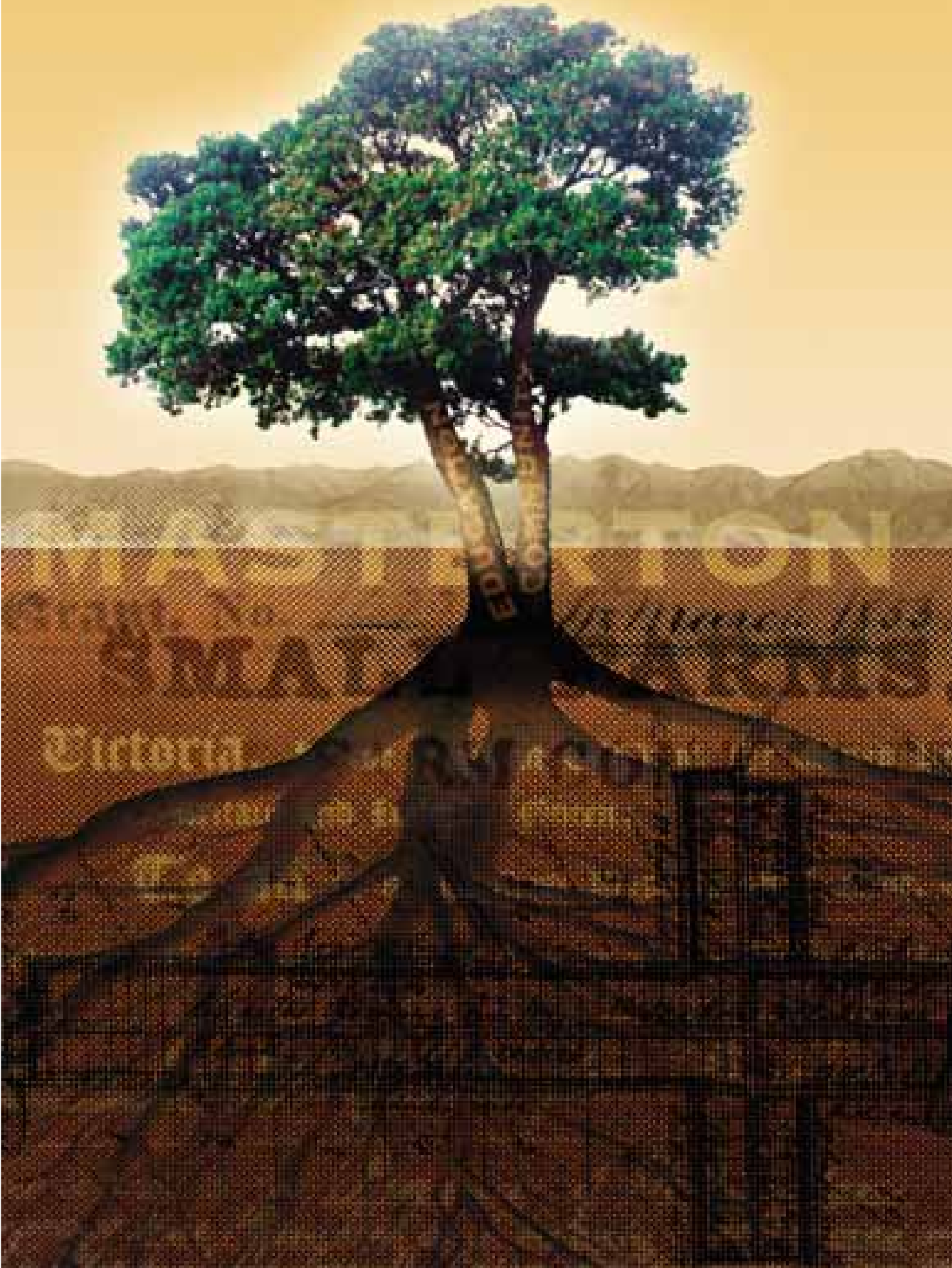


MASTERTON TRUST LANDS TRUST ANNUAL REPORT
2008



MASTERTON TRUST LANDS TRUST VALUES

In undertaking the work of the Trust, we stay true to the intentions of Masterton's early settlers who secured land to assist future generations in educational, cultural and community activities.

LEGACY

Honouring the vision of Masterton's early settlers in securing land from which future generations could benefit.

STEWARDSHIP

Responsible decision-making to maintain and grow the resources in our care.

PROFESSIONALISM

Using knowledge, skills and expertise to grow the Trust assets and maximise the returns.

ACCOUNTABILITY

To our owners, the people of Masterton, and our tenants.

EDUCATION

Working with the community to support learning opportunities that are open and accessible to all.

ADVANCEMENT

Providing extraordinary educational and cultural opportunities for Masterton people.

CONTENTS

HIGHLIGHTS.....	1
CHAIRMAN'S REPORT.....	2
EDUCATION GRANTS.....	4
COMMUNITY GRANTS.....	8
GOVERNANCE.....	9
SCHEDULE OF GRANTS.....	10
PROPERTY.....	12
FINANCIAL STATEMENTS.....	14
AUDIT REPORT.....	20





HIGHLIGHTS

TOTAL GRANTS	\$1.07 million	+17%
TOTAL ASSETS	\$54.7 million	+5.65%
EQUITY	\$39.5 million	+6.60%
CASH GRANTS	\$765 thousand	+12.16%
TOTAL RENTS	\$3.26 million	+10.73%
OCCUPANCY	100%	
WALT	5.03 years	
<small>(Weighted Average Lease Term)</small>		



CHAIRMAN'S REPORT

The past year has been a period of consolidation for the Trust. Strong financial progress has enabled us to further increase our support for the community, particularly in the area of education. The original aim of providing the best possible educational opportunities for the people of Masterton still holds true today. Total grants topped \$1 million for the first time ever this year, with cash grants increasing by 12%.

GRANTS

The strategy of supporting major projects led by groupings of Masterton education providers has continued to succeed in providing extraordinary opportunities to all students. Major primary and secondary school projects, centred on professional development for teachers, have built on work done in this area over the past three years.

In recent years increasing emphasis has been placed upon career opportunities and tertiary education. Together with the Wairarapa Workforce Trust we have made significant impact in this area by supporting a wide range of initiatives to help young people make the transition from school to the workforce. Numbers of apprentices in the region have increased as have Tertiary Scholarships awarded to apprentices and trades training students.

Academic excellence continues to be recognised through the Alan MacDiarmid Scholarship awarded each year to Masterton's top chemistry student.

Grants to community groups will always be an important part of our work and they have also shown an increase over the previous year.

FINANCE

The results for 2008 are particularly pleasing and demonstrate continuing growth in both income and asset values. Highlights included an increase in total assets to \$54.7 million and equity reaching almost \$40 million. The doubling of Trust equity within a period of five years has been a considerable achievement. Strong cash flows enabled the Trust to increase cash grants by 12.16% to \$765,000, while also achieving significant debt repayment and capital expenditure.

Interest Rate Management

The Trust's interest rate management strategy is to minimise interest costs while limiting the risk of future rate increases by utilising hedges and swaps. This approach is based on the philosophy that the Trust is not an interest rate speculator and seeks to lock in tenancy margins and stakeholder returns.

The Trust has entered into a series of 'laddered' interest rate swaps with final maturity dates ranging from 2008 to 2012. At balance date, the Trust had \$14.6 million of debt of which \$13.5 million was covered by swaps. The effective cost of funds as at 31 March 2008 (including swaps and margins) was 8.01%.

PROPERTY

Portfolio Overview

The Trust's diverse property portfolio comprises 70 properties, housing 106 tenants ranging from the town's largest retailers and national trade outlets, to many smaller Queen Street retailers, through to cell phone towers and transformer sites. Thirty percent of Trust properties are ground leases. Total freehold Trust land is now 327,000 square metres.

Capital improvements by way of upgrading and improving the Trust's assets have remained a strong focus. Over the year, in excess of \$1.18 million has been invested back into Trust properties to ensure they are of the highest possible standard and best able to meet the current and future needs of tenants. This has been funded in part from retained earnings and in part by borrowing.

Portfolio Weighted Average Lease Term (WALT)

WALT measures the average years of rental security over an entire property portfolio. For the year, the WALT for the Trust portfolio has been maintained at 5.03 years. This is particularly pleasing from a risk management point of view given the diverse nature of the properties and tenants. The covenant with our bank is no less than four years.

Occupancy

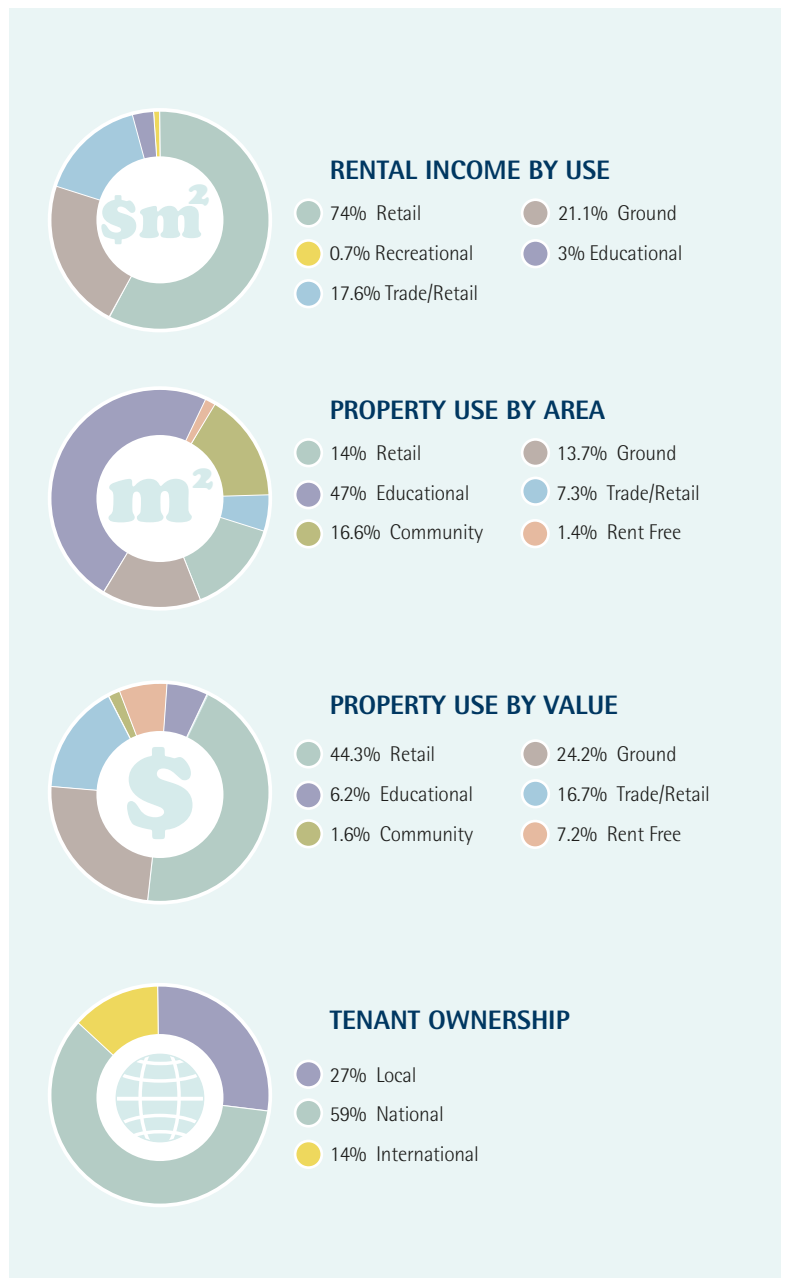
Occupancy of Trust property has continued at 100%, excluding land banked for future development. This has been maintained by working closely with tenants to ensure properties meet both tenant and Trust objectives, in parallel with the refurbishment programme. Maintenance of quality properties and relationships built with tenants have resulted in the Trust becoming a market leader for rentals.

Demand for properties as they become vacant remains high, reflecting the Trust's growing reputation as a responsible landlord.

GOVERNANCE

During the year the triennial local body elections were held with four of eight Trustees due for re-election. We welcomed John Bunny as our new Trustee along with Garry Daniell, Karl Taucher and Alan Sadler who were re-elected. Sitting Trustee Barbara Roydhouse was unsuccessful and we thank Barbara for her significant contribution over the last six years, particularly as chair of the Grants and Policy Committee.

As the value of the portfolio and the size and extent of transactions increase, greater responsibilities are placed upon Trustees. Recognising this, we are continually working to improve the stewardship of a valuable community asset. Where appropriate, professional support is obtained to assist with often-complex decision making processes.



TRUST PROFILE

The Trust has placed considerable importance upon communicating with its stakeholders. Regular newspaper articles together with an extensive annual report have helped ensure that we continually inform the community of the Trust's activities. Speaking engagements with a variety of community groups have also helped to ensure the work of the Trust is well understood.

THANKS

I would like to extend sincere thanks to my fellow Trustees for their efforts in what has been another busy and productive year. Thanks also go to our two staff members who maintain the confidence of our tenants, grant applicants and the professional and trades people employed by the Trust.

J A Sadler
Chairman



EDUCATION FOR A LIFETIME

The Masterton Trust Lands Trust supports education in its widest sense, throughout the Masterton community. From early childhood to tertiary and adult education, from apprenticeships to choosing a career, Trust activity supports local initiatives to provide our community with the best possible education.



GIFTED CHILDREN
One Day School Grant: \$13,175
Thirty-two gifted children from eight Masterton schools come together for weekly programmes at the 'One Day School' at Lakeview School. Unlike a normal classroom programme, One Day School works in depth on a specific theme across a number of curriculum areas showing how different areas of knowledge relate to each other. The 'theme' approach supports gifted children in exploring those 'why' and 'what if' questions that so intrigue and fascinate them.



▲ **PRE-SCHOOL LANGUAGE DEVELOPMENT**
"Granny's Basket" Grant: \$10,000

The philosophy of Granny's Basket, a successful trial developed in Masterton, is that every child should start school with a good language background. The programme, established and run by trained volunteers, provides weekly one-on-one tutoring for pre-schoolers so they can begin school with the language skills they need to learn and prosper. The programme is continuing and has been extended to include a second primary school.

▼ **LIFE BEYOND SCHOOL**
Wairarapa Workforce Development Trust Grant: \$22,500

Through the annual Industry Interactive Days and Careers Expo, our secondary school students and many others were introduced to a huge range of career and continuing education opportunities. Working in partnership with the Wairarapa Workforce Development Trust, the Trust helped our young people towards making some of the most important decisions for their future.



MAJOR INITIATIVES

Primary/Intermediate & Secondary Schools

Grants: \$183,856

Two major programmes involving all Masterton schools continued to support professional development of teachers and in turn, provide quality education for all. Designed to run over several years, these extensive programmes built on work done over the past two years by schools working collectively.



TERTIARY EDUCATION

Alan MacDiarmid Scholarship \$4,000

Former Wairarapa College student, Andrew McGrath (right), receives the annual 2008 Alan MacDiarmid Scholarship from Trust Chairman Alan Sadler. Established in recognition of former Masterton scientist and Nobel Prize winner, Alan MacDiarmid, the scholarship is awarded annually to Masterton's top chemistry student.

An additional \$167,100 was granted to 278 students as scholarships for tertiary education and apprenticeships.



BUSINESS CHALLENGE

Wairarapa REAP/ Wairarapa Workforce Development Trust Grant: \$5,000

For three days mixed teams of Year 12 and 13 students from almost all Masterton secondary schools were challenged to form an enterprise and learn and use the skills of planning, developing, marketing and selling their product while being judged on their work.

ADULT LITERACY

Masterton District Library Grant: \$17,000

Support for Masterton District Library's talking book collection extends education to adults with an identified need – whether it is vision impairment or a physical disability which means they are unable to hold a book or concentrate to read. Borrowers access the talking book collection through rest homes and the library's Housebound Service.



WORLD-CLASS ACT IN MASTERTON
2008 NZ International Arts Festival Grant: \$10,000

The Ukulele Orchestra of Great Britain wowed a Masterton audience in a one-off performance as part of the 2008 NZ Arts Festival. Supported by the Trust, the performance saw the world-class band which has been signed by Sony Records, rearrange punk, funk, metal, classical and pop songs for the ukulele.



COMMUNITY

General grants to the community and support for cultural and community events remain an important part of the Trust's activities. The Trust takes every possible opportunity to support the many community groups and volunteers who contribute to making Masterton a great place to live.

LAND COVENANT
Millennium Native Forest Reserve

Previously unused Trust-owned land on the corner of Hillcrest and Pownall Streets in Masterton has become a recreational, cultural and educational asset that will be treasured by generations to come. Opened during the year, the Millennium Native Forest Reserve was developed on land gifted by covenant to the QEII National Trust. The Masterton South Rotary Club transformed the 5.5 hectare site into a variety of wetlands, springs and bush containing both native and introduced plants. The reserve is home to diverse birdlife including fantail, tui, pukeko, silvereye and kingfisher.



GOVERNANCE

The Wairarapa Town Lands Management Act 1870 vested in Trustees certain land in the townships of Masterton and Greytown. The responsibility for the Masterton land has been devolved to The Masterton Trust Lands Trust. The Trust currently operates under the Masterton Trust Lands Act 2003.

The Board of Trustees consists of eight members elected by voters living within the Masterton Small Farms Settlement boundaries. Four Trustees retire at each triennial local government election. The Chairman is elected by the members.

Role of the Board of Trustees

The Board of Trustees is committed to maintaining the highest standards of business behaviour and accountability. Accordingly the Trustees have adopted a number of policies and procedures designed to promote responsible conduct of the Trust affairs.

The Trustees' specific responsibilities include:

- > Acting in a prudent manner in accordance with the Trust Act
- > Providing stewardship of the Trust assets
- > Establishing policies and strategic direction
- > Monitoring management and financial performance
- > Establishing delegated authority limits for capital expenditure and treasury.

The Board meets formally 11 times a year. In addition, it meets whenever necessary to deal with specific matters needing attention between scheduled meetings.

The Board has two committees which meet monthly – Property/Finance and Grants/Policy. The Audit committee meets as required.

The Board has adopted a code of conduct which assists Trustees in the performance of their duties.

The New Zealand Remuneration Authority determines Trustee remuneration.

Other Trusteeships

In accordance with section 12 of the Masterton Trust Lands Act 2003, trustees hold trust scholarship funds on behalf of the Wairarapa Tertiary Education Trust and the Golden C'Art Trust. These are administered in accordance with an investment policy with scholarships paid annually.



Gary Percy
Secretary/Manager

The Board of Trustees



Alan Sadler
Chairman
Elected 1989



Karl Taucher
Deputy Chairman
Elected 2001



Heaton Haglund
Chairman, Property/Finance
Committee
Elected 1998



Christine Brewster
Chair, Grants Committee
Elected 2004



John Bunny
Chairman, Audit Committee
Elected 2007



Garry Daniell
Elected 1988



Chris Peterson
Elected 1998



Joy Tutty
Elected 2004

SCHEDULE OF GRANTS

GRANTS CYCLE

EDUCATION – INSTITUTES

> Early Childhood

> Primary/Intermediate

> Secondary

Funding is allocated to all based on March roll returns to Ministry of Education.

Professional development programmes for teachers are the current focus of education grants to schools.

EDUCATION – INDIVIDUALS

Tertiary Scholarships

Awarded once only to students undertaking approved tertiary and post-secondary education and apprenticeships who currently or have previously resided in the Trust District.

Applications: 1 January–31 March

Considered: April

Awarded: May

Alan MacDiarmid Scholarship

Awarded annually to the Trust district's top chemistry student intending to study toward a science degree. Awarded for three years on confirmation of results and re-enrolment. Selected by agreement by the Masterton secondary school Principals.

COMMUNITY GRANTS

Qualifying community organisations within the Trust District.

Applications: 1 April–31 May

Considered: June

Advised: June for payment at the AGM in August

EDUCATIONAL GRANTS

467,873

Early Childhood

23,830

Barnados.....	Roll based.....	902
Hine Te Aro Rangī Kohanga	Roll based.....	726
Lansdowne Kindergarten	Roll based	1,650
Lansdowne Playcentre	Roll based	814
Makoura Early Childhood Centre.....	Roll based	1,584
Masterton Christian Childcare	Roll based.....	726
Wairarapa Montessori	Roll based.....	902
Solway Kindergarten.....	Roll based	1,782
Te Kohanga Reo O Ngati Hamua	Roll based.....	924
Una Williams Kindergarten.....	Roll based	1,056
West Kindergarten.....	Roll based	1,760
West Playcentre.....	Roll based.....	880
Whatman Early Childhood Centre.....	Roll based	1,518
York Street Kindergarten	Roll based	726
UCOL @ Wairarapa Childcare	Roll based.....	880
Rimutuka Kindergarten Association	Training.....	7,000

Primary & Intermediate Schools

134,964

Douglas Park School	Roll based	3,641
Fernridge School	Roll based	1,738
Lakeview School.....	Roll based	4,972
Masterton Intermediate School.....	Roll based	4,246
Masterton Primary School.....	Roll based	2,662
Solway Primary School	Roll based	2,200
St Patricks School.....	Roll based	2,596
Te Kura Kaupapa Maori O Wairarapa.....	Roll based	1,012
Hadlow School.....	Roll based	2,035
Wairarapa Montessori	Roll based.....	220
Wairarapa REAP Education Centre.....	Stacker Chairs.....	4,587
Masterton Action Language Trial	Reading Programme	10,000
Wairarapa Mathematics Association	Matharama prizes	500
Genesis Recreational Centre.....	Schools Swimming Sports Lane Hire	555
Primary Principals Initiative.....	Professional Development	90,000
Principals Fund	Principals Fund.....	4,000

Secondary Schools

131,083

Chanel College.....	Roll based	4,246
Makoura College	Roll based	3,047
Solway College.....	Roll based	1,474
Te Kura Kaupapa Maori O Wairarapa.....	Roll based.....	209
Wairarapa College.....	Roll based	12,914
Rathkeale College	Roll based	3,168
St Matthews Collegiate.....	Roll based	3,619
Intercollegiate Wearable Arts.....	Student prize pool	1,500
Samoan Fellowship Homework Club.....		510
Wairarapa Business Enterprise Challenge	Business Challenge	5,000
Secondary Principals Initiative.....	Professional Development	95,396

Tertiary

177,996

Special Grants.....		5,000
Tertiary Scholarships.....	278 students.....	167,100
Alan MacDiarmid Scholarships.....	4 students.....	4,000
UCOL @ Wairarapa.....	Discretionary Assistance Fund	1,896

COMMUNITY GRANTS

272,974

Community Groups	121,350	
CCS Wairarapa	CCS Wairarapa	1,000
Enviroschools	Enviroschool	2,400
Guides NZ	Guides NZ	1,000
King Street Artworks	King Street Artworks	4,000
Life Education Trust	Life Education Trust grant	500
Masterton Art Club	Masterton Art Club	2,000
Masterton Community Toy Library	Masterton Community Toy Library	2,000
Masterton Young Citizens Club	Masterton Young Citizens Club	2,500
MATS	MATS	2,000
Millennium Reserve	Annual Grant for 2007	2,000
National Council of Women	National Council of Women	500
Ngai Tumapuhia-a-Rangi Marae	Ngai Tumapuhia-a-Rangi Marae	1,000
NZ International Arts Festival	Performance Arts	10,000
REAP	Wairarapa Community Centre research	5,000
SPELD Wairarapa	SPELD Wairarapa	7,000
Sport Wairarapa	Electricity costs grant	2,500
Street Youth Ministries Inc	Street Youth Ministries Inc	2,500
Te Runanga O Te Hika A Papaumu Ki Wairarapa	Te Runanga O Te Hika A Papaumu Ki Wairarapa	2,000
Vector Wellington Orchestra	Vector Wellington Orchestra	5,000
Wairarapa Access Radio	Wairarapa Access Radio	3,000
Wairarapa Geological Society	Wairarapa Geological Society	500
Wairarapa Stars Trust	Wairarapa Stars Trust	3,000
Wairarapa Teen Parent Unit	Wairarapa Teen Parent Unit	15,000
Wairarapa Womens Refuge	Wairarapa Womens Refuge	4,950
Wairarapa Workforce Development Trust	Wairarapa Workforce Development Trust	22,500
Wairarapa Youth Choices Trust	Wairarapa Youth Choices Trust	10,000
Wairarapa Youth Concert Band	Wairarapa Youth Concert Band	2,000
Wairarapa Asthma Society	Wairarapa Asthma Society	5,500

Aratoi – Wairarapa Museum of Art & History 79,624

Aratoi	Rutherford Exhibition	20,000
Aratoi	Operating Expenses	52,000
Wairarapa Cultural Trust	Rutherford Collection Gallery	7,624

Civic 72,000

Masterton District Council	Civic Events	25,000
Masterton District Council	Masterton District Library	17,000
Masterton District Council	Masterton Recreation Centre	30,000

RENTAL GRANTS 40,719

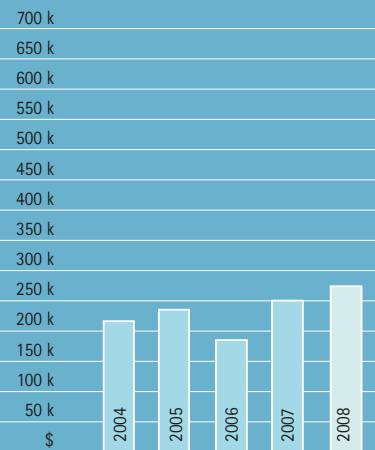
Guides NZ	Concessional Rental	1,200
Harlequin Theatre	Concessional Rental	1,969
Maori Wardens	Concessional Rental	4,000
Rangitaane Youth Centre	Concessional Rental	12,500
Sport Wairarapa	Concessional Rental	10,000
Young Citizens	Concessional Rental	11,050

NON-CASH GRANTS 285,837

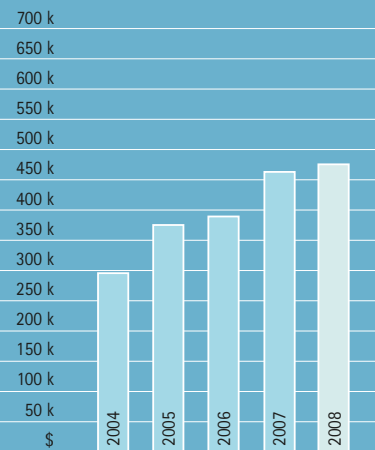
Wairarapa Cultural Trust less Café	Concessional Rental	175,220
Community Centre	Concessional Rental	18,937
Hiona Club	Concessional Rental	35,880
MIS Open Learning Centre	Concessional Rental	34,600
MDC Stadium/Robertson Park	Concessional Rental	21,200

TOTAL GRANTS \$1,067,403

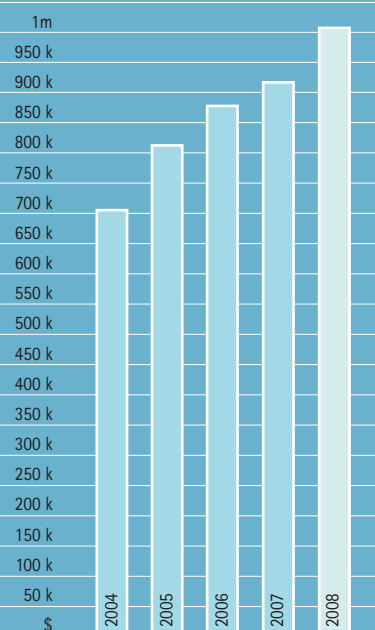
COMMUNITY GRANTS



EDUCATIONAL GRANTS



TOTAL GRANTS



PROPERTY



MEETING THE NEEDS OF TENANTS

PROPERTY CONVERSION

Corner Queen and Russell Streets, Masterton
New tenant: Hire World

A property with limited applications, originally built for a previous tenant, became the new home for Hire World Masterton during the year. The property formerly occupied by Fisher Windows was extensively renovated to meet Hire World's needs.

"When we were looking to move premises the Trust took a genuine interest in our business. They sat down and thought about what we needed and how their property could work for us and came back with a solution that worked. It was as simple as that. In three months we moved into a property which met all our needs.

It's been a great move for our business. If there's ever a problem we just ring up and it's sorted out straight away."

Jeff Clark, Hire World Masterton



PROPERTY IMPROVEMENT Chapel Street, Masterton, Existing Trust tenant: Firestone

A major upgrade of the property occupied by long-term Trust tenant, Firestone, increased the work area significantly and made a huge difference to working conditions and customer service.

"After years of discussion, the staff and I had a vision of where we were going and what was needed. The Trust was absolutely brilliant to work with – there was no nonsense, they got down to business and things were done how and when we needed them. Once finalised, the whole process was quite easy. We were able to change things as we went if someone came up with a bright idea.

The Trust is interested in long-term tenants and has looked after us through three building upgrades now, with this latest one putting us right where we need to be. The end result has been absolutely fantastic. Operations are a lot simpler and the customer response has been breathtaking."

Russell Hodson, Store Manager, Firestone Masterton



Over the year more than \$1.18 million was invested back into Trust properties to ensure assets are of the highest standard and to meet the ongoing needs of new and existing tenants. These improvements were funded in part from retained earnings and in part through borrowing.

**PROPERTY CONVERSION
Lincoln Road, Masterton
New tenant: Michelle's Hair & Beauty Studio**

The move to a high profile CDB location, with street frontage, natural light and more space has enabled a local beauty business to realise its business philosophy of professionalism and client satisfaction.

"We'd been looking for a property for about 10 months as we had outgrown our old site. We wanted to rent a property with street frontage and into which we could expand and lift our profile.

With a lot of help from the Trust we've managed to do all of that and more. We gained early entry into the property to do a full fit-out which meant we finished in our old premises on Saturday and opened here the following Monday. The result was minimal hassle for our clients and our staff.

We've all loved the change. After 12 months we're still getting new business and a lot of positive comments. We've expanded our retail business and we have big plans for the next three years."

Michelle & Murray Pike – Michelle's Hair & Beauty Studio



Statement of Financial Performance for the year ended 31 March 2008

	Note	2008	2007
Revenue			
Rental Income		3,260,700	2,944,660
Other Income		<u>51,633</u>	<u>11,791</u>
Total Operating Revenue		3,312,333	2,956,451
Operating Expenditure			
Property Expenses		335,692	350,818
Administration Expenses		271,244	252,742
Depreciation	2	<u>15,484</u>	<u>17,615</u>
Total Operating Expenditure before Interest		<u>622,420</u>	<u>621,175</u>
OPERATING SURPLUS BEFORE INTEREST		2,689,913	2,335,276
Interest Received		179	4,590
Interest Payable		<u>1,222,423</u>	<u>1,009,473</u>
		1,222,244	1,004,883
OPERATING SURPLUS		1,467,669	1,330,393
Gain on Asset Disposal		34,265	2,479
Increase in Asset Revaluation Investment Properties	3	1,697,999	6,909,467
Less Grants		<u>(765,153)</u>	<u>(682,220)</u>
NET SURPLUS TO EQUITY		<u>2,434,780</u>	<u>7,560,119</u>

Statement of Movements in Equity for the year ended 31 March 2008

	Note	2008	2007
Equity			
Equity at the Start of the Period		37,036,326	29,440,507
Net Surplus for the Period		2,434,780	7,560,119
Increase in Revaluation Reserve	2	<u>5,800</u>	<u>35,700</u>
Total Recognised Revenues & Expenses for period		2,440,580	7,595,819
Equity at the end of the Period		<u>39,476,906</u>	<u>37,036,326</u>
Equity comprises:			
Revaluation Reserve Trust Building			
Increase in Valuation		<u>81,073</u>	<u>75,273</u>
Retained earnings			
Opening Balance		36,961,053	29,400,934
+ Net Surplus		2,434,780	7,560,119
+ Transfer from Revaluation Reserve		-	-
Closing balance		<u>39,395,833</u>	<u>36,961,053</u>
Equity at the end of the Period		<u>39,476,906</u>	<u>37,036,326</u>

The accompanying notes and accounting policies form part of these financial statements.

Statement of Financial Position as at 31 March 2008

	Note	2008	2007
Current Assets			
Accounts Receivable		23,608	10,019
Prepayments		<u>43,503</u>	-
		67,111	10,019
Non Current Assets			
Investment Land & Buildings	3	53,964,500	51,080,500
Fixed Assets	2	<u>763,322</u>	<u>771,521</u>
		54,727,822	51,852,021
TOTAL ASSETS		<u>54,794,933</u>	<u>51,862,040</u>
Current Liabilities			
Bank Accounts	5	394,360	143,894
Accounts Payable		187,160	262,283
Interest Accrued		79,427	67,449
Rent in Advance		2,433	23,823
GST		24,039	19,288
Entitlements		12,003	15,015
Current Portion of Term Liabilities	6	<u>6,000,000</u>	<u>750,000</u>
		6,699,422	1,281,752
Non Current Liabilities			
Wairarapa Building Society		653,811	740,990
ANZ		<u>13,964,794</u>	<u>13,552,972</u>
		14,618,605	14,293,962
Less Current Portion of Term Liabilities	6	<u>6,000,000</u>	<u>750,000</u>
		8,618,605	13,543,962
TOTAL LIABILITIES		<u>15,318,027</u>	<u>14,825,714</u>
NET ASSETS		<u>39,476,906</u>	<u>37,036,326</u>
EQUITY		<u>39,476,906</u>	<u>37,036,326</u>

Chairman

Deputy Chairman

Statement of Cash Flows for the year ended 31 March 2008

	Note	2008	2007
CASH FLOW FROM OPERATING ACTIVITIES			
Cash inflows from:			
Rental income	3,277,354		2,966,954
Interest received	179		4,590
GST (net)	4,751		22,572
		3,282,284	2,994,116
Cash outflows for:			
Payments to suppliers & employees	563,595		608,344
Interest paid	1,210,445		1,002,574
		1,774,040	1,610,918
Net Cash Inflow/(Outflow) from Operating Activities	1	1,508,244	1,383,198
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of Investment Buildings	34,265		-
Asset on Behalf	-		1,813
Sale of Fixed Assets	-		6,629
		34,265	8,442
Cash was disbursed on:			
Prepayments	43,503		-
Payments for Investment Buildings	1,303,379		3,603,442
Payments for Fixed Assets	1,485		9,236
		1,348,367	3,612,678
Net Cash Inflow/(Outflow) from Investing Activities		(1,314,102)	(3,604,236)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Borrowed this year	500,000		3,015,972
		500,000	3,015,972
Cash was disbursed on:			
Distributions	769,251		675,743
Loan Repayments this year	175,357		55,059
		944,608	730,802
Net Cash Inflow/(Outflow) from Financing Activities		(444,608)	2,285,170
Movement in Cash		(250,466)	64,132
Opening Cash Balance		(143,894)	(208,026)
Closing Cash Balance		(394,360)	(143,894)
<i>made up as follows</i>			
ANZ Bank		(394,360)	(143,894)
		(394,360)	(143,894)

The accompanying notes and accounting policies form part of these financial statements.

Statement of Accounting Policies for the year ended 31 March 2008

1 STATUTORY BASIS

The Masterton Trust Lands Trust is established and operated pursuant to the Masterton Trust Lands Act 2003. Schedule 2, Clause 12 (1) of the Masterton Trust Lands Act 2003 requires the Trust to prepare annual financial statements in accordance with generally accepted accounting practice.

2 REPORTING ENTITY

The reporting entity is that entity known as Masterton Trust Lands Trust, and is governed by the Board of Trustees and includes all activities carried out under the control of the Board.

3 MEASUREMENT BASE

Unless otherwise specified, the measurement base adopted is that of historic cost.

4 ACCOUNTING POLICIES

The following accounting policies have been employed in the preparation of the financial statements.

Cash and Deposits

Cash is regarded as those sums held on current account or in notes and coins for use in the day-to-day management of the Trust.

Accounts Receivable

Accounts receivable are stated at estimated realisable value.

Goods and Services Tax

The Financial Statements have been prepared on a GST exclusive basis except for receivables and payables.

Fixed Assets

The Trust has two classes of fixed assets:- Trust office building and land
Office furniture and equipment

Office equipment and office furniture are recorded at cost less accumulated depreciation.

The Trust office building was valued, as at 31 March 2007 by Morgans Property Advisors, Registered Valuers, at fair value. The building is valued annually in accordance with FRS-3.

The results of revaluing the Trust Office are credited or debited to an asset revaluation reserve. Where this results in a debit balance in the asset revaluation reserve, this balance is expensed in the statement of financial performance. Any subsequent gains on valuation will be credited to the statement of financial performance until any previous revaluation losses are reversed.

Depreciation

Depreciation is provided on a straight line basis on all tangible fixed assets, other than the freehold land, at rates calculated to allocate the assets' cost over their estimated useful lives.

Depreciation periods are:	Trust Office	100 years	(1%)
	Office furniture and equipment	3 – 10 years	(10% - 33%)
	Office computer software	2 years	(50%)

Investment Properties

Investment properties have been valued in 2008 at net current value in accordance with SSAP-17.

Revaluation gains or losses have been included in the Statement of Financial Performance.

The Statement of Financial Performance does not include a charge for depreciation on investment properties.

Properties are valued annually. These were valued at 31 March 2008 by Morgans Property Advisors, Registered Valuers, at net current value.

Net current value is the open market value less the cost of disposal that could reasonably be anticipated.

General

Accounts Payable are recognised when the goods and services to which they relate are received.

Liabilities are carried at the amount of cash which is required to settle those liabilities.

Differential Reporting

The Trust, by virtue of its size for both total revenue and number of employees, qualifies under Framework of Differential Reporting.

Accordingly it has taken partial advantage of the differential reporting exemptions allowed under the Framework and has taken differential reporting exemptions as allowed for FRS9: Information To Be Disclosed In Financial Statements, FRS-31:

Disclosure of Information About Financial Instruments and SSAP-22: Related Party Disclosures.

New Zealand International Financial Reporting Standards (NZ IFRS)

The Board has taken the option available under the ARSB's Release 9 to delay the adoption of NZ IFRS. These accounts have been prepared in accordance with GAAP in operation before NZ IFRS was adopted.

Taxation Policy

Masterton Trust Lands Trust is exempt from the payment of income tax as it is treated by IRD as a charitable organisation. Accordingly, no charge for income tax has been provided for.

5 CHANGES IN ACCOUNTING POLICIES

There has been no change in the above accounting policies, which have been applied on the basis consistent with those used last year.

Note Disclosures

1 Reconciliation of reported surplus (loss) to net cashflow from operating activities

	2008	2007
Reported operating surplus	2,434,780	7,560,119
Add non-cash items:		
Depreciation	15,484	17,615
Other non-cash Items		
Increase in Trust office revaluation		
Increase in asset revaluation investment properties	(1,697,999)	(6,909,467)
Increase/decrease movements in other working capital items:		
Increase/decrease in payables	(24,837)	(13,853)
Increase in receivables	57,092	1,422
Increase in accruals	(12,424)	25,049
Decrease in GST	4,751	22,572
Items classified as investing activities:		
Gain on disposal of properties	(34,265)	(2,479)
Items classified as financing activities:		
Grants distributed	765,153	682,220
Net cash outflow from operating activities	<u>1,508,244</u>	<u>1,383,198</u>

2 Fixed Assets & Depreciation

	Cost/ Valuation	Accumulated Depreciation	Revaluation	Book Value 31/03/08
2008				
Furniture & office equipment - at cost	111,542	98,220		13,322
Trust office at valuation				
Land	170,000			170,000
Improvements	580,000	5,800	5,800	580,000
	<u>861,542</u>	<u>104,020</u>	<u>5,800</u>	<u>763,322</u>
2007				
Furniture & office equipment - at cost	110,057	88,536		21,521
Trust office at valuation				
Land	150,000		20,000	170,000
Improvements	570,000	5,700	15,700	580,000
	<u>830,057</u>	<u>94,236</u>	<u>35,700</u>	<u>771,521</u>
Depreciation				
		2008		2007
Trust office		5,800		5,700
Furniture & office equipment		9,684		11,915
		<u>15,484</u>		<u>17,615</u>

3 Investment Land & Buildings

	2008	2007
Opening value of investment land & buildings	51,080,500	40,638,50
Plus additions to portfolio	1,186,001	3,598,564
Plus work in progress	-	88,297
Plus increase in revaluation	1,697,999	6,909,467
Less sold or demolished	-	(154,328)
Closing Balance	<u>53,964,500</u>	<u>51,080,500</u>

4 Cash Grants

	2008	2007
Community Grants	297,280	224,737
Education Grants	467,873	457,483
Total Cash Grants	<u>765,153</u>	<u>682,220</u>

MASTERTON TRUST LANDS TRUST 2008 FINANCIAL REPORT

Note Disclosures continued

5 Bank Accounts	2008	2007
ANZ Current Account	(394,360)	(143,894)
	<u>(394,360)</u>	<u>(143,894)</u>

6 Bank Loans	2008	2007
The loans are repayable as follows:		
Within 1 year	6,000,000	750,000
1 - 2 years	2,637,000	6,000,000
2 - 5 years	5,981,605	6,802,971
After 5 years	-	740,991
	<u>14,618,605</u>	<u>14,293,962</u>

All term borrowings are bank loans and interest rates for these borrowings are based on the bank bill rate plus a margin. The Trust utilises loan and credit facilities that are reviewed annually and for this reason all borrowings under these facilities are reported as term borrowings.

All bank borrowings are secured by way of first mortgage over all properties held by the Trust. The facility is subject to various covenants such as limitations on long-term indebtedness, leverage and other ratios. The Trust complied with all covenants for the 2008 financial year.

The weighted average interest rate on term borrowings is 8.01% (2007: 7.95%).

7 Policies in accordance with MTLT Act 2003, CI 17	2008	2007
Policy requires the Trustees to maintain a ratio of Debt to Debt plus Equity of no more than 40%.	27.0%	27.8%
The Trustees will maintain an interest cover of no less than two. The interest cover calculation is to exclude grants and upward property revaluation.	2.23	2.32

8 Commitments
The Trust has no capital commitments as at 31 March 2008 (2007: Nil)

9 Contingent Liabilities
The Trust has no contingent liabilities as at 31 March 2008 (2007: Nil)

10 Expenditure includes the following	2008	2007
Audit fees	13,250	7,875
Trustees fees	51,212	47,450
Bad Debts	-	2,542

11 Related Parties
During the year the Trust provided funds via the Masterton District Council for community purposes. Two Trustees, G Daniell and C Peterson are members of the Masterton District Council. The Trust received rent from "Magie B's" in which Mrs Brewster is a shareholder. A community grant was given to REAP which was represented by Trustee A Sadler. Under the Trust's Code of Conduct and having declared an interest, this Trustee did not participate in the decision.

12 Total Revenues	2008	2007
Operating	3,312,512	2,961,041
Gain on sale	34,265	2,479
Increase in Asset Revaluation Investment Properties	1,697,999	6,909,467
	<u>5,044,776</u>	<u>9,872,987</u>

AUDIT REPORT



TO THE READERS OF MASTERTON TRUST LANDS TRUST'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2008

The Auditor-General is the auditor of Masterton Trust Lands Trust (the Trust). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust, on his behalf, for the year ended 31 March 2008.

Unqualified Opinion

In our opinion the financial statements of the Trust on pages 14 to 19:

- > comply with generally accepted accounting practice in New Zealand; and
- > fairly reflect:
 - > the Trust's financial position as at 31 March 2008; and
 - > the results of its operations and cash flows for the year ended on that date.

The audit was completed on 5 August 2008, and is the date at which our opinion is expressed.

The basis of our opinion is explained below. In addition, we outline the responsibilities of the Trustees and the Auditor, and explain our independence.

Basis of Opinion

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed the audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in our opinion.

The audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- > determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- > verifying samples of transactions and account balances;
- > performing analyses to identify anomalies in the reported data;
- > reviewing significant estimates and judgements made by the Trustees;
- > confirming year-end balances;
- > determining whether accounting policies are appropriate and consistently applied; and
- > determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements.

We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Trustees and the Auditor

The Board of Trustees are responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Trust as at 31 March 2008 and the results of its operations and cash flows for the year ended on that date. The Trustees' responsibilities arise from schedule 2, clause 12(1) of the Masterton Trust Lands Act 2003.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001 and section 32 of the Masterton Trust Lands Act 2003.

Independence

When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

Other than the audit, we have no relationship with or interests in the Trust.

A handwritten signature in blue ink, appearing to read "John O'Connell".

John O'Connell
Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand



Wairarapa Workforce Development Trust Industry Interactive Day for secondary students.



www.mtlt.ac.nz

Secretary/Manager - Gary Percy

P O Box 90
189 Queen Street
MASTERTON

Phone: 06 370 0155
Fax: 06 370 0156
email: trust@mtlt.ac.nz