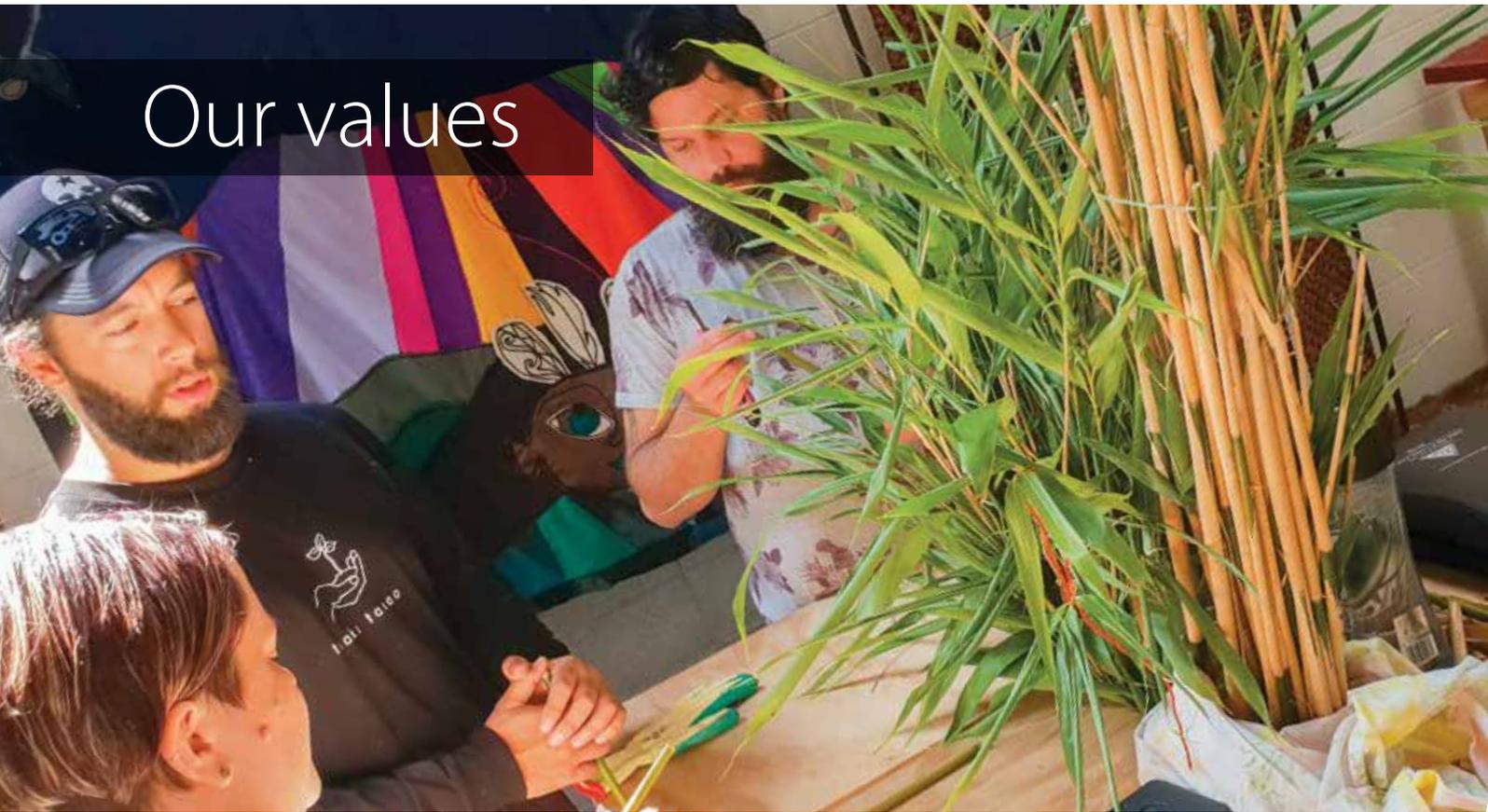




MASTERTON TRUST LANDS TRUST

# ANNUAL REPORT 2019

# 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.

## Contents

The year in review	1	Trustees	10
Chairperson's report	2	Governance	11
Grants	4	Financial report	12
Schedule of grants	6	Notes to the financial statements	15
Property	8	Audit report	20

# The year in review

Surplus *	\$5.3 million	up 147.4%
Net operating profit **	\$1.5 million	down 18.8%
Rental income	\$5.0 million	up 0.3%
Equity	\$46.3 million	up 10.9%
Total assets	\$69.9 million	down 1.5%
Debt to debt + equity	33.3%	40.2% (2018)
Total grants	\$783,445	up 15.5%

\* Pre grants, includes portfolio revaluation

\*\* Pre grants, does not include portfolio revaluation

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 and grant recipients for assisting with photographs for this report.



# Chairperson's report

The focus for the 2019 year has been on delivering our grants programme while continuing to address the structural issues that have affected a number of Trust-owned buildings.

## Property & finance

Our continued approach of careful financial management within a challenging operating environment has produced positive financial results for the year with a surplus of \$4.5 million after the distribution of grants.

The value of our assets reduced by \$1 million to \$69.9 million, due to the sale of two properties during the year. The property sales enabled the repayment of \$5 million of debt and an improvement in our debt to debt plus equity ratio from 40.2 percent to 33.3 percent. Equity increased by 10.9 percent over the year to \$46.3 million.

The property sales included the settlement and handover of Waiata House to Masterton District Council in February 2019. This sale was subject to major structural remediation of the building, which took almost a year to complete. A portion of the sale proceeds was allocated to fund this remediation work. The Burger King property located in central Masterton was also sold during the year. This significant sale was a positive outcome for the Trust and was settled in early 2019.

After adjustment for these sales, the overall value of our property portfolio increased by a healthy 5.4 percent.

A considerable amount of building maintenance and remediation work took place during the 2019 year. While the structural remediation of Waiata House was our biggest project, work was also done to upgrade building facades at Resene ColorShop, City Fitness gym and Hell Pizza. This work is part of our ongoing efforts to maintain and improve the buildings in our portfolio, and to preserve the community's investment in them.

As part of meeting our legislative requirements and providing safe working environments for our tenants, the Trust completed a number of asbestos surveys with asbestos management plans being prepared when required.

The Trust welcomed a number of new tenants during the year, including Little Lollies Ice Cream Parlour in Queen Street and Quality Builders in Church Street.



We were also able to assist the Masterton Foodbank and Access Radio when these community organisations had to move out of the Empire Building after it was sold for demolition. The organisations are now housed in Radio House which provides the ideal space for them to continue delivering their valuable services.

The Trust is pleased to report a 100 percent occupancy rate in our premises, which contributed to maintaining net rental income at around \$5 million.

Work has continued to address the structural design issues in a number of Trust-owned buildings that were identified three years ago as not being up to standard. The litigation process to recover the costs of remediation is ongoing, with the process likely to take at least another year to resolve.

We have been working with our affected tenants to progress the required remediation work in a way that minimises the potential disruption to them and their businesses.

While strong results have been recorded for the year, the Trust will continue our conservative approach to borrowing, property development and grant distribution due to the ongoing structural remediation work and associated litigation. This approach is designed to ensure the Trust's sustainability in the longer term and significantly improve our level of grant distribution to the local community in the future.

## Grants

The 2019 grants programme provided support for a range of education, arts and community initiatives. The Trust distributed \$783,445 in grants for the year, an increase of over 15 percent on the previous year.

Education grants were similar to the previous year at \$288,375. The education grants programme included professional development support for teachers and leadership initiatives for students, including the successful Nga Tama Toa and Poi Porotiti programmes.

Support for education outside the classroom included funding for the inaugural Wings over Wairarapa Schools Day. This initiative, which was part of the biennial air show, provided the opportunity for over 4,500 students to take part in an action-packed day of activities including the chance to learn about possible careers in aviation-related industries.

Funding for new and innovative approaches to teaching and learning was also included in this year's education programme. A grant was provided to Makoura College to support their recently launched Innovative Learning Trial. Designed to investigate alternative approaches to teaching and learning, the trial gives students the opportunity to develop new skills such as bee-keeping and horticulture through a range of practical and community-focused projects.

The Trust's commitment to working with the local community to support learning opportunities was reflected in a new initiative involving the Wairarapa College farm located on MTLT-owned land near the college campus. An advisory panel involving local industry experts was established to provide expertise and input into the college's agricultural programmes, and to help ensure the teaching and skills developed at the farm are in line with what the rural sector needs.

The financial impact of the building remediation work has continued to limit the funds available for community grants. A grant was provided to Masterton District Library to purchase new reading and information resources and to enhance the literacy and digital services available to the local community.

Community grants were also provided in the form of concessional rents to some community, arts and education-related organisations who are housed in Trust-owned property. Concessional rents for the 2019 year totalled \$479,070.

## Thanks

There are many people who have worked with us during the year to help advance our operational activities and grants programme.

My thanks to the advisors and contractors that assist us to maintain and grow the value of our property portfolio.

We value the ongoing support and co-operation of our tenants who contribute to the community work that we do through the leasing of our community-owned property.

My thanks to other local trusts, businesses and Masterton District Council for their open and collaborative approach to the education, arts and community initiatives we are collectively involved in.

Finally, thank you to my fellow Trustees and our small team of staff for their contribution to our local community through their hard work, energy and commitment. In particular, I acknowledge the service of Felicity Reid who left the Trust after six years of employment in providing finance and administration support.

We look forward to continuing to support and serve the Masterton community in the year ahead.



**Leanne Southey**  
Chairperson



## Grants

Education continues to be the main focus of our grants programme with educational organisations and individuals receiving assistance at all levels – early childhood, primary/intermediate, secondary and tertiary.

### Creating new educational experiences

Curriculum extension courses for talented secondary students were funded again this year with 168 students involved. The SCEED (Student Curriculum Extension, Enrichment and Development) programme provided special courses in forensic science, debating, steampunk art, creative writing, e-inquiry and contemporary dance.

Over 4,500 students from schools throughout the region got an insight into the aviation industry at the Wings over Wairarapa Schools Day. Students got to see the range of aircraft on display, watch stunt displays by model aircraft and enjoy drone demonstrations at the event, which was run for the first time this year. Hands-on activities included workshops on rocketry and robotics, while the New Zealand Defence Force was on-site to provide information about related career options.



*"What an absolutely outstanding day all of the DPS kids had today at Wings Over Wairarapa! It was such an awesome opportunity and the school is so grateful for the amazing job that the organisers did in getting nearly all Wairarapa schools there."*

Douglas Park School

Opportunities to challenge and nurture local students' knowledge and skills were provided through a range of fun and stimulating events. These included the 'Matharapa' maths and inter-collegiate debating competitions. Students from 24 primary schools were able to share and display their artistic skills through the annual photography competition, while a 'Hackathon' day provided the chance to learn about new digital technologies.

Support was provided to fund an education programme for local schools at Aratoi. A specially trained educator led students through engaging discussion tours of a number of exhibitions, followed by practical craft sessions.

### Strengthening networks

As part of our current education strategy, support has been provided to foster greater collaboration between schools and across school sectors to utilise and extend the pool of knowledge and skills available. Cross-sector initiatives included the Nga Tama Toa (boys) and Poi Porotiti (girls) leadership programmes, along with support for primary and secondary schools to develop and implement the Whakaoriori Kahui Ako (Community of Learning).

The Trust continued to support the Wairarapa Youth Education Training and Employment Partnership (YETE). A \$20,000 grant was provided to assist the organisation in its work to help Masterton young people into meaningful education, training and employment.

### Developing skills at all levels

A grant of \$13,400 assisted Wairarapa REAP to develop a community-based project to help parents to grow oral language skills with their young children. A project manager with significant speech language therapy experience was engaged to develop and trial the 'Chatterbox' programme, which was officially launched in early 2019.

Our support for ongoing education was demonstrated with the launch of our Tenant Apprentice Scholarships during the year. The scholarships, worth up to \$1,000 each, are awarded to assist apprentices employed by tenants of MTLT with industry training fees and encourage them to consider further learning opportunities.

In addition to grants for specific initiatives, schools and early childhood education centres within the Masterton district received funding based on their school roll for resources or activities to benefit students and enhance learning.

### Enriching our local community

The Trust supports the work of local community agencies by providing accommodation at concessional rents. Organisations we assist in this way include Aratoi, the Masterton Foodbank, Harlequin Theatre, Access Radio and Te Pātukituki o Wairarapa.



*"Masterton is so blessed to have an organisation like the Trust that's willing to provide concessional rents to community agencies like the Foodbank. For us, it means we can focus more on purchasing essential items for our food parcels and worry less about rent costs."*  
Lyn Tankersley, Masterton Foodbank

A grant of \$16,000 was provided to Masterton District Library to acquire new reading and information resources and extend the literacy and digital programmes it provides the local community.

Initiatives to enhance city spaces included providing input into Masterton District Council's town centre revamp project, and murals being painted on the outside of buildings including Radio House, ConArt and the ex-Westpac building alongside Charlie's Lane. Our support for making art more accessible also included displaying a variety of the poems from the 'Outdoor Poems' series on the exterior of some of our buildings.

# Schedule of grants

## EDUCATION

Roll-based funding		\$
Twenty-eight education providers	Roll-based funding	61,044
Sector leader - Early childhood		
Wairarapa REAP	Oral language programme	13,400
	Transition to school programme	3,260
	Professional leadership programme	5,910
	Professional learning and development	27,430
Sector leader - Primary		
Masterton primary schools	Learning ambassadors programme	329
	Sports co-ordinator	5,652
	AP DP professional learning group	2,200
	Leadership professional learning group	3,584
	Future-focused teaching and learning group	9,426
	Professional learning for STEM teachers	13,073
Sector leader - Secondary		
Masterton secondary schools	Student extension programme SCEED	12,429
	Curriculum clusters	18,539
	Leadership development for principals, APs and DPs	9,407
	Beginning teachers (PCT) professional development and networking programme	500
Cross-sector collaborative		
Masterton primary & secondary schools	Nga Tama Toa - boys' leadership programme	5,099
	Poi Porotiti - girls' leadership programme	6,600
	Implementation and development of the Whakaoriori Kahui Ako	12,000
	Wings over Wairarapa Schools Day	10,000
Training/industry partnerships		
Wairarapa Youth Education Training & Employment Partnership (YETE)	Assist Masterton's youth into meaningful education, training and employment	20,000
Special projects		
Masterton schools	Aratoi education programme	10,000
Masterton Family Education & Support Centre	Incredible Years parent education programme	10,000
Makoura College	Innovative learning trial	10,000
School/education events		
Masterton primary & secondary schools	Matharapa - Maths competition	1,000
	Hackathon - Digital technology event	756
Masterton secondary schools	Intercollegiate debating competition	1,000
Masterton primary schools	Photography competition	800
Hardship		
Twelve education providers	Roll/decile-based funding	3,002
Scholarships		
Alan MacDiarmid Scholarship	Three students @ \$1,000 each	3,000
Golden C'Art Scholarship	Two students @ \$1,000 each	2,000
Tenant Apprentice Scholarship	Seven apprentices @ up to \$1,000 each	6,934
<b>Total education grants</b>		<b>288,375</b>

## CIVIC

Masterton District Council	Library - resource and programme support	16,000
<b>Total civic grants</b>		<b>16,000</b>

## CONCESSIONAL RENT

10 Bruce Street	Aratoi Museum of Art & History	324,000
13 Queen Street	ConArt Container Gallery & Studios	23,263
15 Queen Street	Te Pātukituki o Wairarapa	17,030
146 Dixon Street	Harlequin Theatre	12,000
205 Chapel Street	Young Citizens Club	11,050
365 Queen Street	Wairarapa REAP (SPOT)	12,500
5 Church Street (Radio House)	Masterton Foodbank	13,348
5 Church Street (Radio House)	Access Radio Wairarapa	11,465
108 Queen Street	Christmas Wonderland	4,500
22 Dixon Street	Wairarapa REAP	19,014
Cornwall Street	Wairarapa College Farm	30,900
<b>Total concessional rent grants</b>		<b>479,070</b>
<b>TOTAL GRANTS</b>		<b>783,445</b>

## New learning and career opportunities

Concessional rents are provided for a diverse range of organisations. This includes the land on which Wairarapa College's farm is based. During the year an advisory panel involving local industry experts was established to provide advice and input into the agricultural programmes taught on the farm and create employment pathways to jobs within the region.

*"This new approach will make the most of this significant community asset as a training base for local students and potentially the starting point in their farming career."*

Karl Taucher, MTLT Deputy Chairperson



# Property



Maintaining the community-owned buildings in our property portfolio and remedial work to address structural design issues has been a major focus for MTLT over the past year.

## Property sales

A key focus for the year was completing the remedial work on Waiata House in Lincoln Road. This was a significant project that took almost a year to complete and involved over 25,000 hours of contractor time and over 70 tonnes of new concrete.

The earthquake strengthening work was a condition of the sale of the building to Masterton District Council who purchased the building in September 2017.

Settlement was completed and the building formally handed over to the council in February 2019. It is heartening to have this well-equipped modern facility remain in community ownership.

The sale of Burger King provided a strong yield for MTLT and enabled us to sell a property identified as not fitting within our current property strategy. The sale process involved sub-dividing a larger property, with the remaining property being retained.



*The Trust assisted Access Radio and Masterton Foodbank when they needed to find new premises. The community agencies are now located in Radio House which provides the ideal space and location for them to deliver their services.*



## Securing our future

The sale of Waiata House and the Burger King property was part of a strategy to reduce debt and improve the Trust's financial position. Reducing our debt ratio lowers our risk profile, which in turn improves our resilience to changes in economic conditions and unforeseen operational issues in the future. It will also allow us to consider opportunities for building development on the land we have available.

A stronger financial position will also return us to a situation where we can distribute more grants to the community on a more consistent basis in line with our vision and purpose.

## Growing the value of our assets

Maintenance work was undertaken on a number of Trust-owned buildings during the year. This has included work done to upgrade the buildings housing the Tile Warehouse, Resene ColorShop and City Fitness gym. Similar work has commenced at Hell Pizza and Aratoi and will be completed during the coming year.

Our ongoing maintenance programme aims to enhance the value of the properties in our portfolio and provide our tenants with high quality, safe and productive working environments to run their businesses or community organisations. This proactive approach to property upkeep has been a contributing factor in securing long term leases with great tenants.

The total asset value for the 2019 year was \$69.9 million, down approximately \$1 million from the previous year due to the two building sales. After adjusting for those sales, the portfolio value improved by 5.4 percent over the 12-month period. The value improvement is a result of diligent management of leases, a 100 percent occupancy rate, our proactive maintenance programme and a strong economy.

## Building remediation and litigation

Over the past year our staff and consultant team have continued to progress the remediation design on our affected buildings and compile the information required for litigation. The litigation process is complex and time-consuming, particularly given the number of buildings and parties involved.



*"The larger space has allowed us to expand our menu to hot food, meaning we can stay open throughout the year rather than just opening in summer. We've also been able to create a more comfortable and relaxed space for our customers to sit and talk while they enjoy their ice cream or meal."*

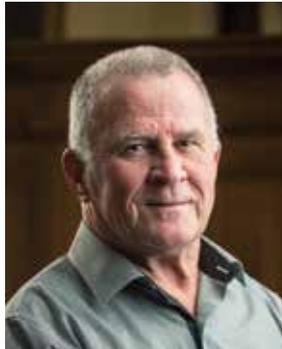
Jeff Coley, Little Lollies Ice Cream Parlour

# 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 next election is due to take place in October 2019. The Chairperson is elected by the members.



Leanne Southey  
Chairperson  
Elected 2010



Karl Taucher  
Deputy Chairperson  
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

# Governance



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

## 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 policies and procedures designed to promote responsible conduct of Trust affairs.

The Trustees' specific responsibilities include:

- Acting in a prudent manner in accordance with the 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 12 times a year. In addition, it meets whenever necessary to deal with specific matters needing attention between scheduled meetings.

The Education Committee meets monthly and the Audit, Risk and Property Committee meets on a quarterly basis.

A code of conduct assists Trustees in the performance of their duties. The Remuneration Authority determines Trustee remuneration.

## Other Trusteeships

Masterton Trust Lands Trust undertakes a number of other governance, secretarial and treasury roles as part of its support for the wider Masterton community.

MTLT provides governance, administration and property related services for the Masterton Community Centre Trust which owns the Masterton YMCA complex.

MTLT also administers the Simon Prior Charitable Trust which was established in the memory of Dr Simon Prior to provide clinical education scholarships.

# 2019 Financial report

## Statement of comprehensive revenue and expense for the year ended 31 March 2019

	Notes	FULL YEAR 2018/19	FULL YEAR 2017/18
		\$	\$
<b>Revenue</b>			
Administration services	2	3,500	8,500
Interest received	2	10,803	2,147
Miscellaneous revenue	2	5,000	65,888
Rental revenue	2	5,031,292	5,016,415
Gain on sale of investment property	2	309,355	0
Tenant recoveries	2	542,996	456,095
<b>Total revenue</b>		<b>5,902,946</b>	<b>5,549,045</b>
<b>Expenditure</b>			
Administration	3	613,599	600,554
Depreciation		18,399	7,726
Grants	8	783,445	678,209
Interest expense		1,278,741	1,357,593
Property and tenant outgoings	3	2,532,535	1,786,453
<b>Total expenditure</b>		<b>5,226,718</b>	<b>4,430,535</b>
Surplus/(deficit) before revaluation of investment properties		676,228	1,118,510
<b>Gain/(loss) in revaluation of investment properties</b>			
Increase/(decrease) in revaluation of investment properties	7	3,868,291	349,733
<b>SURPLUS (DEFICIT)</b>		<b>4,544,519</b>	<b>1,468,243</b>
<b>Other comprehensive revenue and expense</b>			
Increase/(decrease) in revaluation reserve (Trust office)		3,850	8,850
<b>Total other comprehensive revenue and expense</b>		<b>3,850</b>	<b>8,850</b>
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>		<b>4,548,369</b>	<b>1,477,093</b>

## Statement of changes in equity for the year ended 31 March 2019

	FULL YEAR 2018/19	FULL YEAR 2017/18
	\$	\$
<b>Equity</b>		
Equity at the start of the period	41,745,865	40,268,772
Total comprehensive revenue and expense	4,548,369	1,477,093
<b>Equity at the end of the period</b>	<b>46,294,234</b>	<b>41,745,865</b>
Equity comprises:		
<b>Revaluation reserve land and buildings (Trust building)</b>		
Opening balance	160,492	151,642
Revaluation movement	3,850	8,850
<b>Closing balance</b>	<b>164,342</b>	<b>160,492</b>
<b>Retained earnings</b>		
Opening balance	41,585,373	40,117,130
Net surplus (deficit)	4,544,519	1,468,243
<b>Total retained earnings</b>	<b>46,129,892</b>	<b>41,585,373</b>
<b>EQUITY AT THE END OF THE PERIOD</b>	<b>46,294,234</b>	<b>41,745,865</b>

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

## Statement of financial position as at 31 March 2019

	Notes	FULL YEAR 2018/19	FULL YEAR 2017/18
		\$	\$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	4	967,616	688,350
Accounts receivable	5	160,054	210,898
Accrued income		146	418
Short term investments	4	14,696	27,696
Property held for sale		0	2,133,390
<b>Total current assets</b>		<b>1,142,512</b>	<b>3,060,752</b>
<b>Non current assets</b>			
Investment property	7	67,749,000	66,892,610
Long term investments	4	15,413	15,400
Property, plant and equipment	6	954,078	958,443
Tenant fit out		19,626	0
<b>Total non-current assets</b>		<b>68,738,118</b>	<b>67,866,453</b>
<b>TOTAL ASSETS</b>		<b>69,880,630</b>	<b>70,927,205</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	9	325,153	278,634
Accruals	9	76,495	246,459
Revenue in advance	10	350	443,190
Interest accrued		76,072	95,462
Employee entitlements		16,672	13,563
GST payable		19,562	5,941
Borrowings	4	23,072,091	28,098,091
<b>Total current liabilities</b>		<b>23,586,396</b>	<b>29,181,340</b>
<b>TOTAL LIABILITIES</b>		<b>23,586,396</b>	<b>29,181,340</b>
<b>NET ASSETS</b>		<b>46,294,234</b>	<b>41,745,865</b>
<b>EQUITY</b>		<b>46,294,234</b>	<b>41,745,865</b>

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 2019

	Notes	FULL YEAR 2018/19	FULL YEAR 2017/18
		\$	\$
<b>Operating activities</b>			
<b>Cash inflows from:</b>			
Rental revenue		4,631,922	4,841,918
Rental outgoings recovery		633,908	456,095
Other revenue		17,206	28,426
Interest		11,017	2,147
GST		31,156	8,238
<b>Cash outflows for:</b>			
Payments to suppliers and employees		(3,117,047)	(2,260,882)
Interest paid		(1,298,130)	(1,377,147)
Grants		(438,096)	(738,600)
<b>Net cash flows from operating activities</b>		<b>471,936</b>	<b>960,195</b>
<b>Investing activities</b>			
<b>Cash inflows from:</b>			
Sale of property transactions		7,188,210	443,190
Other cash items from investing activities		13,000	45,962
<b>Cash outflows for:</b>			
Purchase property, plant and equipment		(10,184)	(1,484)
Capital improvements		(2,357,695)	(701,002)
Purchase of investments		0	(43,096)
<b>Net cash flows from investing activities</b>		<b>4,833,331</b>	<b>(256,430)</b>
<b>Financing activities</b>			
<b>Cash outflows from:</b>			
Repayment of short-term loans		(5,026,000)	(0)
<b>Net cash flows from financing activities</b>		<b>(5,026,000)</b>	<b>(0)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>279,267</b>	<b>703,765</b>
<b>Cash and cash equivalents</b>			
Cash and cash equivalents at beginning of period		688,350	(15,415)
Cash and cash equivalents at end of period		967,616	688,350
<b>Net increase (decrease) in cash and cash equivalents</b>	4	<b>279,267</b>	<b>703,765</b>

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

# Notes to the financial statements

For the year ended 31 March 2019

## 1 Statement of accounting policies

### Statutory basis

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 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.

### 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 standard 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 2019 and were authorised for issue by the Board on 24 May 2019.

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.

### 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 judgments 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 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 years are:

- The impact to date of the seismic review has been reflected in the valuation of the portfolio as at balance date (Refer note 7).

### Revenue recognition

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 sub-clause 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 service 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 (if applicable) 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 classed 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 face 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 transactions 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 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 classed 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 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 asset 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 cost of day to day servicing of plant, property 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 asset's 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 or deficit.

The portfolio was valued as at 31 March 2019 by Morgans 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 or fair value less cost to sell (Net Realisable Value). 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.

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 contributions 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

	2018/19	2017/18
	\$	\$
<b>Revenue under exchange transactions</b>		
Rent	5,031,292	5,016,415
Tenant outgoings recovered	542,996	456,095
Golden C'Art acquisition	0	30,101
WTET acquisition	0	15,861
Other revenue	19,303	30,573
Gain on sale of investment property	309,355	0
<b>Total</b>	<b>5,902,946</b>	<b>5,549,045</b>

## 3 Expenditure includes the following:

<b>Property and tenant outgoings</b>		
Insurance	240,417	140,001
Health and safety (property)	19,301	0
Repairs and maintenance (buildings)	490,007	177,514
Rates	487,993	467,781
Seismic review	522,769	414,715
Other property related expenditure	772,048	586,443
<b>Total</b>	<b>2,532,535</b>	<b>1,786,453</b>
<b>Administration</b>		
Accountancy fees	7,714	0
Archiving costs	1,280	0
Audit services	18,434	18,112
Bad debts	0	25,000
Legal expenses	1,078	27,575
Employer contributions to defined contribution schemes	11,551	11,782
Personnel expenses	293,696	302,534
Board members' remuneration	71,387	69,723
Other administrative expenditure	208,459	145,828
<b>Total</b>	<b>613,599</b>	<b>600,554</b>

## 4 Cash and cash equivalents

<b>Current accounts</b>		
ANZ transaction account	132,346	375,991
ANZ maintenance reserve	778,018	309,493
ANZ grant project reserve	40,091	0
ANZ - Golden C'Art account	2,193	1,766
ANZ - WTET account	14,969	1,099
<b>Total current accounts</b>	<b>967,616</b>	<b>688,350</b>
<b>Investments - short term</b>		
ANZ term deposit - Golden C'Art	7,095	7,095
ANZ term deposit - WTET	7,601	7,601
ANZ perpetual bonds - WTET	0	13,000
<b>Total</b>	<b>14,696</b>	<b>27,696</b>
<b>Investments - long term</b>		
UDC debenture stock - Golden C'Art	7,000	7,000
UDC debenture stock - WTET	8,413	8,400
<b>Total investments - long term</b>	<b>15,413</b>	<b>15,400</b>
<b>Borrowings</b>		
The loan instruments are repayable as follows:		
Within 1 year	(23,072,091)	(28,098,091)
<b>Total</b>	<b>(23,072,091)</b>	<b>(28,098,091)</b>
The weighted cost of funding on term borrowings is 4.71% (2018: 4.66%)		

### Security

The overdraft facility is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$0.5 million (2018: \$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 majority of the property portfolio.

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

## 5 Accounts receivable

	2018/19	2017/18
	\$	\$
<b>Accounts</b>		
Accounts receivable from exchange transactions	153,175	129,709
Other receivables	31,879	106,189
Provision for doubtful debts	(25,000)	(25,000)
<b>Total accounts receivable</b>	<b>160,054</b>	<b>210,898</b>

## 6 Property, plant and equipment

<b>Land</b>		
Land opening cost/valuation	230,000	230,000
<b>Land closing value</b>	<b>230,000</b>	<b>230,000</b>
<b>Buildings</b>		
Buildings opening cost/valuation	550,000	550,000
Depreciation	(3,850)	(3,850)
Adjustment of revaluation	3,850	3,850
<b>Buildings closing value</b>	<b>550,000</b>	<b>550,000</b>
<b>Fixed assets</b>		
Fixed assets opening cost/valuation	178,443	4,444
Additions	10,184	177,875
Depreciation	(14,549)	(3,876)
<b>Fixed assets closing value</b>	<b>174,078</b>	<b>178,443</b>
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT EQUITABLE VALUE</b>	<b>954,078</b>	<b>958,443</b>

Restrictions on title:

There are no restrictions on the title of the property at 187 Queen Street, known as Trust Office. This is reflected in the valuation done as at 31 March 2019 by registered valuer Paul van Velthooven of Morgans Property Advisors, Registered Valuers.

## 7 Investment property

<b>Investment property</b>		
Opening value of investment land and buildings	69,026,000	67,998,498
Additions to portfolio	2,176,754	677,769
Investment properties sold	(7,322,045)	0
Fair value gains	4,097,291	919,733
Fair value losses	(229,000)	(570,000)
<b>Less properties intended for sale</b>		
Property held for sale	0	2,133,390
Remaining investment property	67,749,000	66,892,610
<b>Valuation</b>		

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 Morgans Property Advisors, Registered Valuers. Qualifications: FNZIV, FPINZ, BCom (VPM), BA (History) and a registered valuer since 1985.

The valuation is effective at 31 March 2019. Morgans 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 fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value. Where appropriate further adjustments were made to reflect lease terms and conditions and 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 intensively.

## 8 Grants

<b>Grants</b>		
Education grants	288,375	292,159
Concessional rent grants	479,070	360,050
Civic grants	16,000	26,000
<b>Total grants</b>	<b>783,445</b>	<b>678,209</b>

## 9 Payables

	2018/19	2017/18
	\$	\$
<b>Payables under exchange transactions</b>		
Accounts payable	(325,153)	(268,835)
Accrued capital expenditure	0	(180,941)
Accruals	(73,495)	(64,518)
<b>Total payables under exchange transactions</b>	<b>(398,648)</b>	<b>(514,294)</b>
<b>Payables under non-exchange transactions</b>		
Accrued grants	(3,000)	(1,000)
Payroll clearing	0	(9,799)
<b>Total payables under non-exchange transactions</b>	<b>(3,000)</b>	<b>(10,799)</b>
<b>TOTAL PAYABLES</b>	<b>(401,648)</b>	<b>(525,093)</b>

## 10 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.

## 11 Policies in accordance with MTL Act 2003, CL17

Policies in accordance with MTL ACT 2003, CL17	2018/19	2017/18
Policy requires the Trustees to maintain a ratio of debt to debt plus equity of no more than 50%.	33.26%	40.23%
The Trustees will maintain an interest cover of no less than two times. The interest cover calculation excludes property revaluation.	3.60	2.38

## 12 Commitments

The Trust has no capital commitments at 31 March 2019 (2018: \$562,913), and no operating commitments at 31 March 2019 (2018: nil).

## 13 Contingent liabilities

The Trust has no contingent liabilities as at 31 March 2019 (2018: nil)

## 14 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 Trust would have adopted in dealing with the party at arm's length in the same circumstances.

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

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

Frazer Mailman (Trustee) is a councillor of Masterton District Council.

The Trust received rent from "Masterton Trade Aid Trust" in which Leanne Southey (Chair) is a Trustee. Rent received makes up 0.238% of rental revenue and they receive a 40% discount off normal market rates. The discount was provided to the Trust as it operates for charitable purposes.

Key management personnel compensation	2018/19	2017/18
<b>Board members</b>		
Remuneration	71,387	69,723
Full-time equivalent members	8	8
<b>Management team</b>		
Remuneration (includes employer contribution to Kiwisaver)	284,455	274,027
Full-time equivalent members	3	2
<b>Total key management personnel remuneration</b>	<b>355,842</b>	<b>343,750</b>
<b>Total full-time equivalent personnel</b>	<b>11</b>	<b>10</b>

## 15 Significant events

There are no significant events.

## 16 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 2019 there were no properties classified as "held for sale". As at 31 March 2018 "Property held for sale" consisted of two properties, both of which have since sold.

## 17 Events after balance date

There are no events after balance date.

## Independent Auditor's Report

### To the readers of Masterton Trust Lands Trust's financial statements for the year ended 31 March 2019

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 2019, 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 2019; 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 31 May 2019. 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 wind-up 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 11 and 21, 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.

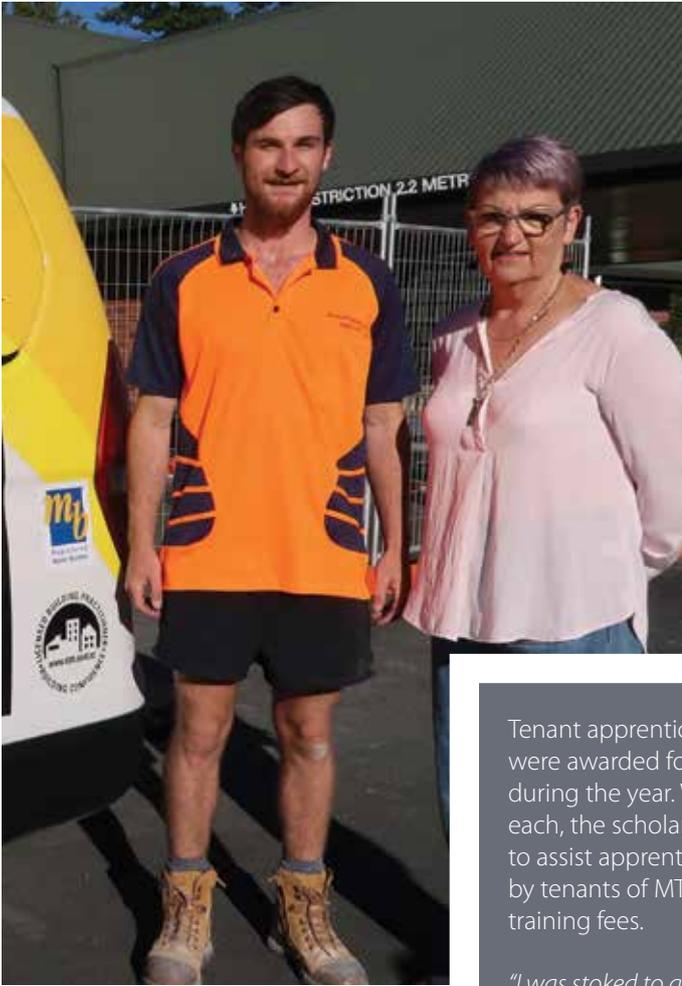
#### Independence

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.



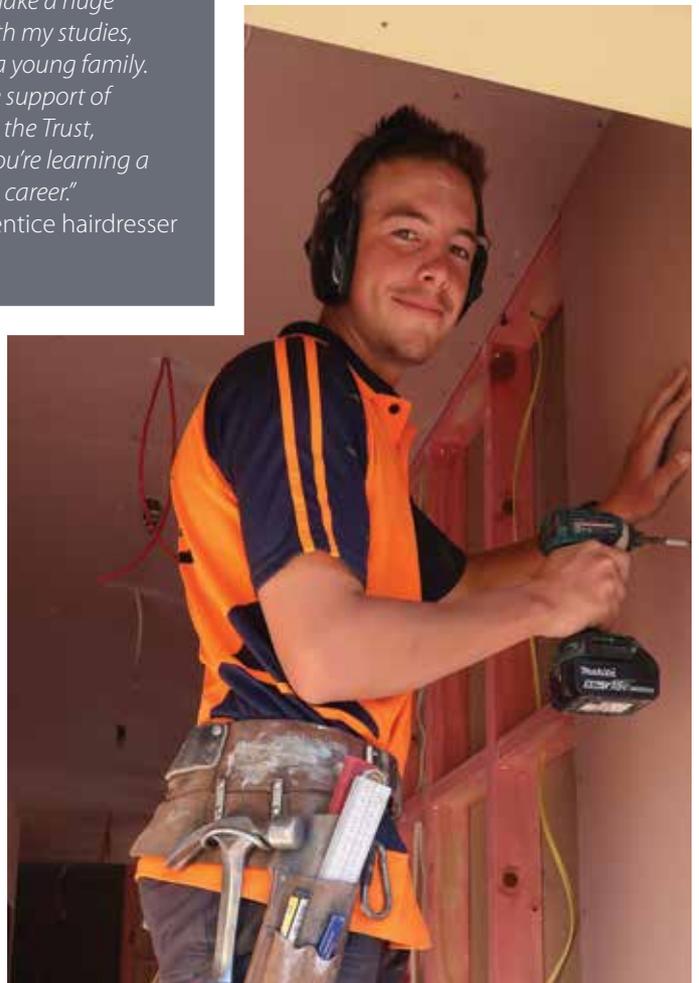
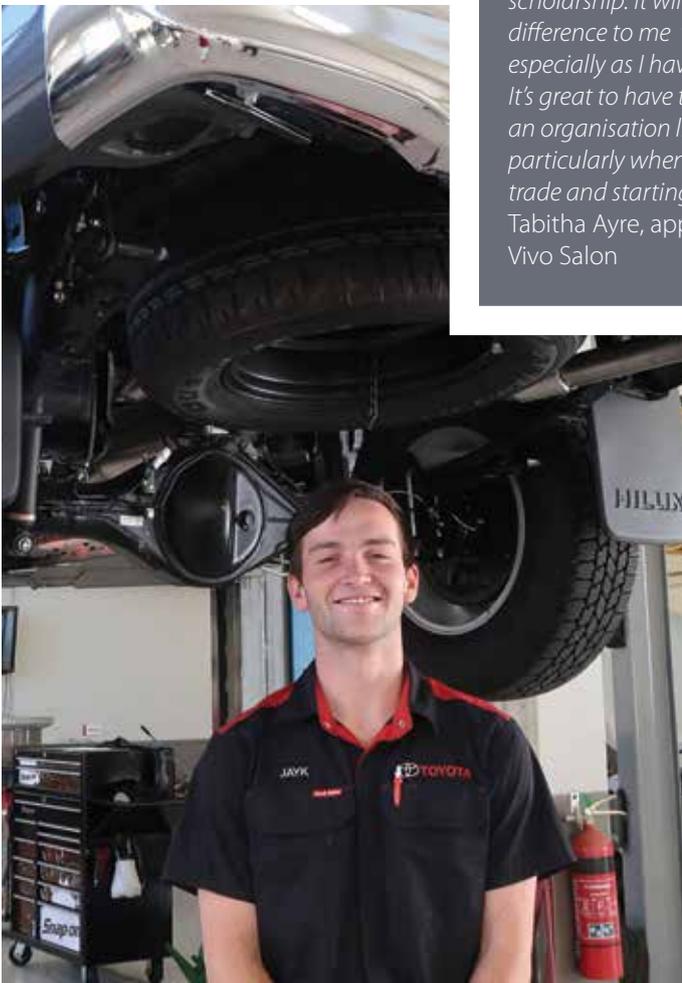
Debbie Perera  
Audit New Zealand  
On behalf of the Auditor-General  
Palmerston North, New Zealand



Tenant apprentice scholarships were awarded for the first time during the year. Worth up to \$1,000 each, the scholarships are awarded to assist apprentices employed by tenants of MTLT with industry training fees.

*"I was stoked to get an apprentice scholarship. It will make a huge difference to me with my studies, especially as I have a young family. It's great to have the support of an organisation like the Trust, particularly when you're learning a trade and starting a career."*

Tabitha Ayre, apprentice hairdresser Vivo Salon





189 Queen Street

P O Box 90

Masterton

Ph: 06 370 0155 Fax: 06 370 0156

Email: [trust@mtlt.org.nz](mailto:trust@mtlt.org.nz)

[www.mtlt.org.nz](http://www.mtlt.org.nz)