

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.

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.

Thanks to tenants and grant recipients for assisting with photographs for this report.
Cover: Former Alan MacDiarmid Scholar Greg Haslett.

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Lennox Design Studio

THE YEAR IN REVIEW

OPERATING SURPLUS	\$1.6 million	Up 7.7%
RENTAL INCOME	\$3.6 million	Up 2.5%
EQUITY	\$38.4 million	Down 0.8%
TOTAL ASSETS	\$52.2 million	Down 0.7%
Debt as percentage of property assets	28.7%	Up 0.6%
WALT (Weighted Average Lease Term)	5.1 years	
TOTAL GRANTS	1.16 million	Up 8.4%
CASH GRANTS	\$868,520	Up 14.4%
NON-CASH GRANTS	\$339,267	Up 7.1%



CHAIRMAN'S REPORT

I am pleased to present the Trust's annual report for the year ended 31 March 2010, another challenging year but one which the Trust has weathered well and emerged from in a strong position for the future.

Despite the continuation of difficult economic times we have been able to maintain our income and property values while distributing a record financial return to the Masterton community. A range of factors have combined to produce this strong set of results for 2010.

Record value for cash grants

A record amount of cash was distributed to the Masterton community in the form of grants, an increase of 14.4% on the previous year. When concessional rents (non-cash grants) were added, total grants were \$1.16 million, the highest annual figure in the Trust's history.

Education remained the focus of our grants programme with all Masterton schools and early childhood centres benefiting through roll-based grants. In addition, the professional development initiatives in the Primary/Intermediate and Secondary sectors continued to receive substantial funding.

In the Primary sector literacy, numeracy and ICT remained the focus of the Trust-funded programmes begun in 2005. After evaluating the two-year One Day School pilot, principals were unanimous in their support for its continuation. Principals' leadership courses were extended to Assistant and Deputy Principals.

In a first for the Secondary sector, each of the five Masterton colleges received a \$2,000 teacher scholarship for research projects which have benefited all schools through information sharing where appropriate.

Teacher professional development on the new curriculum introduced in 2010 involved all schools and completed a

two-year focus on the curriculum to allow schools to be fully prepared.

The gifted and talented programme for students in art, English, mathematics, marketing and graphic design continued. This was the third and final year for the purchase of Smartboards for the Secondary sector.

The Trust continues to investigate ways to further develop the professional development programme for the early childhood education sector at similar levels to the Primary/Intermediate and Secondary sectors.

Annual scholarships for Masterton students, those attending UCOL Wairarapa and several special scholarships again accounted for a significant portion of education grants. It is always exciting to hear from former scholarship recipients who have established successful careers or gone on to further study. We profile some of them in this report.

We were pleased to provide a special grant to Makoura College during the year following strong community support for the college to sustain itself in the future. We also supported Wairarapa College's investment in a new hall and are delighted with the quality facility that is now serving the school and wider community.

Trust assistance for UCOL Wairarapa has taken various forms over the years. This year we worked with UCOL to support the reinstatement of the catering course, which ended up being oversubscribed. We look forward to building on this success in 2011.

Property portfolio

The Trust's diverse portfolio continues to provide relative stability in overall valuation, despite tough economic times. A mix of local, national and international tenants and leases provides a strong foundation for growth when strategic opportunities arise in the future.

The Trust's policy of non-speculative land holdings and minimising development risk has proven highly effective, contributing to stability over the year.

The value of the property portfolio held its own, especially when compared with other property trusts nationally and internationally.

During the year the Trust negotiated the purchase of the lessee improvements in properties at the town end of Lincoln Road. In accordance with Trust policy we purchased buildings situated on Trust property from tenants.

Supporting tenants

Our commitment to supporting our tenants where we are able has paid off with 100% retention of tenants over the past two years. They have rewarded us with their loyalty which, combined with our commitment to continual upgrade of properties, and market rentals, has contributed to a growth in rental income.

Our low-risk lease expiry profile enables good continuity of leases with an average lease term of 5.1 years.

During the year we completed the internal upgrade of the Star Block, a large retail area in central Masterton. This included a more than \$100,000 investment in fire systems, a monitored alarm system and the creation of fire compartments. The block is now fully occupied and work on the exterior will be completed in the next financial year.

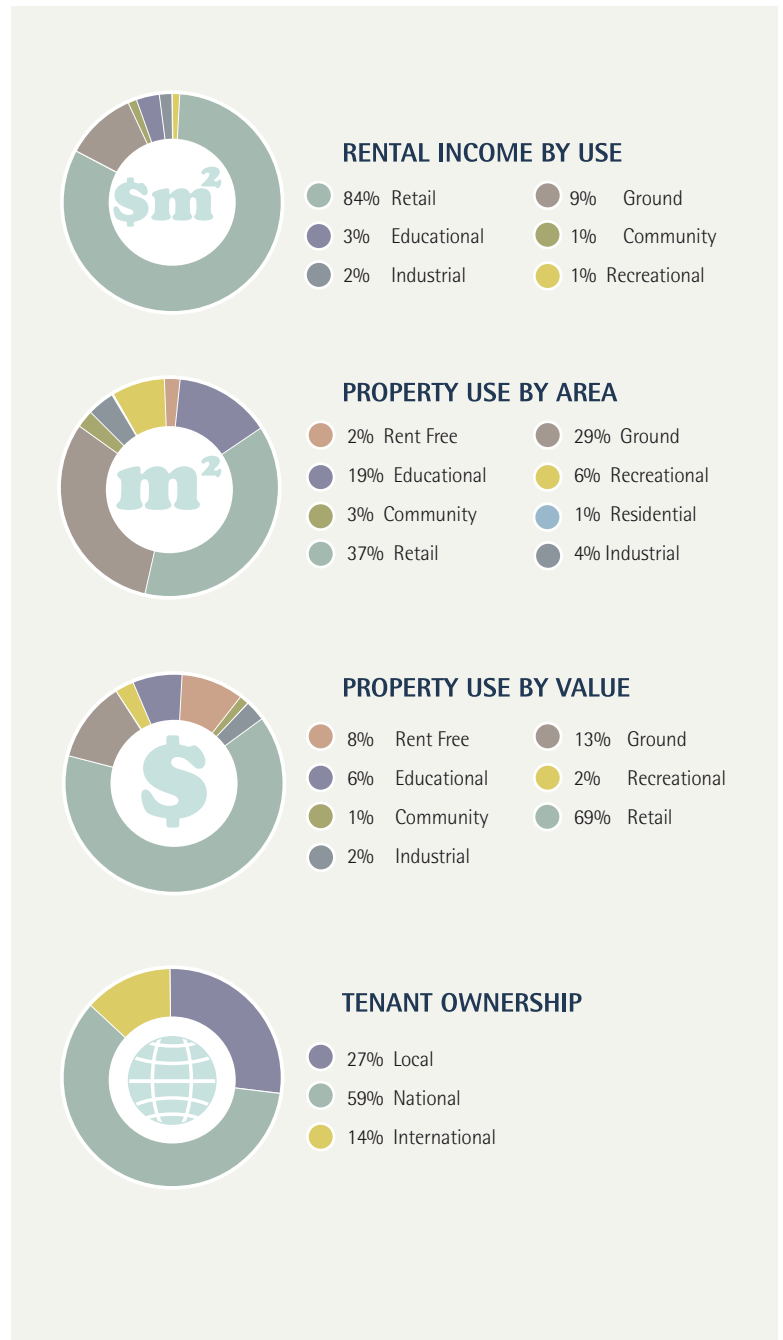
We welcomed new tenants, Spices of India and Lennox Design, to the Star Block and sub-divided premises now occupied by Clarkes Jewellers.

A number of other property upgrades continued with the installation of automatic doors, suspended ceilings, energy efficient lighting and heat pumps.

Finance

During the year we maintained or improved our banking commitments as agreed with our bankers, ANZ National. This included managing changes in the finance market as a result of the international financial turmoil.

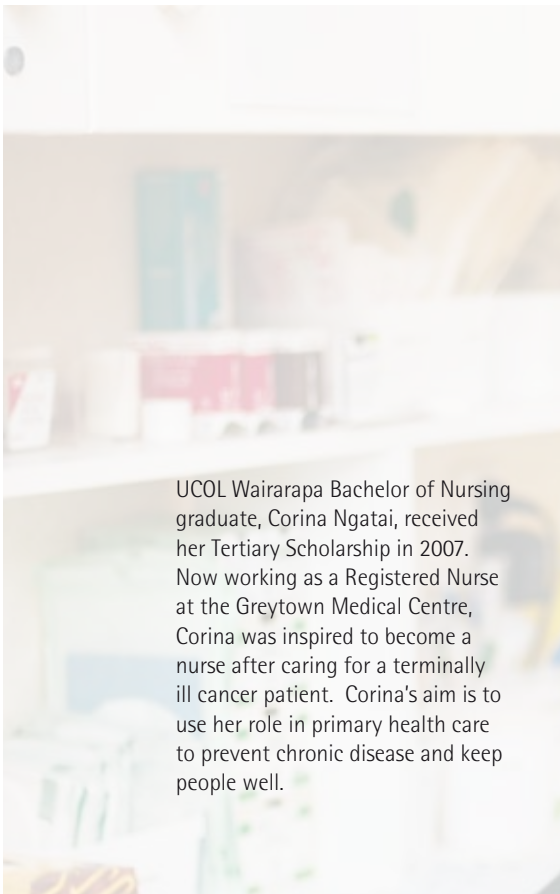
The operating surplus increased over the previous year as a result of well-controlled expenditure.



Thanks

I would like to thank my fellow trustees and the Trust staff for their hard work and commitment in what has been another challenging but successful year. Our thanks also go to our tenants, grant recipients and the professional and trades people who assist the Trust. We look forward to working with you again in the coming year.

J A Sadler
Chairman



UCOL Wairarapa Bachelor of Nursing graduate, Corina Ngatai, received her Tertiary Scholarship in 2007. Now working as a Registered Nurse at the Greytown Medical Centre, Corina was inspired to become a nurse after caring for a terminally ill cancer patient. Corina's aim is to use her role in primary health care to prevent chronic disease and keep people well.



SCHOLARSHIP SUCCESS

Tertiary scholarships are an important part of the Trust's annual educational grants programme. Hundreds of grants for tertiary and apprentice study are made each year along with one Alan MacDiarmid Scholarship. Here we profile just a few of the former recipients and find out where they are now.



A Tertiary Scholarship helped Richie Trotman complete his Carpentry Apprenticeship with Masterton firm Rigg-Zschokke Ltd in 2006. After some time working in Masterton and further training, Richie now works in Wellington as a Quantity Surveyor with Fletcher Construction.



Above: Former Alan MacDiarmid Scholar, Greg Haslett, has completed an undergraduate and First Class Honours Bachelor of Science degree in chemistry at Victoria University. Greg's year-long research project on synthesising glycoproteins in pure form to better understand the chemical cause of asthma caught the attention of Cambridge University. He has received a Cambridge Commonwealth Trust Prince of Wales Scholarship to study at Cambridge University for a PhD in Chemistry.

Below: 2010 Alan MacDiarmid Scholar and former Rathkeale College student, Timothy Foster, receives the annual scholarship for the top Chemistry student in Masterton secondary schools from Trustee Christine Brewster. Timothy will study for a Health Science degree at Otago University.





Above: The Trust echoed the Masterton community's support for Makoura College during the year with a special grant of \$25,000 to help move the college into the future. Sixteen computers on wheels were purchased to assist the development of e-learning in the junior school. A further 10 new computers are used by Design Art and Digital Photography students.

EDUCATION



UCOL Wairarapa's catering course was revitalised during the year with the assistance of the Trust. Now oversubscribed, the course is looking to further expand. The purchase of Barista equipment was part of the Trust's contribution.





Above: A second grant of \$40,000 was made to Wairarapa College for its new hall and performing arts centre, opened during the year. Able to seat up to 1,200 people, the centre includes a new sound system and lighting, an orchestra pit, a large backstage area and air conditioning. The Trust's contribution was part of a two-year \$1.5 million community fundraising campaign.

Below: The Marimba Mega-Mix music workshop was one of a range of inspirational workshops held as part of the Be Inspired Conference, attended by 120 Year 6-8 students. Students selected four workshops each from literacy, drama, robotics, architecture, music, education outside the classroom, drawing, science and digital photography – all run by experts in their field. The conference also featured motivational talks by keynote speakers.



GRANTS CYCLE

EDUCATION – INSTITUTES

> Early Childhood

> Primary/Intermediate

> Secondary

Funding is allocated to all based on March roll returns to the 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 2010

EDUCATIONAL GRANTS528,114

Early Childhood23,192

Barnados.....	Roll based.....	690
Cole Street Early Learning Centre.....	Roll based.....	552
Lansdowne Kindergarten.....	Roll based.....	1,725
Lansdowne Playcentre.....	Roll based.....	529
Makoura Early Childhood Centre.....	Roll based.....	1,196
Masterton Christian Childcare Centre	Roll based.....	690
Solway Kindergarten	Roll based.....	1,679
Te Kohanga Reo o Ngati Hamua	Roll based.....	966
Una Williams Kindergarten.....	Roll based.....	1,058
Wahi Reka Te Kohanga Reo.....	Roll based.....	897
West Kindergarten.....	Roll based.....	1,196
West Playcentre.....	Roll based.....	575
Whatman Early Childhood Centre.....	Roll based.....	1,518
York Street Kindergarten	Roll based.....	1,081
UCOL Wairarapa Childcare	Roll based.....	690
Rimutaka Kindergarten Assn	Professional development.....	8,150

Primary & Intermediate Schools..... 146,064

Douglas Park School	Roll based.....	3,657
Fernridge School.....	Roll based.....	2,001
Lakeview School	Roll based.....	5,037
Masterton Intermediate School.....	Roll based.....	4,600
Masterton Primary School	Roll based.....	2,220
Solway Primary School	Roll based.....	2,116
St Patricks School	Roll based.....	2,714
Te Kura Kaupapa Maori o Wairarapa	Roll based.....	633
Hadlow School	Roll based.....	2,162
Granny's Basket Reading Programme		10,000
Primary School Swimming Sports	Pool Hire	1,110
Technology Roadshow		2,233
Wairarapa Mathematics Association	Masterton schools maths competition prizes.....	500
Primary Principals Initiative	Professional development.....	97,914
Principals Fund	Principals fund.....	9,168

Secondary Schools 159,445

Chanel College	Roll based.....	4,439
Makoura College	Roll based.....	2,829
Solway College	Roll based.....	1,553
Te Kura Kaupapa Maori O Wairarapa	Roll based.....	69
Wairarapa College	Roll based.....	12,926
Rathkeale College	Roll based.....	3,117
St Matthews Collegiate	Roll based.....	3,772
Teen Parent Unit	Roll based.....	196
Youth Choices Trust	Roll based.....	161
Makoura College	Special grant.....	30,000
Intercollegiate Swimming Sports	Pool hire.....	1,295
Intercollegiate Wearable Arts	Student prize pool.....	1,500
Wairarapa Business Enterprise Challenge	Business challenge	5,000
Secondary Principals Initiative	Professional development.....	92,589

Tertiary 199,413

Special Grants		200
Alan MacDiarmid Scholarships	2 students.....	2,000
Tertiary Scholarships	301 students.....	180,600
Nga Kanohi Marae o Wairarapa	Trades based training.....	2,000
UCOL Wairarapa	Barista equipment.....	10,716
UCOL Wairarapa	Roll away benches	1,447
UCOL Wairarapa	Discretionary assistance fund.....	2,450

COMMUNITY GRANTS 293,157

Community Groups	150,157	
Access Radio Wairarapa	Programme development fund	2,500
Anglican Parish.....	Educational play area.....	1,000
Chamber of Music	Music education project in Masterton	2,000
Enviroschools.....	Enviroschools programme in Masterton	3,000
Henley Trust 2003.....	Henley Men's Shed.....	3,000
Jubilee Fire Museum Society.....	Perspex screens/DVD recorder.....	1,000
King Street Artworks	Workshop & guest tutor series.....	3,000
Masterton Community Toy Library	Purchase toys for library.....	1,500
NZ Society of Genealogists	Old/rare books on CD	500
Pukaha Mount Bruce Board.....	Environmental programmes - early childhood	5,000
Royal NZ Plunket.....	Educational courses on parenting.....	4,000
Order of St John	Manikin accessory	182
Sport Wairarapa	Sport for young people in Wairarapa.....	5,000
Stopping Violence.....	Safe mates programme at Ohore School.....	4,000
Sustainable Wairarapa.....	Screening environmental film festival	800
Toi Wai-ACH Trust.....	Wairarapa Matariki Solstice Fair	1,000
Vector Wellington Orchestra.....	Music education programme/concert.....	5,000
Wairarapa College History Trip.....	Support 100 students to Vietnam	1,600
Wairarapa Fern & Thistle Pipe Band Inc.....	Purchase 20 capes for outside recitals.....	2,900
Wairarapa Heritage Association	Portable roll-up display screen	500
Wairarapa Stars Trust	Life skills/Transition programme	3,000
Wairarapa Women's Centre Inc	Educational programmes/printer.....	1,500
Wairarapa Women's Refuge Inc	Family violence education	4,000
Wairarapa Workforce Development Trust.....	Careers Expo.....	25,000
Youth Choices Trust	Transportation costs.....	10,000
NZ International Arts Festival.....	Support Masterton programme.....	10,000
Friends of Millennium Reserve.....	Annual grant.....	2,000
Masterton District Council	Security Camera at 397 Queen Street.....	1,401
Wairarapa College BOT	Performing Arts Centre	40,000
Lansdowne School.....	Reunion advertising	374
Destination Wairarapa.....	i-Site	5,000
J Beresford.....	History books	400

Civic.....	71,000	
Masterton District Council.....	Purchase library books.....	16,000
Masterton District Council.....	Supplement council grants for civic events	25,000
Masterton District Council.....	Masterton Recreation Centre.....	30,000

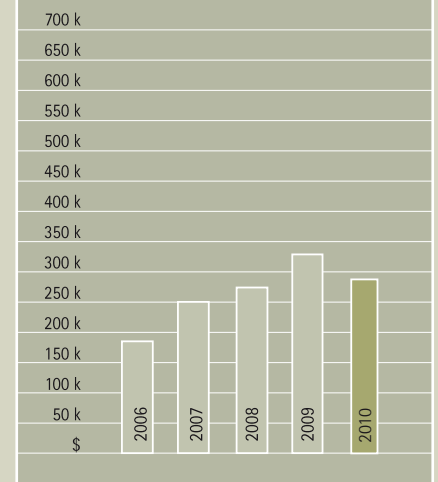
Aratoi	72,000	
Aratoi.....	Rutherford Exhibition	20,000
Aratoi.....	Opex balance	52,000

NON-CASH GRANTS..... 339,267

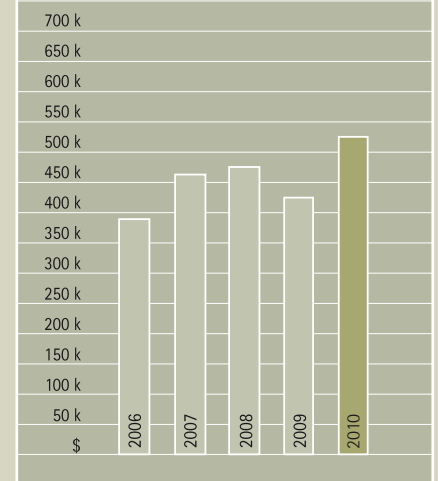
Masterton Young Citizens Club.....	Concessional rent	11,050
Guides NZ	Concessional rent	1,200
Sport Wairarapa.....	Concessional rent	10,000
Rangitāne o Wairarapa	Concessional rent	12,500
Harlequin Theatre	Concessional rent	12,500
Wairarapa Cultural Trust less Cafe.....	Concessional rent	163,600
Education 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..... 1,160,537

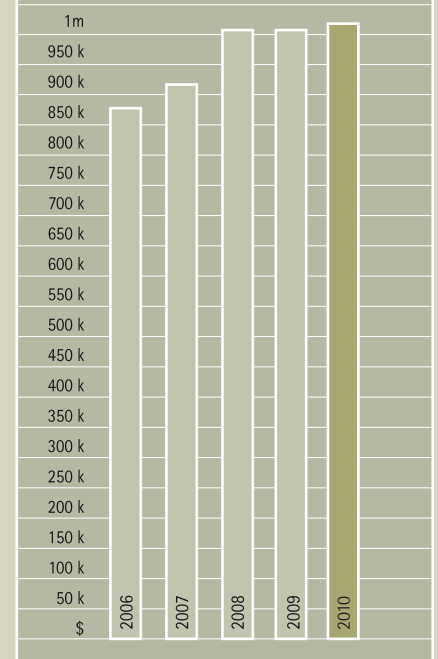
COMMUNITY GRANTS



EDUCATIONAL GRANTS



TOTAL GRANTS





Chef Sajjan Chandra turns up the heat in the purpose-built Spices of India kitchen.

PROPERTY

The completion of the internal upgrade of the Star Block, a Trust property and retail area, was a highlight for the year. Now fully occupied, Star Block has become a thriving area for food, fashion, design and music in central Masterton.



Authentic Indian cuisine in a fully-refurbished modern restaurant is now on offer at Spices of India in Lincoln Road. Business partners Sajjan Kaintura, Vishnu Rautela and Suresh Chandra worked closely with the Trust to create a successful new dining experience in Masterton.



Working with Lennox Design Studio owner Stella Blakemore, the Trust refurbished the former Star Block Arts and Crafts shop inside and out. Lennox Design Studio brings a large touch of class to the block offering interior design services, home furnishings and décor, giftware, and locally crafted furniture.

Sarah Miller, Youth Coordinator for The Spot in a newly-renovated space for Masterton youth programmes, events and activities. As part of its support for the community, the Trust renovated its property at 365 Queen Street Masterton to provide a dedicated centre for Masterton youth. The Spot, to be officially opened in October 2010, will be managed by a Youth Management Group with support from REAP.





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 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 2010

	Notes	2010	2009
		\$	\$
Revenue			
Rental Income		3,585,884	3,499,231
Other Income		<u>1,384</u>	<u>30</u>
Total Operating Revenue		3,587,268	3,499,261
Operating Expenditure			
Property Expenses		440,019	485,227
Administration Expenses		282,431	281,051
Depreciation	2	<u>7,927</u>	<u>11,747</u>
Total Operating Expenditure before Interest		<u>730,377</u>	<u>778,025</u>
OPERATING SURPLUS BEFORE INTEREST		2,856,891	2,721,236
Interest Received		129	437
Interest Payable		<u>1,238,294</u>	<u>1,219,147</u>
		<u>1,238,165</u>	<u>1,218,710</u>
OPERATING SURPLUS		1,618,726	1,502,526
Decrease in Asset Revaluation Investment Properties	3	(1,059,843)	(1,463,557)
Less Grants	4	<u>(868,520)</u>	<u>(758,993)</u>
NET DEFICIT TO EQUITY		<u>(309,637)</u>	<u>(720,024)</u>

Statement of Movements in Equity

For the year ended 31 March 2010

		2010	2009
		\$	\$
Equity			
Equity at the Start of the Period		38,762,682	39,476,906
Net Deficit for the Period		(309,637)	(720,024)
(Decrease)/Increase in Revaluation Reserve	2	<u>(9,200)</u>	<u>5,800</u>
Total Recognised Revenues & Expenses for period		(318,837)	(714,224)
Equity at the end of the Period		<u>38,443,845</u>	<u>38,762,682</u>
Equity comprises:			
Revaluation Reserve Trust Building		77,673	86,873
Retained earnings			
Opening Balance		38,675,809	39,395,833
Net Deficit		(309,637)	(720,024)
Closing balance		<u>38,366,172</u>	<u>38,675,809</u>
Equity at the end of the Period		<u>38,443,845</u>	<u>38,762,682</u>

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

Statement of Financial Position

as at 31 March 2010

	Notes	2010	2009
		\$	\$
Current Assets			
Accounts Receivable		12,881	9,528
Prepayments		106,590	54,729
GST		-	9,118
		119,471	73,375
Non Current Assets			
Investment Land & Buildings	3	53,334,000	53,757,317
Fixed Assets	2	<u>740,248</u>	757,375
		54,074,248	54,514,692
TOTAL ASSETS		<u>54,193,719</u>	<u>54,588,067</u>
Current Liabilities			
Bank Accounts	5	209,964	84,676
Accounts Payable		128,561	519,690
Interest Accrued		53,102	56,742
Rent in Advance		1,610	3,398
GST		31,065	-
Entitlements		14,324	16,541
Current Portion of Term Liabilities	6	<u>4,943,091</u>	<u>3,437,000</u>
		5,381,717	4,118,047
Non Current Liabilities			
Wairarapa Building Society		368,157	520,427
ANZ		<u>14,943,091</u>	<u>14,623,911</u>
	6	15,311,248	15,144,338
Less Current Portion of Term Liabilities	6	<u>4,943,091</u>	<u>3,437,000</u>
		10,368,157	11,707,338
TOTAL LIABILITIES		15,749,874	15,825,385
NET ASSETS		<u>38,443,845</u>	<u>38,762,682</u>
EQUITY		<u>38,443,845</u>	<u>38,762,682</u>

Chairman



Deputy Chairman



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

Statement of Cash Flows

for the year ended 31 March 2010

	Note	2010	2009
		\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash inflows from:			
Rental income	3,582,128		3514,306
Interest received	129		437
GST (net)	<u>40,183</u>		<u>(33,157)</u>
		3,622,440	3,481,586
Cash outflows for:			
Payments to suppliers and employees	800,792		699,932
Interest paid	<u>1,241,934</u>		<u>1,241,832</u>
		2,042,726	1,941,764
Net Cash Inflow/(Outflow) from Operating Activities 1		<u>1,579,714</u>	<u>1,539,822</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from:			
Sale of Investment Buildings	-		-
		-	-
Cash was disbursed on:			
Prepayments	51,861		11,226
Work in Progress	-		391,318
Payments for Investment Buildings	900,861		649,372
Payments for Fixed Assets	<u>-</u>		<u>-</u>
		952,722	1,051,916
Net Cash Inflow/(Outflow) from Investing Activities		<u>(952,722)</u>	<u>(1,051,916)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from:			
Borrowed this year	<u>521,982</u>		<u>800,000</u>
		521,982	800,000
Cash was disbursed on:			
Distributions	919,190		703,955
Loan Repayments this year	<u>355,072</u>		<u>274,267</u>
		1,274,262	978,222
Net Cash Inflow/(Outflow) from Financing Activities		<u>(752,280)</u>	<u>(178,222)</u>
Movement in Cash		(125,288)	309,684
Opening Cash Balance		(84,676)	(394,360)
Closing Cash Balance		<u>(209,964)</u>	<u>(84,676)</u>
<i>made up as follows</i>			
ANZ Bank		<u>(209,964)</u>	<u>(84,676)</u>
		<u>(209,964)</u>	<u>(84,676)</u>

Statement of Accounting Policies for the year ended 31 March 2010

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 2010 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 2010 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 2010

1 Reconciliation of reported surplus (loss) to net cashflow from operating activities				
	2010			2009
Reported Net Surplus/(Deficit) to Equity	(309,637)			(720,024)
Add non-cash items:				
Depreciation	7,927			11,747
Other Non-cash Items				
Increase/Decrease in Asset Revaluation Investment Properties	1,059,843			1463,557
Increase/Decrease movements in other working capital items:				
Increase/Decrease in Payables	(76,125)			61,808
Increase/Decrease in Receivables	(3,353)			14,080
Increase in Accruals	(7,644)			(17,182)
Increase/ Decrease in GST	40,183			(33,157)
Items classified as investing activities:				
Gain on Disposal of Properties	-			-
Items classified as financing activities:				
Grants Distributed	868,520			758,993
Net Cash Inflow/(Outflow) from Operating Activities	<u>1,579,714</u>			<u>1,539,822</u>
2 Fixed Assets and Depreciation				
	Cost/ Valuation	Accumulated Depreciation	Revaluation	Book Value 31/03/10
2010				
Furniture and Office Equipment - at cost	111,542	106,293		5,249
Trust Office at valuation				
Land	170,000	-	-	170,000
Improvements	580,000	5,800	(9,200)	565,000
	<u>861,542</u>	<u>112,093</u>	<u>(9,200)</u>	<u>740,249</u>
	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>
Depreciation		2010		2009
Trust Office		5,800		5,800
Furniture & Office Equipment		2,127		5,947
		<u>7,927</u>		<u>11,747</u>
3 Investment Land and Buildings				
		2010		2009
Opening value of investment Land and Buildings		53,757,317		53,964,500
Plus additions to Portfolio		636,526		865,056
Plus Work in Progress		-		391,318
Less decrease in Revaluation		(1,059,843)		(1,463,557)
Closing Balance		<u>53,334,000</u>		<u>53,757,317</u>
4 Cash Grants				
		2010		2009
Community Grants		340,407		337,851
Education Grants		528,113		421,142
Total Cash Grants		<u>868,520</u>		<u>758,993</u>

Note Disclosures continued

5 Bank Accounts	2010	2009
ANZ Current Account	(209,964)	(84,676)
	<u>(209,964)</u>	<u>(84,676)</u>

6 Bank Loans	2010	2009
The loans are repayable as follows:		
Within 1 year	4,943,091	3,437,000
1 - 2 years	5,000,000	1,400,000
2 - 5 years	<u>5,368,157</u>	<u>10,307,338</u>
	<u>15,311,248</u>	<u>15,144,338</u>

All term borrowings are bank loans and interest rates for these borrowings are based on the bank bill rate plus a margin. The Trust utilises loan and credit facilities that are reviewed annually and for this reason all borrowings under these facilities are reported as term borrowings. All bank borrowings are secured by way of first mortgage over all properties held by the Trust. The facility is subject to various covenants such as limitations on long-term indebtedness, leverage and other ratios. The Trust complied with all covenants for the 2010 financial year. The weighted cost of funding on term borrowings is 8.04% (2009: 8.19%).

7 Policies in accordance with MTLT Act 2003, CI 17	2010	2009
Policy requires the Trustees to maintain a ratio of Debt to Debt plus Equity of no more than 40%.	28.5%	28.1%
The Trustees will maintain an interest cover of no less than two. The interest cover calculation is to exclude grants and upward property revaluation.	2.31	2.23

8 Commitments	
The Trust has capital commitment to purchase lessees interest of \$392,500 at 31 March (2009: \$202,785)	

9 Contingent Liabilities	
The Trust has no contingent liabilities as at 31 March 2010 (2009: Nil)	

10 Expenditure includes the following	2010	2009
Audit fees	19,696	14,000
Trustees fees	57,491	55,781
Bad Debts	1,303	5,125

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

12 Total Revenues	2010	2009
Operating	3,587,397	3,499,698
Decrease in Asset Revaluation Investment Properties	<u>(1,059,843)</u>	<u>(1,463,557)</u>
	<u>2,527,554</u>	<u>2,036,141</u>

AUDIT REPORT

To the readers of Masterton Trust Lands Trust's financial statements for the year ended 31 March 2010

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 2010.

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 2010; and
 - > the results of its operations and cash flows for the year ended on that date.

The audit was completed on 4 June 2010, 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

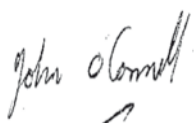
The Trustees are responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Trust as at 31 March 2010 and the results of its operations and cash flows for the year 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

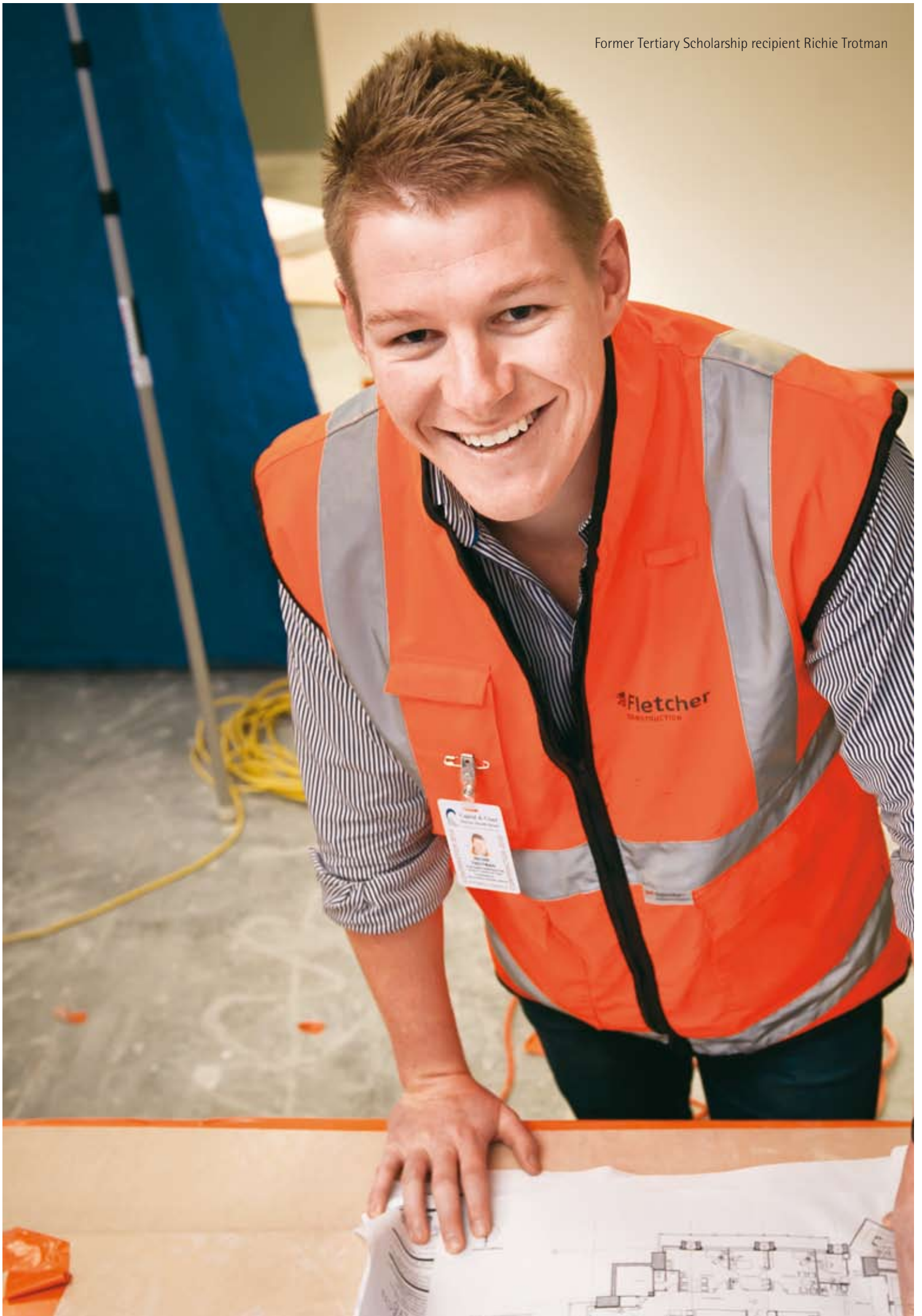
When carrying out the audit we followed the independence requirements of the Auditor-General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

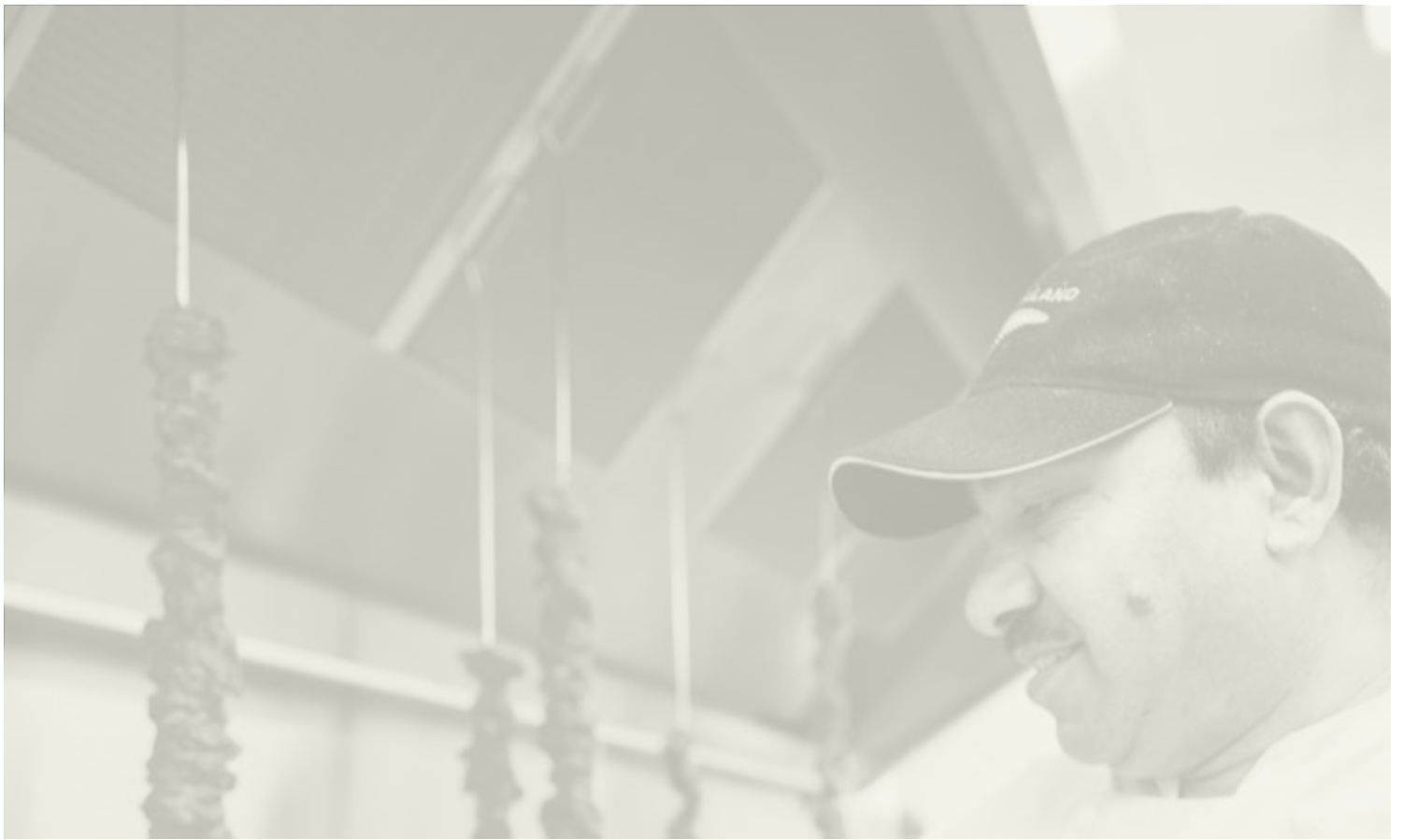
Other than the audit, we have no relationship with or interests in the Trust.



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

Former Tertiary Scholarship recipient Richie Trotman





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