



MASTERTON TRUST LANDS TRUST VALUES

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

LEGACY

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

STEWARDSHIP

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

PROFESSIONALISM

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

ACCOUNTABILITY

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

EDUCATION

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

ADVANCEMENT

Providing extraordinary educational and cultural opportunities for Masterton people.

CONTENTS

THE YEAR IN REVIEW	1
CHAIRMAN'S REPORT	2
CYCLE OF RENEWAL - PROPERTY	4
SCHEDULE OF GRANTS	8
FOCUS ON EDUCATION	10
GOVERNANCE	13
FINANCIAL STATEMENTS	14
AUDIT REPORT	20

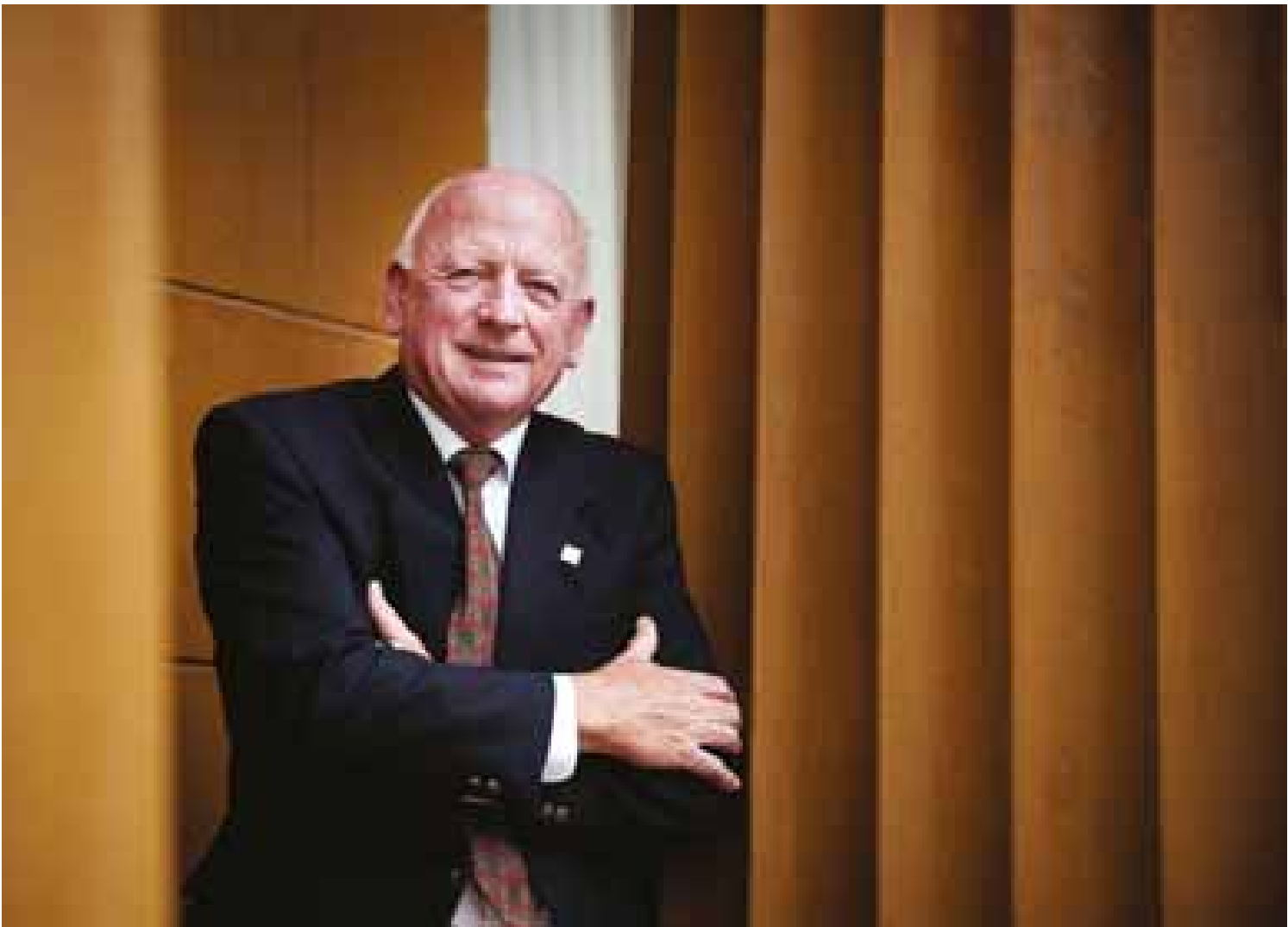
Thanks to tenants and grant recipients for assisting with photographs for this report.

Masterton student and Young Designer of the Year, Sarah Parker, at the Institute of European Design in Milan.



THE YEAR IN REVIEW

OPERATING SURPLUS	\$1.5 million	up 2.4%
RENTAL INCOME	\$3.5 million	up 7.3%
EQUITY	\$38.8 million	down 1.8%
TOTAL ASSETS	\$54.6 million	down 0.4%
Debt as percentage of property assets		28.1%
WALT ^(Weighted Average Lease Term)	4.8 years	
CASH GRANTS	\$758,993	down 0.8%
NON-CASH GRANTS	\$316,767	down 3%



CHAIRMAN'S REPORT

On behalf of the Trustees and Management, I am pleased to present the annual results of our community-owned Trust for the year ended 31 March 2009. Due to solid foundations laid in previous years, the Trust has performed strongly in a challenging economic environment and maintained the previous level of return to the community.

Despite a global economic crisis, it has been a year of business as usual, building on the successes of the past ten years. The Trust has weathered the economic storm better than most, due to past performance, prudent management, sound investment decisions and the strength and loyalty of our tenants.

Although there was an unrealised decline in the valuation of Trust investment properties, the effect on equity was limited through continuing the policy of retaining 50% of the operating surplus.

While operational performance has been strong with an increased operating surplus, the property portfolio has not been immune to movements in valuation which have affected the commercial property market recently. However, the effect on this Trust has been minimal compared with other property trusts.

Grants maintained

Despite questions during the year as to how the recession would affect the grants to the community, I am pleased to report that grants have been maintained at the same level as last year, with more than \$1 million provided in cash and non-cash grants.

Education remains the focus of the grants programme. Masterton early childhood centres, primary schools and secondary schools continue to receive financial support from the Trust through a roll-based distribution which school Boards of Trustees use as they see fit.

Since 2005, more than \$760,000 has been granted to primary/intermediate and secondary school groups to boost professional development for teachers from all schools.

The professional development programme for primary and intermediate teachers is now set to continue after a review during the year showed multiple benefits to students across a range of areas.

Initiated by the Trust in 2005, the programme took in the areas of Information and Communication Technology (ICT), literacy, professional development for principals, behaviour management and gifted and talented students.

Both the primary/intermediate and secondary school professional development initiatives are good examples of local funding for local initiatives working in tandem with central government funds to achieve more. The challenge now is to build on the progress made in the last few years and enable schools to sustain the changes and improvements made to date.

The tertiary sector continued to receive support in the form of scholarships for students undertaking tertiary studies, including those doing apprenticeships, and support for UCOL Wairarapa.

The excellent work of the Wairarapa Workforce Development Trust once again received significant support from the Trust, with the popular annual Careers Expo going from strength to strength.

General support for the community continued through cash grants to a wide range of community groups, rental grants to community groups and non-cash concessional rentals.

Balance sheet remains strong

The Trust has maintained a strong financial position and operational performance has been pleasing at a time when global financial markets have been in turmoil. Although the recession is a reality, the level of income has been maintained resulting in a slight increase in operating surplus for the year.

During the year the Trust invested a further \$1 million in its property portfolio, providing continued employment within our community for various trades people.

The Trust has maintained a strong position in relation to its financial covenants.

Property portfolio performance

During the year the value of the property portfolio declined by 2.7%, significantly less than that of many listed property trusts which are generally showing declines closer to 10%. The Trust's strategy over the last seven years to diversify into a mix of local, national and international tenants in order to manage risk is certainly paying off.

The Trust remains committed to working with its tenants to both maintain the value of our leases and provide excellent service as a landlord.

The quality of properties in the portfolio continues to improve due to a high standard of property maintenance. This has resulted in strong support from tenants with a high rate of lease renewals. Total rental income increased by seven percent, while occupancy remained strong with very little movement of tenants.

The Trust is well-positioned to take advantage of opportunities which may arise in the future to develop its bank of vacant land.

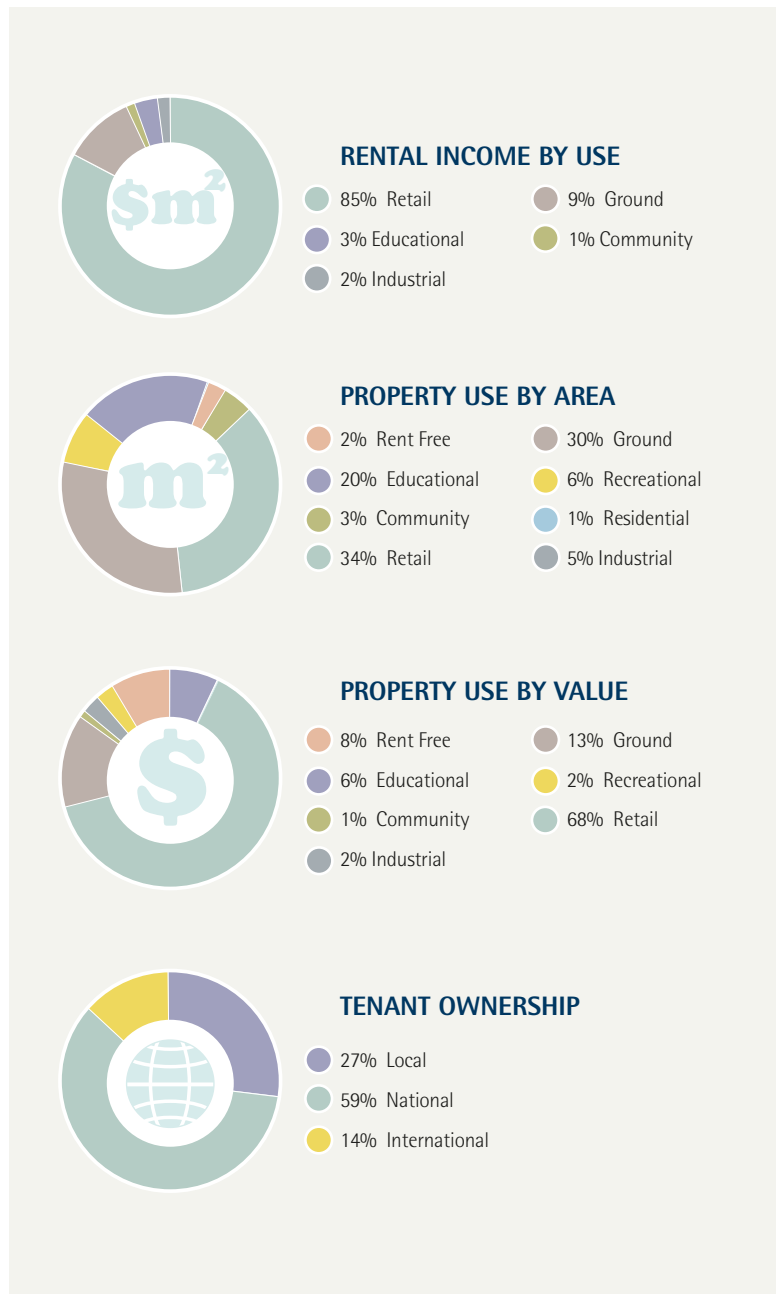
Cycle of renewal

During the year the Trust's cycle of property improvement and renewal continued with an emphasis on following best practice for energy efficient and environmental standards. By continually upgrading properties when opportunities arise, it is hoped that the position of tenants will be strengthened.

Several major upgrades for new and existing tenants were completed.

Adding to its 137-year track record of working in partnership with others to provide civic facilities in Masterton, the Trust was instrumental in providing a new visitor information centre (i-SITE) in the heart of the Dixon Street recreation precinct.

Forming a new partnership with regional tourism organisation, Destination Wairarapa, the Trust built the architecturally designed i-SITE as a contribution by a community organisation to the community, local business and the development of Masterton as a tourist destination. A discounted rental is provided as a further gesture of support.



The home of Wairarapa's first radio station received its first major makeover since it was built by the Trust in 1959. A total renovation of Radio House was completed during the year with \$500,000 invested in the upper floor and a modern, new facade. This followed refurbishment of ground floor properties over the past two years.

In addition, two shops in Queen Street's Star Block were completely refurbished and attracted new tenants, bringing a wider variety of quality food outlets to the town centre.

Thanks

I would like to extend my thanks to my fellow Trustees for their efforts during what has been a challenging but successful year. Thanks also go to our two valued staff members who work so effectively with our tenants, grant applicants and the professional and trades people who assist the Trust.

J A Sadler
Chairman

CYCLE OF RENEWAL

Radio House Refurbishment

The home of Wairarapa's first radio station received its first major makeover since it was built in 1959. During the year, Radio House underwent a major \$500,000 refurbishment bringing the building up to current standards to see it through the next 40 years and creating a modern, bright work environment.

The first floor of the Church Street property was gutted to make way for purpose-built facilities for Classic Hits, Newstalk ZB and Radio Sport. Included are offices for Destination Wairarapa to complement the new Trust-owned Masterton i-SITE building, and additional office space suitable for a professional tenant. The building also received a new facade.

Designed to modern standards, the revitalised building incorporates a range of energy efficient measures including improved insulation, double glazing, air conditioning and energy efficient lighting. Environmentally-friendly paints and carpet were installed as part of the Trust's commitment to sustainability.

The refurbishment completes additional work done over the past two years on number of the Radio House ground floor premises.

Radio House was originally built by the Lands Trust in 1959 to house the New Zealand Broadcasting Services' local station 2XB, later to become 2ZD. The building has since undergone minor renovations in 1988 after a fire in what was the Fiasco Restaurant, and again in 1996.



As part of a continuous cycle of renewal, more than \$1million was invested into Trust properties – a brand new civic facility and other refurbishments for existing and new tenants. Maintaining and growing the resources in the Trust’s care will assist the success of tenants’ businesses and in turn secure future returns to the Masterton community.





A NEW PARTNERSHIP

Continuing its 137-year track record of working with others to develop civic amenities, the Trust formed a new partnership with regional tourism organisation, Destination Wairarapa, by building a new visitor information centre (i-SITE) in the heart of Masterton's recreation precinct.



Emerging food culture

A complete refurbishment of two Star Block shops saw the block begin to emerge as a local food destination. The Queen St Delicatessen has replaced the 40-year old relatively unchanged Neates Butchery, an original Star Block tenant.

Deli owner Pat McKenna is excited and encouraged by the new niche he sees appearing. "The area has changed dramatically in the last six months and a quality food culture is starting to develop. The Trust did a fantastic job in completely gutting the old butchery and allowing me to choose colours and flooring while retaining the original counter and butchers block."



A high-profile frontage on Dixon Street with QEII Park, the Shear History Museum, Aratoi and the Genesis Recreation Centre all within a stone's throw, showcases the region in a contemporary style, in line with the expectations of discerning visitors. Represented in the architecturally-designed, purpose-built i-SITE are the colours of Wairarapa.

The Trust's support for the i-SITE, including a discounted rental, is a contribution by a community organisation to the community, local business and the development of Wairarapa as a tourist destination.

The Trust's tradition of working in partnership with others to achieve community outcomes dates back to the funding and establishment of the original 'Literary Institute' (first 'Town Hall') in 1873 and the construction of a new Town Hall in 1898. Other civic amenities the Trust has helped establish include the Arts Centre in 1969, the Wesley Wing in 1976, the first Technical School in 1896, Wairarapa Community Polytechnic, Masterton District Library and the Genesis Energy Recreation Centre.



Sushi comes to town

Wairarapa's first dedicated sushi restaurant opened in the Trust-owned Star Block after sushi chef Kiseop Lee came to Masterton looking for premises to fill what he saw as a gap in the prepared food market.

The Trust's transformation of the small Star Block property into the bright, modern 'Sushi Planet' has helped attract a steady stream of customers from the day the doors opened.

GRANTS CYCLE

EDUCATION – INSTITUTES

> Early Childhood

> Primary/Intermediate

> Secondary

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

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

EDUCATION – INDIVIDUALS

Tertiary Scholarships

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

Applications: 1 January-31 March

Considered: April

Awarded: May

Alan MacDiarmid Scholarship

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

COMMUNITY GRANTS

Qualifying community organisations within the Trust District.

Applications: 1 April-31 May

Considered: June

Advised: June for payment at the AGM in August

GENERAL GRANTS MADE DURING THE YEAR ENDED 31 MARCH 2009

EDUCATIONAL GRANTS	421,141
Early Childhood	25,733
Barnados	Roll based 1,012
Hine Te Aro Rangi Kohanga	Roll based 874
Lansdowne Kindergarten	Roll based 1,725
Lansdowne Playcentre	Roll based 644
Makoura Early Childhood Centre	Roll based 1,495
Masterton Christian Childcare	Roll based 690
Montessori	Roll based 1,035
Solway Kindergarten	Roll based 1,840
Te Kohanga Reo O Ngati Hamua	Roll based 966
Una Williams Kindergarten	Roll based 920
Wahi Reka Te Kohanga Reo	Roll based 897
West Kindergarten	Roll based 1,380
West Playcentre	Roll based 1,081
Ko Te Aroha (Whaiora)	Roll based 644
Whatman Early Childhood Centre	Roll based 1,150
York Street Kindergarten	Roll based 920
UCOL Childcare	Roll based 460
Rimutuka Kindergarten Assn 8,000
Primary & Intermediate Schools	109,270
Douglas Park School.....	Roll based 3,519
Fernridge School	Roll based 1,771
Lakeview School	Roll based 4,980
Masterton Intermediate School	Roll based 4,681
Masterton Primary School	Roll based 2,231
Solway Primary School	Roll based 2,266
St Patricks School	Roll based 2,634
Te Kura Kaupapa Maori O Wairarapa	Roll based 529
Hadlow School	Roll based 2,185
Montessori.....	Roll based 265
Technology Roadshow 2,586
Wairarapa Mathematics Association	Matharama prizes 500
Primary Principals Initiative	Professional Development 77,126
Principals Fund.....	Principals Fund 4,000
Secondary Schools	124,447
Chanel College	Roll based 4,485
Makoura College	Roll based 2,887
Solway College	Roll based 1,679
Te Kura Kaupapa Maori O Wairarapa	Roll based 391
Wairarapa College	Roll based 13,444
Rathkeale College	Roll based 2,990
St Matthews Collegiate	Roll based 3,853
Teen Parent Unit	Roll based 276
Youth Choices Trust	Roll based 92
Intercollegiate Wearable Arts	Student prize pool 1,500
Wairarapa Business Enterprise Challenge	£t 2009 Challenge (\$5000 per year)..... 10,000
Secondary Principals Initiative	Professional Development 82,851
Tertiary	161,691
Special Grants 4,000
Alan MacDiarmid Scholarships	Students 3,000
Tertiary Scholarships	Students 132,600
UCOL	Chef Training Course Underwriting 13,663
UCOL	J' Block Benches 5,552
UCOL	Discretionary Assistance Fund 2,876

COMMUNITY GRANTS

332,275

Community Groups	188,275	
Access Radio Wairarapa	Education/Training Unit	2,500
Enviroschools	Enviroschools program in Masterton	2,400
Glistening Waters International	Biennial Festival In Wairarapa	2,000
He Kahui Wairarapa Inc	Kapahaka competition/Eastside Community Development	1,500
Henley Trust 2003	Henley Men's Shed	5,000
Jubilee Fire Museum Society	Obtain & install Displays on new site	1,000
King Street Artworks	Workshop & Guest Tutor Series	3,000
Masterton Community Toy Library	Purchase toys for library	2,000
Okinawan Goju-Ryu Karate-Do Wairarapa	Instructor to World Training Seminar/Training	600
Pukaha Mount Bruce Board	Environmental programs for pre-school children	5,000
St John	Purchase training manikin	4,000
Shear History Trust	Subsidize student visits to Shear Discovery	1,000
SPELD Wairarapa	To provide 50% subsidy for students	5,000
Street Youth Ministries Inc	Desktop Computers for 'Stood down' students	2,500
Sport Wairarapa	Active Wairarapa Youth	15,000
Te Kaunihera Kaumatua O Wairarapa	Families at Risk	2,000
Vector Wellington Orchestra	Music Education program/ violinist	5,000
Wair Sthn HB Life Education Trust	To assist general running costs	5,000
Wairarapa Fern & Thistle Pipe Band Inc	Education & renewal of equipment	1,000
Wairarapa Singers	To pay for Soloists, pianist, & conductor for concerts	1,000
Wairarapa Stars Trust	On-going Transition Life Skills	3,000
Wairarapa Women's Centre Inc	Program costs for 12 months	1,500
Wairarapa Women's Refuge Inc	Education & Support programs for adult women	4,000
YMCA	Professional development program for staff/resources	2,500
Matariki Winter Solstice	Celebration costs	1,000
MTA Wellington Branch	Awards Presentation	1,500
Yarns in Barns	Poetry Festival	1,000
Wairarapa Workforce Development Trust	Careers Expo	30,000
Youth Choices Trust	Vehicle running costs	8,000
NZ Sports & Vintage Aviation	Running costs for Wings Over Wairarapa 2009	10,000
Friends of Millennium Reserve	2,000
Masterton District Council	Security Camera @ 397 Queen Street	13,124
School Swimming Sports	Swimming sports pool hire	3,761
Wairarapa Archival Society	History Books	390
Wairarapa College BOT	Performing Art Centre Grant	40,000

Civic	72,000	
Masterton District Council	Purchase library books	17,000
Masterton District Council	Supplement council civic events grants	25,000
Masterton District Council	Masterton Recreation Centre	30,000

Aratoi	72,000	
Aratoi	Rutherford Exhibition	20,000
Aratoi	Opex balance	52,000

RENTAL GRANTS	24,750	
Masterton Young Citizens Club	Concessional rent	11,050
Guides NZ	Concessional rent	1,200
Harlequin Theatre	Concessional rent	12,500

NON-CASH GRANTS	292,017	
Wairarapa Cultural Trust less Cafe	Concessional rent	163,600
Education Centre	Concessional rent	12,600
Hiona Club	Concessional rent	35,880
Community Centre	Concessional rent	17,737
MIS Open Learning Centre	Concessional rent	40,600
MDC Stadium/Robertson Park	Concessional rent	21,600

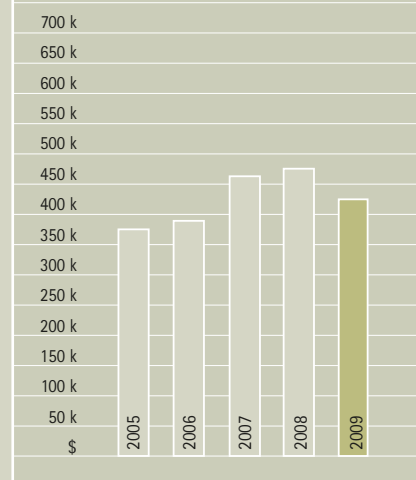
TOTAL GRANTS

1,070,183

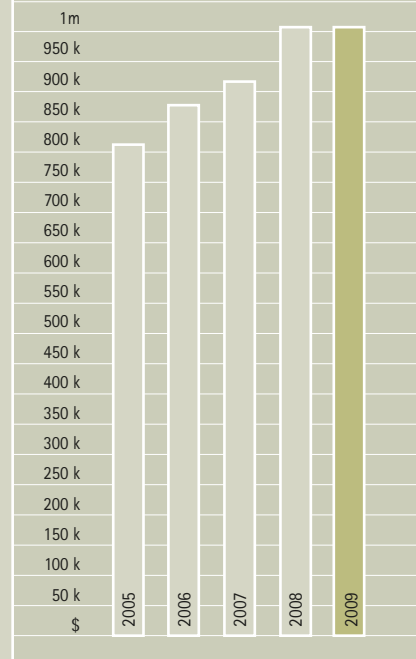
COMMUNITY GRANTS



EDUCATIONAL GRANTS



TOTAL GRANTS





FOCUS ON EDUCATION

The grants programme continues to focus on providing extraordinary education opportunities for Masterton people. In addition to major education initiatives with primary and secondary groupings, tertiary scholarships and roll-based grants, the Trust supports special opportunities for people of all ages.



Discovering Science

More than 500 Masterton children experienced the real world of science and technology by getting hands on at the National Science-Technology Roadshow held over two days at Chanel College.

Inspiration in Milan

Masterton student and winner of the 2007 Young Designer of the Year Award, Sarah Parker, spent three weeks at the Institute of European Design in Milan, the fashion capital of the world, with assistance from the Trust.

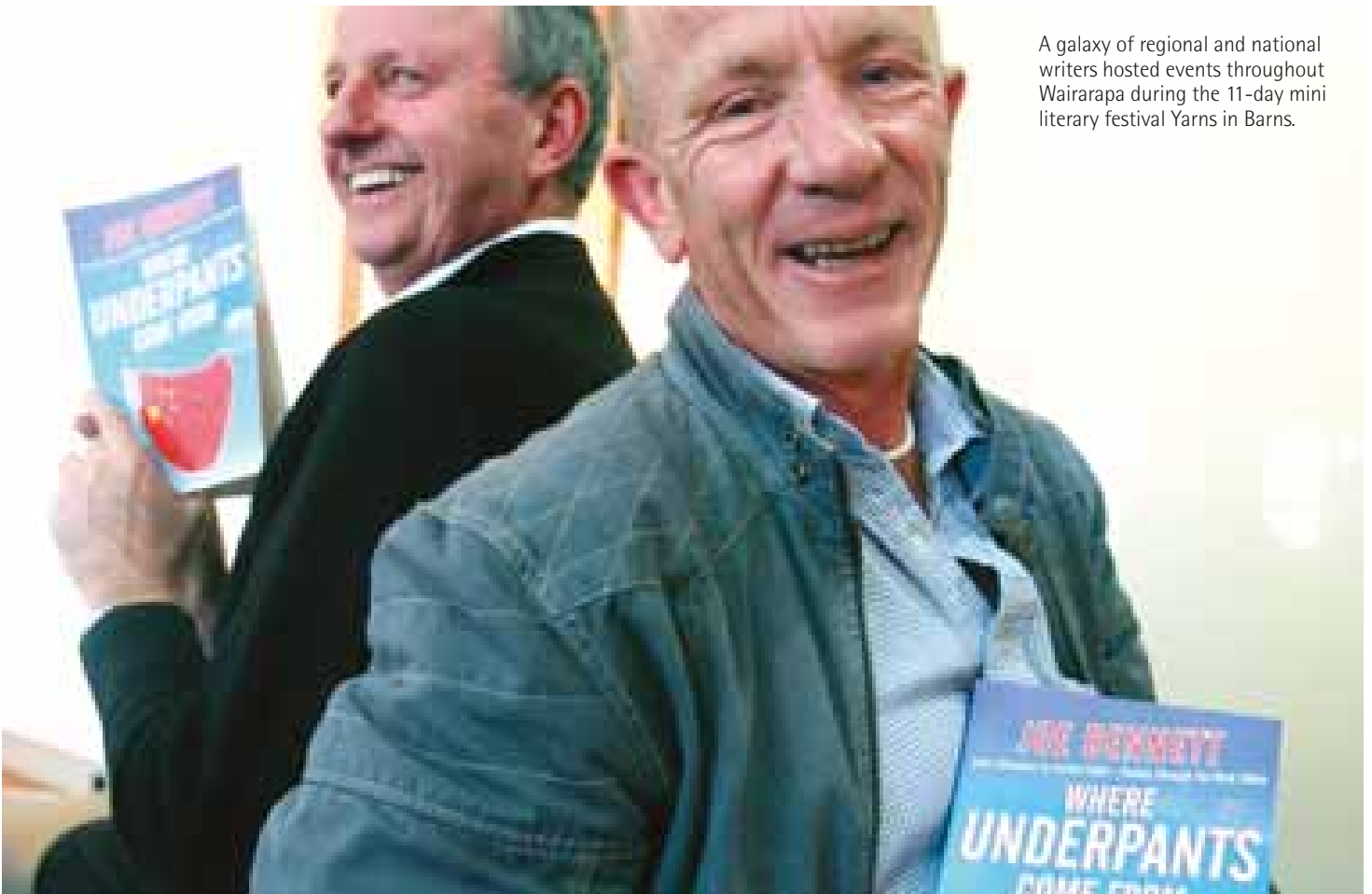
"I cannot begin to explain how inspired I have become as a result of this trip - without the positive support of the community the trip would not have been possible," said Sarah. "We were shown the necessities to become great in the world of fashion, a few steps further than any institute in New Zealand would show. There is a world of possibilities behind the exploration of creative and unique minds."





COMMUNITY EDUCATION

Supporting education in its widest sense, the Community Grants programme continues to assist the efforts of a wide range of events and community groups. Above, 430 primary and secondary students in 116 teams pitted their maths skills against each other in Matharapa, the annual Wairarapa Mathematics Competition.



A galaxy of regional and national writers hosted events throughout Wairarapa during the 11-day mini literary festival Yarns in Barns.



GOVERNANCE

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

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

Role of the Board of Trustees

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

The Trustees' specific responsibilities include:

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

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

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

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

The New Zealand Remuneration Authority determines Trustee remuneration.

Other Trusteeships

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

PHOTO ABOVE

Board of Trustees - standing from left: Garry Daniell, Joy Tutty, Chris Peterson, Heaton Haglund, John Bunny. Seated from left: Christine Brewster, Alan Sadler, (Chairman), Karl Taucher, (Deputy Chairman).



Gary Percy
Secretary/Manager

Statement of Financial Performance for the year ended 31 March 2009

	Note	2009	2008
Revenue		\$	\$
Rental Income		3,499,231	3,260,700
Other Income		30	51,633
Total Operating Revenue		3,499,261	3,312,333
Operating Expenditure			
Property Expenses		485,227	335,692
Administration Expenses		281,051	271,244
Depreciation	2	11,747	15,484
Total Operating Expenditure before Interest		778,025	622,420
OPERATING SURPLUS BEFORE INTEREST		2,721,236	2,689,913
Interest Received		437	179
Interest Payable		1,219,147	1,222,423
		1,218,710	1,222,244
OPERATING SURPLUS		1,502,526	1,467,669
Gain on Asset Disposal			34,265
Increase/(Decrease) in Revaluation Investment Properties	3	(1,463,557)	1,697,999
Less Grants	4	(758,993)	(765,153)
NET SURPLUS/(DEFICIT) TO EQUITY		(720,024)	2,434,780

Statement of Movements in Equity for the year ended 31 March 2009

	Note	2009	2008
Equity		\$	\$
Equity at the Start of the Period		39,476,906	37,036,326
Net Surplus/(Deficit) for the Period		(720,024)	2,434,780
Increase/(Decrease) in Revaluation Reserve	2	5,800	5,800
Total Recognised Revenues & Expenses for period		(714,224)	2,440,580
Equity at the end of the Period		38,762,682	39,476,906
Equity comprises:			
Revaluation Reserve Trust Building			
Increase in Valuation		86,873	81,073
Retained earnings			
Opening Balance		39,395,833	36,961,053
+ Net Surplus/(Deficit) for the period		(720,024)	2,434,780
Closing balance		38,675,809	39,395,833
Equity at the end of the Period		38,762,682	39,476,906

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

Statement of Financial Position as at 31 March 2009

	Note	2009	2008
		\$	\$
Current Assets			
Accounts Receivable		9,528	23,608
Prepayments		54,729	43,503
GST		9,118	-
		<u>73,375</u>	<u>67,111</u>
Non Current Assets			
Investment Land & Buildings	3	53,757,317	53,964,500
Fixed Assets	2	<u>757,375</u>	<u>763,322</u>
		54,514,692	54,727,822
TOTAL ASSETS		<u>54,588,067</u>	<u>54,794,933</u>
Current Liabilities			
Bank Accounts	5	84,676	394,360
Accounts Payable		519,690	187,160
Interest Accrued		56,742	79,427
Rent in Advance		3,398	2,433
GST		-	24,039
Entitlements		16,541	12,003
Current Portion of Term Liabilities	6	<u>3,437,000</u>	<u>6,000,000</u>
		4,118,047	6,699,422
Non Current Liabilities			
Wairarapa Building Society		520,427	653,811
ANZ		<u>14,623,911</u>	<u>13,964,794</u>
	6	15,144,338	14,618,605
Less Current Portion of Term Liabilities	6	<u>3,437,000</u>	<u>6,000,000</u>
		<u>11,707,338</u>	<u>8,618,605</u>
TOTAL LIABILITIES		15,825,385	15,318,027
NET ASSETS		<u>38,762,682</u>	<u>39,476,906</u>
EQUITY		<u>38,762,682</u>	<u>39,476,906</u>

Chairman



Deputy Chairman



Statement of Cash Flows for the year ended 31 March 2009

	Note	2009 \$	2008 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash inflows from:			
Rental income		3,514,306	3,277,354
Interest received		437	179
GST (net)		<u>(33,157)</u>	<u>4,751</u>
		3,481,586	3,282,284
Cash outflows for:			
Payments to suppliers and employees		699,932	563,595
Interest paid		<u>1,241,832</u>	<u>1,210,445</u>
		1,941,764	1,774,040
Net Cash Inflow/(Outflow) from Operating Activities	1	1,539,822	1,508,244
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of Investment Buildings		-	<u>34,265</u>
		-	34,265
Cash was disbursed on:			
Prepayments		11,226	43,503
Work in Progress		391,318	-
Payments for Investment Buildings		649,372	1,303,379
Payments for Fixed Assets		-	<u>1,485</u>
		1,051,916	1,348,367
Net Cash Inflow/(Outflow) from Investing Activities		(1,051,916)	(1,314,102)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Borrowed this year		<u>800,000</u>	<u>500,000</u>
		800,000	500,000
Cash was disbursed on:			
Distributions		703,955	769,251
Loan Repayments this year		<u>274,267</u>	<u>175,357</u>
		978,222	944,608
Net Cash Inflow/(Outflow) from Financing Activities		178,222	(444,608)
Movement in Cash		309,684	(250,466)
Opening Cash Balance		(394,360)	(143,894)
Closing Cash Balance		<u>(84,676)</u>	<u>(394,360)</u>
made up as follows			
ANZ Bank		<u>(84,676)</u>	<u>(394,360)</u>
		<u>(84,676)</u>	<u>(394,360)</u>

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

Statement of Accounting Policies for the year ended 31 March 2009

1 STATUTORY BASIS

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

2 REPORTING ENTITY

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

3 MEASUREMENT BASE

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

4 ACCOUNTING POLICIES

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

Cash and Deposits

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

Accounts Receivable

Accounts receivable are stated at estimated realisable value.

Goods and Services Tax

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

Fixed Assets

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

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

The Trust office building was valued, as at 31 March 2009 by Morgans Property Advisors, Registered Valuers, at fair value. The building is valued annually in accordance with FRS-3.

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

Depreciation

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

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

Investment Properties

Investment properties have been valued in 2009 at net current value in accordance with SSAP-17.

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

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

Properties are valued annually. These were valued at 31 March 2009 by Morgans Property Advisors, Registered Valuers, at net current value. Net current value is the open market value less the cost of disposal that could reasonably be anticipated.

General

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

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

Differential Reporting

The Trust, by virtue of its size for both total revenue and number of employees, qualifies under Framework of Differential Reporting. Accordingly it has taken partial advantage of the differential reporting exemptions allowed under the Framework and has taken differential reporting exemptions as allowed for FRS9: Information To Be Disclosed In Financial Statements, FRS-31: Disclosure of Information About Financial Instruments and SSAP-22: Related Party Disclosures.

New Zealand International Financial Reporting Standards (NZ IFRS)

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

Taxation Policy

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

5 CHANGES IN ACCOUNTING POLICIES

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

Note Disclosures 2009

1 Reconciliation of reported surplus (loss) to net cashflow from operating activities		2009	2008
Reported Net Surplus/(Deficit) to Equity		(720,024)	2,434,780
Add non-cash items:			
Depreciation		11,747	15,484
Other Non-cash Items			
Increase/(Decrease) in Revaluation Investment Properties		1,463,557	(1,697,999)
Increase/(Decrease) movements in other working capital items:			
Increase/(Decrease) in Payables		61,808	(24,328)
Increase in Receivables		14,080	57,092
Increase in Accruals		(17,182)	(12,424)
Increase/(Decrease) in GST		(33,157)	4,751
Items classified as Investing Activities:			
Gain on Disposal of Properties		-	(34,265)
Items classified as Financing Activities:			
Grants Distributed		758,993	765,153
Net cash Inflow/(Outflow) from Operating Activities		<u>1,539,822</u>	<u>1,508,244</u>

2 Fixed Assets & Depreciation		2009	2008	
	Cost/ Valuation	Accumulated Depreciation	Revaluation	Book Value 31/03/09
2009				
Furniture and Office Equipment - at cost	111,542	104,166		7,376
Trust Office at valuation				
Land	170,000	-	-	170,000
Improvements	580,000	5,800	5,800	580,000
	<u>861,542</u>	<u>109,966</u>	<u>5,800</u>	<u>757,376</u>
	Cost/ Valuation	Accumulated Depreciation	Revaluation	Book Value 31/03/08
2008				
Furniture and Office Equipment - at cost	111,542	98,220		13,322
Trust Office at valuation				
Land	170,000	-	-	170,000
Improvements	580,000	5,800	5,800	580,000
	<u>861,542</u>	<u>104,020</u>	<u>5,800</u>	<u>763,322</u>
Depreciation		2009		2008
Trust Office		5,800		5,800
Furniture & Office Equipment		5,947		9,684
		<u>11,747</u>		<u>15,484</u>

3 Investment Land and Buildings		2009	2008
Opening value of investment Land and Buildings		53,964,500	51,080,500
Plus additions to Portfolio		865,056	1,186,001
Plus Work in Progress		391,318	-
Less Increase/(Decrease) in Revaluation		(1,463,557)	1,697,999
Closing Balance		<u>53,757,317</u>	<u>53,964,500</u>

4 Cash Grants		2009	2008
Community Grants		337,851	297,280
Education Grants		421,142	467,873
Total Cash Grants		<u>758,993</u>	<u>765,153</u>

MASTERTON TRUST LANDS TRUST 2009 FINANCIAL REPORT

Note Disclosures continued

5 Bank Accounts	2009	2008
ANZ Current Account	(84,676)	(394,360)
	<u>(84,676)</u>	<u>(394,360)</u>
6 Bank Loans	2009	2008
The loans are repayable as follows:		
Within 1 year	3,437,000	6,000,000
1 - 2 years	1,400,000	2,637,000
2 - 5 years	10,307,338	5,981,605
	<u>15,144,338</u>	<u>14,618,605</u>
<p>All term borrowings are bank loans and interest rates for these borrowings are based on the bank bill rate plus a margin. The Trust utilises loan and credit facilities that are reviewed annually and for this reason all borrowings under these facilities are reported as term borrowings.</p> <p>All bank borrowings are secured by way of first mortgage over all properties held by the Trust. The facility is subject to various covenants such as limitations on long-term indebtedness, leverage and other ratios. The Trust complied with all covenants for the 2009 financial year.</p> <p>The weighted average interest rate on term borrowings is 8.19% (2008: 8.01%).</p>		
7 Policies in accordance with MTLT Act 2003, CI 17	2009	2008
Policy requires the Trustees to maintain a ratio of Debt to Debt plus Equity of no more than 40%.	28.1%	27.0%
The Trustees will maintain an interest cover of no less than two. The interest cover calculation is to exclude grants and upward property revaluation.	2.23	2.22
8 Commitments		
The Trust has capital commitments of \$202,785 as at 31 March 2009 (2008: Nil)		
9 Contingent Liabilities		
The Trust has no contingent liabilities as at 31 March 2009 (2008: Nil)		
10 Expenditure includes the following	2009	2008
Audit fees	14,000	13,250
Trustees fees	55,781	51,212
Bad Debts	5,125	-
11 Related Parties		
<p>During the year the Trust provided funds via the Masterton District Council for community purposes. Two Trustees, G Daniell and C Peterson are members of the Masterton District Council. The Trust received rent from "Magie B's" in which Mrs Brewster is a shareholder. A community grant was given to REAP which was represented by Trustee A Sadler. Under the Trust's Code of Conduct and having declared an interest, these Trustees did not participate in the decision.</p>		
12 Total Revenues	2009	2008
Operating	3,499,698	3,312,512
Gain on Sale	-	34,265
Increase/(Decrease) in Revaluation Investment Properties	(1,463,557)	1,697,999
	<u>2,036,141</u>	<u>5,044,776</u>

AUDIT REPORT



TO THE READERS OF

MASTERTON TRUST LANDS TRUST'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 March 2009

The Auditor-General is the auditor of the Masterton Trust Lands Trust (the Trust). The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust on his behalf for the year ended 31 March 2009.

Unqualified Opinion

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

- > comply with generally accepted accounting practice in New Zealand; and
- > fairly reflect:
 - > the Trust's financial position as at 31 March 2009; and
 - > the results of its operations and cash flows for the year ended on that date.

The audit was completed on 18 June 2009, and is the date at which our opinion is expressed.

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

Basis of Opinion

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

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

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

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

Audit procedures generally include:

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

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

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support our opinion above.

Responsibilities of the Trustees and the Auditor

The Trustees are responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Trust as at 31 March 2009 and the results of its operations and cash flows for the year ended on that date. The Trustees' responsibilities arise from schedule 2, clause 12(1) of the Masterton Trust Lands Act 2003.

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

Independence

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

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

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

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





www.mtlt.ac.nz

Secretary/Manager - Gary Percy

P O Box 90
189 Queen Street
MASTERTON

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

