



MASTERTON TRUST LANDS TRUST

ANNUAL REPORT 2018

Our 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.

Professionalism

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

Education

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

Stewardship

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

Accountability

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

Advancement

Providing extraordinary educational and cultural opportunities for Masterton people.

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The year in review

Operating Surplus	\$1.5 million	up 176%
Rental Income	\$5.0 million	up 2.9%
Equity	\$41.7 million	up 3.7%
Total Assets	\$70.9 million	up 3.0%
Debt to debt + equity	40.23%	41.1% (2017)
Total Grants	\$678,209	down 23.81%

Established in 1872, Masterton Trust Lands Trust (MTLT) is a significant community-owned asset, governed by its own Act of Parliament. It manages a large portfolio of Masterton properties for the benefit of the community. From the Trust's inception, education has been identified within the Act as a key beneficiary of funds generated.

Thank you to our tenants, grant recipients and the Wairarapa Times-Age for assisting with photographs for this report.



Chairperson's report

The 2018 year saw priority given to delivering the educational grants programme, while navigating the practical and financial implications of resolving the structural issues in a number of affected Trust-owned buildings.

Property

The value of our community-owned property increased marginally to \$71 million, due to a strong local economy, positive rent reviews and new leases. Rental income increased by 2.9 percent from 2017 to \$5 million, reflecting an occupancy level of almost 100 percent.

The highlight of the year was the transformation of two previously-vacant Trust properties into vibrant new community assets.

Following our purchase of the Masterton Cosmopolitan Club building that had occupied Trust land since the 1970s, we worked with our new tenant, Whaiora, to transform the building into a modern health centre. Adaptive reuse of the building has provided a medical facility that meets Whaiora's current needs while allowing for their growing client base.

Working together with the Wairarapa arts community, we funded and created a dedicated community asset on the high-profile vacant property at 13 Queen Street. The container gallery and studios for aspiring and established Wairarapa artists to create and showcase their work is managed by ConArt, the new incorporated society formed for the initiative.

Having local working artists on site has brought new vibrancy to Masterton's cultural and recreation precinct, complementing Aratoi, King Street Artworks and others in the area.

Work continued to address the structural design issues in a number of Trust buildings that were identified in 2015/16. The litigation process to recover the costs of remediation is ongoing, and now includes most of the buildings identified with structural issues. This process is likely to take another two years.

Regardless of the litigation outcome, we are committed to looking after our tenants and have taken a proactive approach to remediate the affected buildings.



Construction work was completed on one building to meet the full requirements of the building code and another significant remediation project is currently underway.

Remediation design work was progressed for the remaining affected buildings. We will undertake the construction work as and when we are able, working closely with our tenants to minimise any disruption to their businesses.

Vacated by its main tenant in July last year following the discovery of structural issues, Waiata House has been sold to Masterton District Council. It is pleasing to see the building remain in community ownership. MTLT is managing and completing the remediation of the building before it is handed over to Council.

In line with new health and safety legislation, we have been working with a consultant and our tenants to develop comprehensive health and safety plans for all of our properties.

Finance

Careful financial management has produced positive financial results for the year, despite the ongoing challenges of addressing the structural issues. The operating surplus was \$1.5 million, resulting in a 3.7 percent increase in equity to \$41.7 million.

The debt ratio has reduced to 40.23%. Following strong development growth over the past 10 years, debt consolidation will be a key focus over the medium-term.

With significant building remediation work ahead and an unknown litigation outcome, we are not wanting to borrow significantly and are taking a conservative approach to borrowing, property development and grant distributions.

This approach aims to ultimately put the Trust in a stronger financial position with lower debt, a lower risk profile, and the ability to consistently distribute more grants to the community.

Grants

The 2018 grants programme focused on our core purpose of supporting education and art in the Masterton community. Overall, total grants were \$678,209, down 23.81 percent on the previous year due to the financial implications of building remediation. Limited funds meant that we were unable to offer the usual community grants programme, however a civic grant was again made to the Masterton District Library.

Aratoi Wairarapa Museum of Art and History received funding of \$324,000.

We were pleased to maintain the Education Grants programme at similar levels to previous years, with more than \$292,000 provided to support the education sector.

Education leaders responded positively to the five funding priorities they helped develop during last year's review of how we allocate funding for education and measure its impact.

Schools in each of the early childhood, primary, and secondary sectors are not only working collaboratively with each other, but are now working across sectors and with the wider community.

Grants to two projects extended knowledge and skills through networking and collaboration across different levels of the education sector.

Grants totalling \$36,700 to connect youth with local employers focused on two of the new MTLT education funding priorities – Networking and Collaboration, and Transition and Pathways. Wairarapa Youth Education Training and Employment (YETE) delivered a programme to link secondary students with 'work ready' skills and to connect employers with young people, their schools and tertiary providers.

In another collaborative project, 56 boys and young men from 15 schools throughout Wairarapa attended the Ngā Tama Toa two-day leadership programme at Riversdale Beach. The project received a \$9,276 grant

from the MTLT collaborative projects fund.

Special educational projects received \$25,000. This included \$15,000 for a museum educator at Aratoi connecting more than 2,500 Wairarapa students with the history of whānau o te Wairarapa through the largest exhibition of Ngāti Kahungunu taonga ever displayed. The second grant of \$10,000 funded a parent education programme run by the Ko Te Aroha Trust.

Our secondary schools programme included professional development for 200 teachers across 28 subjects and an extension programme for 200 students. A symposium brought experts to Masterton to work with 300 primary and secondary teachers on future needs in education.

Primary schools received teacher professional development, funding for a shared sports coordinator and support for beginning teachers. We supported the early childhood sector with funding for professional development, leadership development and transition of children to school.

Roll-based grants were provided to all Masterton early childhood centres (excluding privately-owned) and schools. Grants for hardship and school events were also made.

Thanks

My thanks go to the many people who have worked with us during the year to advance our aims. We appreciate the ongoing support and cooperation of our tenants who contribute to the Masterton community through the lease of community-owned property.

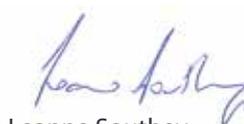
Thanks to the education community for working with us to deliver the first year of our new education funding strategy - we appreciate your support.

We have enjoyed our collaborative relationships with other local trusts, businesses and council with whom we share similar passion for Masterton.

Thanks to our external advisors and contractors who understand our business and are an extension of our organisation.

Finally, thank you to my fellow Trustees and our small team of staff for their hard work, energy and dedication throughout the year.

We look forward to a productive and positive year ahead.



Leanne Southey
Chairperson



Education grants

New education priorities funded

Under new funding priorities set together with the education community last year, MTLT made education grants of \$292,159 in the 2017/18 year. The grants were the first made under a three-year programme focused on five areas of importance at all levels of education in Masterton.

Education leaders responded positively to the priorities they helped develop in the review of how MTLT funding for education is allocated and how its impact is measured.

Schools in each of the early childhood, primary and secondary sectors are not only working collaboratively with each other to extend knowledge and skills; they are now working between sectors and with the wider community.

Enriched learning and development

A \$15,000 MTLT grant funded a curriculum extension programme for talented intermediate and secondary school Masterton students. The SCEED (Student Curriculum Extension, Enrichment and Development) programme, was collectively delivered to students from a range of schools. It would not have otherwise been able to be offered by individual schools.

Topics covered by the programme were creative writing, art, debating, zoo enrichment, dance and music production. Students taking part in the creative writing programme published an impressive collection of short stories and artwork - 'Trust in Young Peoples' Creativity' (pictured above).

A three-day art programme held at Masterton's King Street Artworks for 15 students resulted in a stunning exhibition of the students' work at Aratoi in November 2017.

Pathways for youth

Grants totalling \$36,700 to connect youth with local employers focused on two of the new MTLT education funding priorities – Networking and Collaboration, and Transition and Pathways.



“The key purpose of the programme is to grow and strengthen a young person’s ability to be successful in the workplace, improving also their personal wellbeing, self-sustainability and life outcomes, benefiting employers and the community as a whole”. Tom Hullena



Licence to work graduate Chelsea Lewis (centre) with kaiako (tutor) Jennifer Poutoa (left) and kaitiaki (tutor support) Linda Voice.

Two grants assisted the Wairarapa Youth Education Training and Employment (YETE) Partnership to develop and establish better connections between schools, tertiary education providers and businesses, aiming to have all youth in meaningful pathways.

YETE has identified 282 Wairarapa businesses as ‘Youth Friendly Employers’ that are now in the process of being more formally connected as YETE partners.

The initial grant of \$16,700 funded the pilot Licence to Work (L2W) programme for secondary and tertiary students. The successful pilot provided 47 young people with ‘work ready’ skills and linked employers with young people, their schools and tertiary providers. Sixty-three L2W facilitators have been trained within Wairarapa colleges, tertiary providers and community groups.

Since the pilot, numbers of youth taking part in the L2W programme have more than doubled, as have the number of schools and employers involved.

Students stand taller

Special project grants of \$15,000 funded a museum educator to deliver a dedicated education programme to 2,500 Wairarapa students at the largest exhibition of Ngāti Kahungunu taonga ever displayed - ‘Te Marae o Rongotaketake: Redressing our Kahungunu History’. The Aratoi-based programme connected students from early childhood to secondary ages with the history of whānau o te Wairarapa.



*“One of the most amazing comments we received was from a teacher who mentioned that her children went away standing a bit taller. The beautiful thing about our programme was that it taught stories to our tamariki, Māori and non-Māori, about Wairarapa. It looked at the past and present, moving into the future – understanding that we are a great people.”
Diana Cruse
Museum Educator*

Schedule of grants

EDUCATIONAL GRANTS

Roll-Based Funding		\$
Twenty-seven education providers	Roll-based funding	61,404
Sector Leader - Early Childhood		
Wairarapa REAP	ECE sector cohesion programme (includes bi-cultural conference)	4,980
	Transition from early learning centre to school programme	5,620
	Leadership in early childhood centres programme	6,150
	Professional learning & development	33,250
Sector Leader - Primary		
Masterton Primary School Principal Cluster	Sports co-ordinator	6,000
	Future-focussed teaching & learning	7,817
	Professional learning for STEM teachers	13,026
	Develop AP/DP network & professional learning	5,750
	Professional development for provisionally registered teachers	2,820
Sector Leader - Secondary		
Masterton Secondary Principals' Initiative	Curriculum clusters	25,000
	Appraisal initiative	3,000
	Future-focussed teachers' symposium	7,000
	Student curriculum extension, enrichment & development	15,000
Collaborative Projects		
Masterton Primary School Principal Cluster + Makoura/Chanel Colleges	Developing culturally-responsive teachers	8,500
Masterton Primary + Secondary Principals	Ngā Tama Toa - Maori boys' leadership	9,276
Wairarapa Youth Education Training & Employment Partnership (YETE)	Licence to Work - Youth Employability Passport programme	16,700
Training-Industry Partnerships		
Wairarapa Youth Education Training & Employment Partnership (YETE)	Assist Masterton's youth into meaningful education, training & employment	20,000
Special Projects		
Ko Te Aroha Trust	Parent education group	10,000
Wairarapa schools	Education programme for Ngāti Kahungunu o Wairarapa exhibition	15,000
School/Education Events		
Masterton schools	Jerome Kavanagh – Māori Musical Instruments	1,000
	National Mathematics Week	1,000
	Interschool debating competition	700
	Wairarapa schools photography competition	1,000
Sector Leader - Tertiary		
UCOL Wairarapa	Staff professional development in innovative technology	7,000
Hardship		
Various Students	Hardship grants	2,166
Scholarships		
Alan MacDiarmid Scholarship	Three students @ \$1,000 each	3,000
Total Educational Grants		292,159

CIVIC

Aratoi Foundation	Ascension sculpture	10,000
Masterton District Council	Library - reading resources & education programme support	16,000
Total Civic Grants		26,000

CONCESSIONAL RENTAL

10 Bruce Street	Aratoi	324,000
146 Dixon Street	Harlequin Theatre	12,500
205 Chapel Street	Young Citizens Club	11,050
365 Queen Street	Te Kura a Rangi Trust (SPOT)	12,500
Total Concessional Rents		360,050
Total Grants		678,209

Boys' leadership

In another collaborative project, 56 boys and young men from 15 schools throughout Wairarapa attended the Ngā Tama Toa two-day leadership programme at Riversdale Beach. The project received a \$9,276 grant from the MTLT collaborative projects fund.

"The boys came back from the camp with a far greater sense of maturity, pride and self-worth." Russell Thompson, camp organiser and MIS Principal



Property



Te Pūtahi Manawa o Whaiora

During the year MTLT redeveloped two of its previously-vacant properties, transforming them into vibrant, modern facilities in partnership with new tenants in the health sector and the arts community.

Adaptive building reuse creates modern health centre

Adaptive reuse of the former Cosmopolitan Club building that had been at risk of demolition, has transformed it into a modern health centre - the new home of Whaiora, Wairarapa's Māori health service.

The redevelopment of more than half of the 1,950 square metre building was completed in under five months to a tight programme. The building includes a medical centre with 10 individual consulting rooms, three treatment bays and ambulance access. Reception, medical administration and a nurse's station are close by and a waiting room opens out onto a deck. The community outreach service is located towards the back with a staff room in the central atrium area.

Now named Te Pūtahi Manawa o Whaiora, which translates to the 'heart flow of health', the building was purchased by MTLT last year and occupies land owned by the Trust since the 1870s.



"We now have substantially more space, better workflow, more patient privacy and the opportunity for future growth. The location in central Masterton and plenty of on-site car parks makes us much more accessible to clients and staff."

Triny Ruhe
Whaiora General Manager

Vibrant new community art asset



The vacant MTLT property on the corner of Queen and Bruce Streets was transformed into a new dedicated community asset run by artists for artists.

The Trust worked in partnership with the arts community through ConArt, the incorporated society formed to manage the container gallery and studios where aspiring and established Wairarapa artists create and showcase their work.

Five brightly-painted shipping containers are positioned throughout the landscaped site which includes a sculpture garden and grassed outdoor event area. Two containers are positioned to create a gallery and retail space. The other three house working studios and exhibition space.

Having working artists on site adds new vibrancy to Masterton's cultural and recreation precinct, complementing Aratoi, King Street Artworks and others in the area.

"The development provides a much needed outlet for creating, promoting and selling Wairarapa art. There is huge potential to bring the region's artists closer together but more importantly, closer to the community."

Jane Sinclair, ConArt Chair & professional artist





Building remediation

Over the past year, further progress has been made to remedy the structural issues discovered with 11 relatively-new MTLT buildings in 2015/16.

Detailed independent structural reviews of these buildings have enabled informed decisions to be made on the best outcomes for the Trust, its tenants and the community.

During 2017, remediation of the building located at 52 Dixon Street was completed. Other buildings in the portfolio benefitted from minor strengthening works that addressed immediate issues, and the significant task of remediating Waiata House began.

Progress has been made on the remediation design for most of the remaining buildings and construction work will be undertaken as and when possible, working closely with tenants to ensure their businesses are not disrupted.

Liability

MTLT has progressed litigation that seeks to recover the cost of the time-consuming and expensive work to remedy the buildings identified as not meeting legislative requirements.

Proceedings are underway for six affected buildings. Due to the financial sums involved, these cases will be heard in the High Court, however hearing dates are not expected until mid-2019.

Three buildings were judged to be outside the timeframe allowed to bring legal proceedings. The question of whether litigation will proceed in relation to two other buildings is still being assessed. Regardless of whether litigation will proceed, the remaining buildings are being reviewed to determine remediation requirements.

Waiata House remains in community ownership

One of Masterton's largest buildings, Waiata House at 27 Lincoln Road, will remain in community ownership following its sale to Masterton District Council (MDC) during the year. This is subject to remedial work being completed by MTLT.

During the year, MTLT and MDC reached a mutually-beneficial commercial arrangement which will ensure that the building is still owned by the Masterton community.

Built on the site of one of Masterton's first municipal buildings, the 1,400 square metre building will provide office space for MDC staff who are currently located in various leased premises around the town following the closure of the Town Hall in June 2016.

Waiata House is one of the 11 MTLT buildings affected by structural design issues. Following design of the structural remediation, building consent and the tendering of the construction contract, construction work began early in 2018. This will continue to be managed by MTLT until the building is handed over to MDC later in 2018.

Trustees

The Board of Trustees consists of eight members elected by voters living within the Trust District. Four Trustees retire or stand for re-election at each triennial local government election. The Chairperson is elected by the members.



Leanne Southey
Chairperson
Elected 2010



Karl Taucher
Deputy Chair
Elected 2001



John Bunny
Audit, Risk & Property
Committee Chair
Elected 2007



Christine Brewster
Education
Committee Chair
Elected 2004



Sandy Ryan
Grants Committee Chair
Elected 2013



Rick Long
Elected 2013



Bex Johnson
Elected 2016



Frazer Mailman
Elected 2016

2018 Financial report

Statement of comprehensive revenue and expense for the year ended 31 March 2018

		FULL YEAR 2017/18	FULL YEAR 2016/17
		\$	\$
Revenue			
Administration services		8,500	9,000
Interest received		2,147	224
Miscellaneous revenue		65,888	1,607
Rental revenue		5,016,415	4,873,906
Tenant recoveries		456,095	419,095
Total revenue	2	5,549,045	5,303,833
Expenditure			
Administration expenses	3	600,554	583,713
Depreciation	5	7,726	4,061
Grants	7	678,209	890,117
Interest expense		1,357,593	1,526,583
Property expenses	3	1,786,453	1,239,070
Total expenditure		4,430,535	4,243,544
Net operating profit (loss)		1,118,510	1,060,289
Increase / (Decrease) in revaluation of investment properties	6	349,733	(2,993,186)
SURPLUS (DEFICIT)		1,468,243	(1,932,898)
Other comprehensive revenue and expense			
Increase / (decrease) in revaluation reserve (Trust office)		8,850	3,955
Total other comprehensive revenue and expense		8,850	3,955
TOTAL COMPREHENSIVE REVENUE AND EXPENSE		1,477,093	(1,928,943)

Statement of changes in equity for the year ended 31 March 2018

		FULL YEAR 2017/18	FULL YEAR 2016/17
		\$	\$
Equity			
Equity at the start of the period		40,268,772	42,197,715
Total comprehensive revenue and expense		1,477,093	(1,928,943)
<i>Total recognised revenues & expenses for period</i>		1,477,093	(1,928,943)
Equity at the end of the period		41,745,865	40,268,772
Equity comprises:			
Revaluation reserve Trust building			
Opening balance		151,642	147,687
Revaluation movement		8,850	3,955
Closing balance		160,492	151,642
Retained earnings			
Opening balance		40,117,130	42,050,028
Net surplus (deficit)		1,468,243	(1,932,898)
Closing balance		41,585,373	40,117,130
Equity at the end of the period		41,745,865	40,268,772

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

Statement of financial position as at 31 March 2018

		FULL YEAR 2017/18	FULL YEAR 2016/17
		\$	\$
Current Assets			
Cash & cash equivalents	4	688,350	-
Accounts receivable (from exchange transactions)		129,709	57,318
Less provision for doubtful debts		(25,000)	-
Accrued income		418	4,500
Other receivables		106,189	1,839
Property held for sale	15	2,133,390	-
Short term investments	4	27,696	-
		3,060,752	63,657
Non Current Assets			
Investment property	6	66,892,610	67,998,500
Long term investments	4	15,400	-
Property, plant & equipment	5	958,443	779,444
		67,866,453	68,777,944
TOTAL ASSETS		70,927,205	68,841,601
Current Liabilities			
Bank overdraft	4	-	15,415
Accounts payable	8	278,634	194,898
Accruals	8	246,459	100,074
Revenue in advance	9	443,190	3,910
Interest accrued		95,462	115,016
Employee entitlement		13,563	10,329
GST		5,941	35,096
Borrowings	4	28,098,091	28,098,091
		29,181,340	474,738
Non Current Liabilities			
Borrowings	4	-	28,098,091
TOTAL LIABILITIES		29,181,340	28,572,829
NET ASSETS		41,745,865	40,268,772
EQUITY		41,745,865	40,268,772

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



L Southey
Chairperson



K Taucher
Deputy Chairperson

Statement of cash flows for the year ended 31 March 2018

	FULL YEAR 2017/18	FULL YEAR 2016/17
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Cash inflows from:		
Rental revenue	4,841,918	4,838,205
Rental outgoings recovery	456,095	357,565
Other revenue	28,426	4,724
Interest	2,147	224
GST	8,238	53,753
	5,336,824	5,254,471
Cash outflows for:		
Payments to suppliers and employees	(2,260,882)	(1,809,254)
Interest paid	(1,377,147)	(1,509,355)
Grants	(738,600)	(904,783)
GST	-	-
	(4,376,629)	(4,223,391)
<i>Net Cash Inflow/(Outflow) from Operating Activities</i>	960,195	1,031,079
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflows from:		
Deposits on property transactions	443,190	-
Acquisition of Trusts	45,962	-
	489,152	-
Cash outflows for:		
Capital improvements	(701,002)	(982,233)
Purchase property, plant & equipment	(1,484)	(4,550)
Investment property portfolio	-	(250,000)
Purchase of investment	(43,096)	-
	(745,582)	(1,236,783)
<i>Net Cash Inflow (Outflow) from Investing Activities</i>	(256,430)	(1,236,783)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash inflows from:		
	-	-
Cash outflows for:		
	-	-
<i>Net Cash Inflow (Outflow) from Financing Activities</i>	-	-
Total movement in cash	703,765	(205,704)
Opening Cash Balance	(15,415)	190,289
Closing Cash Balance	688,350	(15,415)
<i>made up as follows</i>		
ANZ Bank – Cash & Cash equivalents	688,350	(15,415)
	688,350	(15,415)

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

Notes to the financial statements

For the year ended 31 March 2018

1 Statement of accounting policies

Statutory basis

The Masterton Trust Lands Trust was established in 1872 and operates pursuant to the Masterton Trust Lands Act 2003.

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

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.

The Trust provides educational, cultural and community grants for the benefit of the Masterton District. It does not operate to make a financial return.

Statement of compliance

The Trust has designated itself as a public benefit entity (PBE) for financial reporting purposes. The financial statements have been prepared in accordance with Tier 2 RDR (Reduced Disclosure Regime) of the PBE accounting standards framework.

The Trust falls into Tier 2 on the basis that it is non-publicly accountable and does not have total expenses in excess of \$30 million per annum.

The Trust manages assets that were entrusted to it by the Wairarapa Town Lands Act 1870 to achieve its own charitable objectives of supporting the educational, cultural and community initiatives of Masterton. As the beneficiaries of the Trust did not settle the Trust, the Trust is not acting in a fiduciary capacity.

These financial statements of the Trust are for the year ended 31 March 2018 and were authorised for issue by the Board on 9 August 2018.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

SIGNIFICANT ACCOUNTING POLICIES

Critical accounting estimates and assumptions

In preparing these financial statements the Trust has made estimates and assumptions concerning the future. These estimates and assumptions may differ from subsequent actual results. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Some estimates and assumptions that may cause a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

Estimates and assumptions

These financial statements have been compiled on the basis of existing information and policies to hand at the time the statements were finalised.

The estimates and assumptions that have a significant role of carrying a material adjustment to the carrying amounts of assets and liabilities within the next financial year are;

- Estimates on receivables are based on historical behaviour
- The impact to date of the seismic review has been reflected in the valuation of the portfolio as at balance date (Refer note 6).

Revenue

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

Rent

Rentals will reflect both local and provincial market rates for like businesses and are recognised when they become receivable. Lease receipts under an operating subclause are recognised as revenue on a straight line basis over the lease term.

Tenant outgoings recovered

Actual operating costs recovered from tenants as specified in lease arrangements are recognised when they become receivable.

Administration services revenue

Administration services revenue is derived from provision of services in a commercial manner recognised in proportion to the stage of completion at balance date.

Cash and cash equivalents

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

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

Loans and receivables

Receivables are recorded at the amount due, less any provision for un-collectability. A receivable is considered uncollectible when there is evidence that the amount will not be fully collected.

Loans and receivables are non-interest bearing and receivables are generally settled on 30-day terms. Therefore, the carrying value of receivables approximates their fair value. The Trust holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

Goods and Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

Payables and borrowings

Short term creditors and other payables are recorded at their face value. Payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of payables approximates their fair value.

Borrowings

Borrowing costs are recognised as an expense in the period in which they are incurred. Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Income tax

The Trust is exempt from income tax. Accordingly, no provision has been made for income tax.

Property, plant, and equipment

Property, plant, and equipment consist of the following asset classes: land and buildings and other fixed assets. Property held to meet service delivery objectives is classified as property, plant, and equipment.

Additions

The cost of an item of property, plant, and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in property revaluation reserves in respect of those assets are transferred to general funds.

Revaluation

Land and buildings (operational and restricted) are revalued annually to ensure their carrying amount does not differ materially from fair value.

Revaluations of property, plant and equipment are accounted for on a class of assets basis.

The net revaluation results are credited or debited to the statement of comprehensive revenue and expense and are accumulated to an asset revaluation reserve. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

Subsequent costs

Costs incurred subsequent to the initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably. The costs of day to day servicing of property, plant and equipment are recognised in the surplus or deficit as they are incurred.

Depreciation

Depreciation is provided on a straight line basis at a rate calculated to allocate the assets' cost over its estimated useful life.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Trust office improvements	100 years	(1%)
Other fixed assets	8 years	(12.5%)

Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. Property held to meet service delivery objectives is classified as property, plant, and equipment.

Land and buildings and other infrastructure that comprises the Trust's investment portfolio is valued at fair value and is valued annually at each reporting date to ensure that the value does not alter materially from fair value.

New acquisitions are measured initially at cost, including transaction costs. After initial recognition, investment property is measured at fair value as determined annually by an independent valuer. Gains and losses arising from a change in the fair value of investment properties are recognised in the surplus/deficit.

The portfolio was valued as at 31 March 2018 by Morgan's Property Advisors, Registered Valuers.

Properties held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. Assets held for sale are measured as the lower of the carrying value and fair value less costs to sell. Any impairment is recognised in the surplus or deficit.

Grant expenditure

Discretionary grants are only recognised when a constructive obligation exists. This is deemed to occur both when the grant has been approved and the approval has been communicated to the recipient. The Trust has no substantive conditions attached.

Non-discretionary grants are recognised when specified criteria have been fulfilled and notice has been given to the Trust.

Grant expenditure is recognised and reported in the statement of comprehensive revenue and expense in the period in which the grant is recognised.

Employee entitlements

Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to but not yet taken at balance date.

Superannuation schemes

Defined contribution schemes

The Trust's contributions to KiwiSaver are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- General funds.
- Property revaluation reserve

Property revaluation reserve

These reserves relate to the revaluation of property plant and equipment to fair value.

2 Revenues

Revenue under exchange transactions	2018	2017
Rent	5,016,415	4,873,906
Tenant outgoings recovered	456,095	419,095
WTET acquisition	15,861	-
Golden C'Art acquisition	30,101	-
Other revenue	30,573	10,831
Total	5,549,045	5,303,833

3 Expenditure includes the following;

Property and tenant outgoings	2018	2017
Insurance	140,001	134,361
Rates	467,781	422,742
Building repairs & maintenance	177,514	140,001
Seismic review	414,715	280,575
Other property related expenditure	586,443	261,391
Total	1,786,453	1,239,070
Administration		
Audit	18,112	17,750
Bad debts	25,000	0
Legal	27,575	15,100
Employer contributions to defined contribution schemes	11,782	17,350
Personnel expenses	302,534	282,330
Board members remuneration	69,723	68,731
Other administrative expenditure	145,828	182,452
Total	600,554	583,713

4 Bank

Current accounts	2018	2017
ANZ Current account	309,493	(15,415)
ANZ Maintenance account	375,991	-
ANZ current account	1,766	-
ANZ current account	1,099	-
	688,350	(15,415)
Investments - Short Term		
ANZ term deposit	7,095	-
ANZ term deposit	7,601	-
ANZ perpetual bonds	13,000	-
	27,696	-
Investments - Long Term		
UDC debenture stock	7,000	-
UDC debenture stock	8,400	-
	15,400	-
Borrowings		
The loan instruments are repayable as follows:		
Within 1 year	28,098,091	-
1 - 2 years	-	28,098,091
2 - 5 years	-	-
	28,098,091	28,098,091
The weighted cost of funding on term borrowings is 4.66% (2017: 5.53%).		

Security

The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$0.5 million (2017 \$0.5 million). There are no restrictions on the use of this facility.

All term borrowings are bank loans and interest rates for these borrowings are based on the bank bill rate plus a margin.

The secured loan is secured by a first registered mortgage over the whole of the property portfolio.

The facility is subject to various covenants such as limitations on long-term indebtedness, leverage and other ratios.

5 Property, plant and equipment

Cost or valuation	Furniture and Office Equipment (Cost)	Fixed assets	Trust Office Land (Fair value)	Trust Office Improvements (Fair value)	Total
Balance 1 April 2016	117,580	-	210,000	565,000	892,580
Additions		4,550			4,550
Revaluation increase (decrease)				-	
Cost or valuation at 31 March 2017	117,580	4,550	210,000	565,000	897,130
Balance 1 April 2017	117,580	4,550	210,000	565,000	897,130
Additions		177,875			177,875
Revaluation increase (decrease)			20,000	(15,000)	5,000
Cost or valuation at 31 March 2018	117,580	182,425	230,000	550,000	1,080,005
Accumulated depreciation					
Balance 1 April 2016	117,580	-	-	-	117,580
Depreciation		106		3,955	4,061
Adjustment of revaluation				(3,955)	(3,955)
Accumulated depreciation at 31 March 2017	117,580	106	-	-	117,686
Balance 1 April 2017	117,580	106	-	-	117,686
Depreciation		3,876		3,850	7,726
Adjustment of revaluation				(3,850)	(3,850)
Accumulated depreciation at 31 March 2018	117,580	3,982	-	-	121,562
Equitable value at 31 March 2018	0	178,443	230,000	550,000	958,443
Equitable value at 31 March 2017	0	4,444	210,000	565,000	779,444
Restrictions on title					

There are no restrictions on the title of the property at 187 Queen Street, known as the Trust Office. This is reflected in the valuation done as at 31 March 2018 by registered valuer Paul van Velthooven of Morgan's Property Advisors, Registered Valuers.

6 Investment property

Investment Property	2018	2017
Opening value of investment Land and Buildings	67,998,500	70,078,500
Plus additions to portfolio	677,767	913,186
	68,676,267	70,991,686
Less properties intended for sale	(2,133,390)	-
Fair value gains	919,733	2,216,814
Impairment	(570,000)	(5,210,000)
	349,733	(2,993,186)
Closing Balance	66,892,610	67,998,500
Valuation		

The Trust is a plaintiff in several litigation proceedings due to a number of its buildings not meeting NZBC requirements at the time of design and consenting. As a result the Trust continues to engage a range of consultants (including lawyers) as it works through this process. The most recent valuations of land, buildings and infrastructure were performed by an independent registered valuer Paul van Velthooven of Morgan's Property Advisors, Registered Valuers. Qualifications: FNZIV, FPINZ, BCom (VPM), BA (History) and a registered valuer since 1985.

The valuation is effective as at 31 March 2018. Morgan's Property Advisors have extensive market knowledge in the types and location of investment properties owned by the Trust.

The Trust's properties are valued at equitable value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value. Where appropriate further adjustments were made to reflect the ongoing structural review.

Land is valued at fair value using market based evidence based on its highest and best use, with reference to comparable land values.

Adjustments have been made to the "unencumbered" land value where there is a designation against the land or the use of the land is restricted because of a reserve or endowment status. These adjustments are intended to reflect the negative effect on the values of the land where an owner is unable to use the land more intensely.

7 Grants

Grants	2018	2017
Community grants	26,000	115,589
Education grants	292,159	351,475
Concessional rents	360,050	423,053
Total	678,209	890,117

8 Payables

Payables	2018	2017
Payables under exchange transactions		
Creditors	268,835	156,916
Accrued capital expenditure	180,941	23,236
Accrued expenses	64,518	68,538
	514,294	248,690
Payables under non-exchange transactions		
Grants	-	31,892
Accrued grants	1,000	8,300
Inland revenue (PAYE)	9,799	6,090
	10,799	46,282
	525,093	294,972

9 Revenue in advance

Some property related expenditure is recovered from the Trust's tenants. Where the recovered amount relates to a period beyond balance date, the amount is transferred to Revenue in Advance.

The Trust has received deposits from the sale of two of its properties.

10 Policies in accordance with MTL ACT 2003, CL 17

Policies in accordance with MTLT ACT 2003, CL 17	2018	2017
Policy requires the Trustees to maintain a ratio of Debt to Debt plus Equity of no more than 50%.	40.23%	41.10%
The Trustees will maintain an interest cover of no less than two times		
The interest cover calculation excludes property revaluation.	2.38	2.37

11 Commitments

The Trust has a capital commitment at 31 March 2018 of \$562,913 (2017: \$250,000)

12 Contingent liabilities

The Trust has no contingent liabilities as at 31 March 2018 (2017: Nil)

13 Related parties

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect that the Institute would have adopted in dealing with the party at arm's length in the same circumstances.

During the year the Trust provided funds to the Masterton District Council for community purposes.

Bex Johnson (Trustee) is a councillor of the Masterton District Council

Leanne Southey is a trustee on the Masterton Trade Aid Trust.

Fraser Mailman (Trustee) is a councillor of the Masterton District Council

The Trust received rent from "Magie B's" in which Christine Brewster (Trustee) is a shareholder.

The Trust received rent from "Mangan Graphics" in which Leanne Southey (Chair) is a minority shareholder.

The Trust received rent from "The Wairarapa Autism Trust" of which John Bunny (Trustee) is a foundation Trustee

Key management personnel compensation	2018	2017
Board members		
Remuneration	69,723	68,731
Full-time equivalent members ¹	8.0	8.0
Management Team		
Remuneration (includes employer contribution to Kiwisaver)	274,027	260,294
Full-time equivalent members	2.0	2.0
Total key management personnel remuneration	343,750	329,025
Total full time equivalent personnel	10.0	10.0

¹ Due to the difficulty in determining the full time equivalence for trustees - the full time equivalent figure is taken as the number of trustees

14 Significant events

There are no significant events.

15 Properties intended for sale

The Trust passed a special resolution pursuant to section 18 of the Masterton Trust Lands Act 2003, on 1 March 2017 authorising the potential sale of six of its properties.

As at 31 March 2018 "Property held for sale" consists of two properties;

One property is sold subject to completion of subdivision.

Waiata house has been unconditionally sold to Masterton District Council with a requirement for Masterton Trust Lands Trust to remediate to 67% of NBS.

16 Events after balance date

The remediation works at Waiata House are more extensive than originally anticipated.

This work will continue into the subsequent financial year and will exceed expectations.

Final costs are not known at this stage.

Independent Auditor's Report

To the readers of Masterton Trust Lands Trust's financial statements for the year ended 31 March 2018

The Auditor-General is the auditor of Masterton Trust Lands Trust (the Trust). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust on his behalf.

Opinion

We have audited the financial statements of the Trust on pages 12 to 19, that comprise the statement of financial position as at 31 March 2018, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

In our opinion, the financial statements of the Trust on pages 12 to 19:

- present fairly, in all material respects:
 - its financial position as at 31 March 2018; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Our audit was completed on 9 August 2018. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Trustees for the financial statements

The Trustees are responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Trustees are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The Trustees responsibilities arise from schedule 2, clause 12 of the Masterton Trust Lands Act 2003.

Responsibilities of the auditor for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered

material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the 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.
- We 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 Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- We 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 Trust'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 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 Trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

Our responsibilities arise from the Public Audit Act 2001 and section 32 of the Masterton Trust Lands Act 2003.

Other information

The Trustees are responsible for the other information. The other information comprises the information included on pages 1 to 5, but does not include the financial statements, and our auditor's report thereon.

Our opinion on the 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 financial statements, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the Trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

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



Debbie Perera
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand





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