





# 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.

In the year following the devastating Christchurch earthquakes, the importance of responsible stewardship of resources in our care came into sharp focus, leading to a major review of the structural safety of all Trust-owned buildings. This included the heritage-listed 1908 Seddon Memorial School Building seen here prior to the 1942 Wairarapa earthquakes.



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Cover - The original Trust lands can be seen in the brown blocks on the first map of Masterton, overlaid on a modern aerial photograph of the town.



As part of the Secondary Principals Initiative, Olympic champion and member of the Order of British Empire (MBE) Barbara Kendall held a number of motivational two-hour sessions with 175 students. The students found her to be a dynamic, energetic woman who really inspired them to achieve. The success of this visit means the initiative will invite Barbara back in 2012.

## THE YEAR IN REVIEW

OPERATING SURPLUS	\$1.6 million	Down 1.5%
RENTAL INCOME	\$3.9 million	Up 6.0%
EQUITY	\$38.7 million	Down 4.1%
TOTAL ASSETS	\$58.8 million	Up 2.5%
DEBT RATIO	32.8%	Up 15.9%
WALT (Weighted Average Lease Term)	5.5 years	Up 7.8%
TOTAL GRANTS	\$1.01 million	Down 7.7%

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

## CHAIRMAN'S REPORT

It has been another successful and busy year for the Trust, with more than \$1 million distributed to the Masterton community, a strong set of financial results, and the completion of a major new property development.

One of our stated values is 'stewardship' – or responsible decision-making to grow the resources in our care. In the year following the devastating Christchurch earthquakes, the importance of this came into sharp focus, leading to a major review of the structural safety of all Trust-owned buildings.

### Grants

Total grants to the Masterton community were maintained at a similar level to the previous four years at more than \$1 million. The Trust's continued focus on education saw education grants increase by five per cent on 2011.

In the first full year of a major initiative for the early childhood sector, we invested more than \$40,000 in high-quality professional development programmes for teachers. This initiative and its well-established equivalents in the Primary/Intermediate and Secondary sectors are directly benefiting all Masterton children and teachers.

In addition, through roll-based annual grants, a total of more than \$74,000 was distributed to Masterton early childhood centres, primary schools and colleges to spend in areas to enhance education opportunities within their schools.

Support for the tertiary sector continued with student scholarships, special grants and on-going support for UCOL Wairarapa totalling more than \$173,000.

Community groups received cash grants of more than \$145,000. Additional cash grants were made to support Masterton District Council-funded community activities and Aratoi.

While we have faced some unforeseen costs for building assessments, and will incur more costs for detailed assessments and earthquake strengthening, we are budgeting to maintain grants to at least the same level over the next few years.

### Financial

The Trust maintained its strong financial position across all areas despite on-going national and global economic challenges.

The value of Trust assets increased to reach a record \$58.8 million.

Rental income increased slightly to \$3.9 million and is forecast to break the \$4 million mark for the first time next year. Building occupancy remained high at 95 per cent.



In another positive result, the Weighted Average Lease Term (WALT) for Trust property increased from 5.1 to 5.5 years. WALT measures the average years of rental security over an entire property portfolio. The increase means that the security of the term of the Trust's combined leases is greater, which in turn means increased future financial security.

Operating surplus dropped slightly due to unbudgeted expenditure on initial structural engineering reports for all Trust properties and more detailed reports for several properties.

### Property

Stage one of a \$3 million strategic redevelopment of the Trust property on the corner of Chapel Street and Lincoln Road was completed during the year. This included construction of a purpose-built restaurant for new tenant Burger King and a 300 square-metre destination retail store on Chapel Street now occupied by Avanti Cycles.

The new buildings followed last year's relocation of another longstanding tenant, Carpet Court, from the same site to a new \$1.3 million Trust-owned building on Dixon Street.

The new Burger King tenancy and the vastly-improved premises for Avanti Cycles and Carpet Court will bring increased future returns for the Trust which will ultimately benefit the community through grants.

We are now considering options for the development of the remaining retail sites on the Lincoln Road side of the site, providing a total of 400 square-metres of retail space. A decision was made to create a new public park using the Lincoln Road land next to Burger King. Featuring landscaped planting, seating and trees to provide shade, 'Lands Trust Masterton Park' will be developed in the coming year.



While the national economic situation has caused some vacancies these have been well managed and have had only a minor effect on overall revenue.

We continued to work closely with our tenants on minor building upgrades, redevelopments and future replacement of buildings that meet their needs and improve the overall quality and energy efficiency of Trust buildings.

### Structural assessments

As Masterton's largest landlord, we recognise the need to proactively plan to ensure the safety of buildings for our tenants and our community.

Immediately following the February 2011 earthquake in Christchurch, the decision was made to commission structural engineering reports on all Trust-owned buildings to assess earthquake risk. A large amount of work was undertaken to analyse all property and position the Trust to be able to move to correct issues in the future. All Trust tenants received a copy of the report relating to their lease.

We are fortunate in that only 2.5 per cent of the Trust's rental income comes from buildings that are earthquake prone.

Once the initial structural engineering assessments were complete we began a programme to ensure that our buildings were safe while being able to sustain a financial return for the future.

Three buildings required immediate attention – the former opera house in Lincoln Road, the former St Patrick's School building on Queen Street and the Elliot Building on Queen Street. They were vacated by tenants following assessments that showed the buildings were a significant risk to life safety in the event of a moderate earthquake.

While we recognised the heritage significance of these buildings, the risk to safety and the cost of strengthening far outweighed this. The work needed to bring these buildings up to the standards required by the Building Act would have been expensive and not justified by their current use. It would have had considerable impact on our ability to maintain the current \$1 million annual return to the community.

Heritage elements of the St Patrick's School and opera house buildings will be preserved and incorporated into new buildings and in the case of St Patrick's, onto the current school site.

While the decisions to demolish these buildings were tough, they have opened up new opportunities to redevelop properties into high-quality spaces for new tenants and secure future income that in turn will increase returns to the community.

This process of redevelopment will improve the long-term quality of the property portfolio that we are stewards of, as well as addressing the problems of earthquake risk.

### Name change

During the year the Trust took on the trading name of Lands Trust Masterton, while officially retaining 'Masterton Trust Lands Trust' as its legal name as constituted under the Masterton Trust Lands Act 2003.

This change has been considered for some time and has simplified what, for many people, has been a confusing name.

Lands Trust Masterton places greater emphasis on the word 'Lands' - the reason the trust was established – to carry on the work of Masterton's early settlers who secured land to assist future generations in educational and community endeavours.

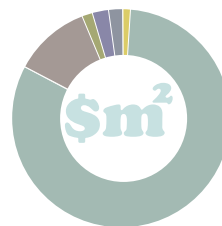
### Thanks

I would like to thank my fellow Trustees and Trust staff for their support and commitment in what has been a busy and rewarding year. Our thanks are extended to all of our tenants and the professional and trades people who provide support for our work.

The relationships built with these groups have greatly enhanced our ability to continue to deliver strong results that ultimately benefit the people of Masterton.

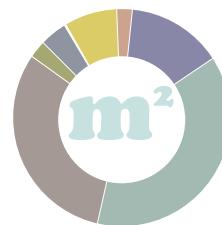
We look forward to working closely with them in the coming year.

J A Sadler  
Chairman



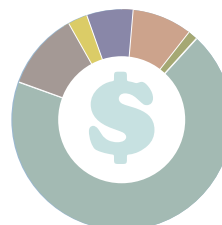
#### RENTAL INCOME BY USE

- 85% Retail
- 9% Ground
- 2% Educational
- 2% Industrial
- 1% Community
- 1% Recreational



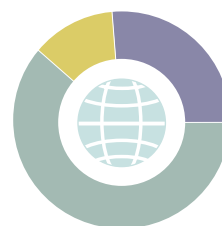
#### PROPERTY USE BY AREA

- 2% Rent Free
- 19% Educational
- 3% Community
- 37% Retail
- 29% Ground
- 6% Recreational
- 1% Residential
- 4% Industrial



#### PROPERTY USE BY VALUE

- 7% Rent Free
- 5% Educational
- 1% Community
- 2% Industrial
- 12% Ground
- 2% Recreational
- 72% Retail



#### TENANT OWNERSHIP

- 26% Local
- 61% National
- 13% International

## BETTER, SAFER BUILDINGS

The year began with a major initiative to assess the structural safety of every Trust property, following the devastating earthquake in Christchurch on 22 February 2011.



The original Masterton Opera House before it was damaged in the 1942 Wairarapa earthquake.

A decision was made by Trustees to proactively ensure the long-term safety and financial viability of all its properties while balancing the costs of this on-going work with a commitment to maintaining grants.

Preliminary structural engineering assessments of every Trust property classified each into a low, moderate or high-risk category. All tenants received a copy of the assessment for the building they lease.

Six properties, returning just 2.5 per cent of the Trust's total rental income were classified as high-risk or 'earthquake prone' because they did not comply with the seismic performance standard for new buildings. Meeting less than the 33 per cent of the minimum threshold, they were found to be a significant risk to life safety in the event of a moderate earthquake.

Following more detailed assessments, decisions were made to demolish three of these buildings in the coming year – the former opera house in Lincoln Road, the former St Patrick's School building on Queen Street and the Elliot Building on Queen Street. Minimising disruption to tenants' businesses and working closely with them to make alternative arrangements was a priority during this process.

While the Trust recognised the heritage significance of these buildings, on balance, the risk to safety, and the cost of strengthening outweighed this.

The Trust is committed to incorporating heritage elements of these buildings into new developments. The heritage wall of the St Patrick's building will be relocated to the current St Patrick's School site, together with an original statue. Decorative corbels, memorial stone and timber floors from the opera house will be incorporated into a new development on that site.

Three other Trust-owned buildings with heritage status – the Hiona Club building on Dixon Street, the Wesley Wing at Aratoi and the Trust offices at 189 Queen Street will be assessed in detail in the coming year.

The next set of upgrades will be prioritised over the next two years, beginning with buildings that meet between 33 and 67 per cent of the new building code. These buildings account for 15.4 per cent of rental income and while they meet current regulations, the Trust is committed to achieving a higher standard than required by law.

Trust-owned buildings in the low-risk category account for 82.1 per cent of rental income.

The heritage wall on the former St Patrick's School building will be relocated to the current school site in the coming year. The former building, built in 1927, was found to be earthquake prone and in the advanced stages of 'concrete cancer' – a deterioration of concrete reinforcing used after the 1942 earthquake.





### **27 Lincoln Road Masterton**

The former Opera House met just seven per cent of the seismic performance standard for new buildings. Poor quality brickwork combined with the condition of reinforced concrete banding from previous strengthening attempts presented a significant life safety risk. Built in 1897 the building had heritage status in the Combined District Plan. The site will be redeveloped in 2012/13.



### **327 Queen Street Masterton**

The former St Patrick's building built in 1927, was found to be in the advanced stages of 'concrete cancer'. Concrete reinforcing installed in earlier strengthening attempts had deteriorated to a level where the building met just 10 per cent of the strength required, well under the minimum threshold. The outside end wall facing Queen Street has heritage status.



### **96-98 Queen Street Masterton**

The 1913 Elliot Building occupied by Trade Aid and Saunders Outlet Shoes, met just 10 per cent of the seismic performance standard for new buildings. The site will be redeveloped for existing tenants by September 2012.

## 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

## SCHEDULE OF GRANTS FOR THE YEAR ENDED 31 MARCH 2012

EDUCATIONAL GRANTS ..... 468,292

**Early Childhood ..... 55,821**

Ko Te Aroha.....	Roll based.....	1,250
Lansdowne Kindergarten.....	Roll based.....	1,650
Lansdowne Playcentre.....	Roll based.....	225
Makoura Early Childhood Centre.....	Roll based.....	1,325
Masterton Christian Childcare.....	Roll based.....	1,125
Solway Kindergarten.....	Roll based.....	1,200
Te Kohanga Reo O Ngati Hamua.....	Roll based.....	1,225
UCOL Wairarapa Childcare.....	Roll based.....	700
Una Williams Kindergarten.....	Roll based.....	1,000
Wahi Reka Te Kohanga Reo.....	Roll based.....	975
West Kindergarten.....	Roll based.....	1,000
West Playcentre.....	Roll based.....	925
Whatman Kindergarten.....	Roll based.....	1,250
York Street Kindergarten.....	Roll based.....	1,350
Early Childhood Initiative.....	Professional Development.....	40,621

**Primary/Intermediate Schools ..... 145,693**

Douglas Park School.....	Roll based.....	4,562
Fernridge School.....	Roll based.....	2,175
Lakeview School.....	Roll based.....	4,925
Masterton Intermediate School.....	Roll based.....	4,963
Masterton Primary School.....	Roll based.....	2,600
Solway Primary School.....	Roll based.....	2,113
St Patricks School.....	Roll based.....	3,312
Te Kura Kaupapa Maori.....	Roll based.....	687
Hadlow School.....	Roll based.....	2,338
Granny's Basket Reading Program.....		10,000
Literacy/Numeracy Day.....		600
Primary Swimming Sports.....	Pool Hire.....	2,850
One Day Centre.....		2,500
Primary Principals Initiative.....	Professional Development.....	97,232
Principals Fund.....	Principals Fund.....	4,835

**Secondary Schools ..... 123,848**

Chanel College.....	Roll based.....	4,875
Makoura College.....	Roll based.....	3,650
Solway College.....	Roll based.....	1,700
Te Kura Kaupapa Maori.....	Roll based.....	50
Wairarapa College.....	Roll based.....	13,250
Rathkeale College.....	Roll based.....	3,337
St Matthew's Collegiate.....	Roll based.....	4,287
Teen Parent Unit.....	Roll based.....	312
Intercollegiate Wearable Arts.....	Student prize pool.....	3,000
Students on Ice.....		5,000
Ray Avery Dinner.....		757
Chanel College.....	Gymnasium grant.....	30,000
Secondary Principals Initiative.....	Professional Development.....	53,630

**Tertiary ..... 142,930**

Alan MacDiarmid Scholarships.....	2 students.....	2,000
Tertiary Scholarships.....	244 Students.....	122,000
UCOL Wairarapa.....	Equipment Course Establishment.....	14,000
UCOL Wairarapa.....	Discretionary Assistance Fund.....	4,930



**COMMUNITY GRANTS .....301,610**

Access Radio Wairarapa.....	Airtime Et Training Fund.....	2,000
Destination Wairarapa.....	Membership.....	5,000
Enviroschools Foundation.....	Masterton contribution to Wairarapa Programme..	3,000
Henley Men's Shed.....	Ongoing learning support.....	1,000
Henley Trust 2003.....	Visitor education programme.....	1,000
King Street Artworks.....	Guest tutor/structural workshops.....	3,000
Masterton Community Toy Library.....	Purchase toys.....	1,500
Masterton Miniature Train Society.....	New boiler for Steam Train.....	5,000
Millennium Reserve.....	Ongoing development.....	2,000
NZ International Arts Festival.....	Art on the Move Programme 2012.....	10,000
Pukaha Mt Bruce.....	Enviro/conservation programs to students.....	2,500
Riversdale Beach Surf Lifesaving Club.....	Junior Nipper Programme.....	1,500
Royal NZ Plunket Society.....	Parenting skills support/course.....	4,000
SPELD Wairarapa Inc.....	Books/Audio resources.....	831
Sport Wellington Wairarapa.....	In-depth schools project.....	10,000
St James Play Gym.....	Equipment.....	1,000
Stopping Violence Services Wairarapa.....	Youth group anger management programme.....	4,000
Street Youth Ministries Trust.....	Ongoing costs.....	2,500
Sustainable Wairarapa.....	Reel earth environmental film festival.....	500
Vector Wellington Orchestra.....	Schools Et education programme.....	10,000
Wairarapa All Weather Track.....		20,000
Wairarapa Community Centre Inc.....	Repayable building grant.....	25,000
Wairarapa Mathematics Association.....	Masterton Schools.....	1,000
Wairarapa Stars Trust.....	Transition work/Life skills.....	2,000
Wairarapa Youth Concert Band.....	National championships New Plymouth.....	1,000
Wairarapa Workforce Deveopment Trust.....		25,000
Yarns in Barns.....		1,000

**Civic.....76,280**

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
Masterton District Council.....	Balloon Society Grant.....	5,000
Masterton District Council.....	Summer Entry Pool Grant.....	280

**Aratoi.....80,000**

Aratoi.....	Exhibition Grant.....	20,000
Aratoi.....	Opex Grant.....	60,000

**RENTAL GRANTS.....43,570**

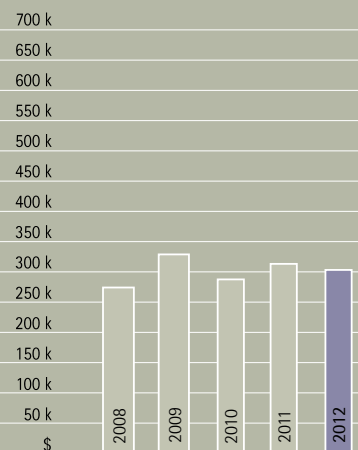
Guides NZ.....	Concessional rent.....	1,200
Harlequin Theatre.....	Concessional rent.....	12,500
Hiona Club.....	Concessional rent.....	1,320
Masterton Young Citizens Club.....	Concessional rent.....	11,050
Rangitane o Wairarapa.....	Concessional rent.....	12,500
Sport Wairarapa.....	Concessional rent.....	5,000

**NON-CASH GRANTS.....193,597**

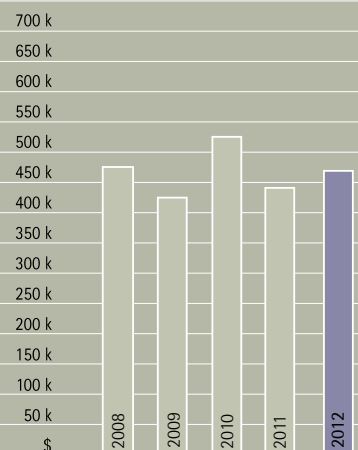
Community Centre.....	Concessional rent.....	12,397
Education Centre.....	Concessional rent.....	12,600
MIS Open Learning Centre.....	Concessional rent.....	5,000
Wairarapa Cultural Trust less Café.....	Concessional rent.....	163,600

**TOTAL GRANTS.....1,007,069**

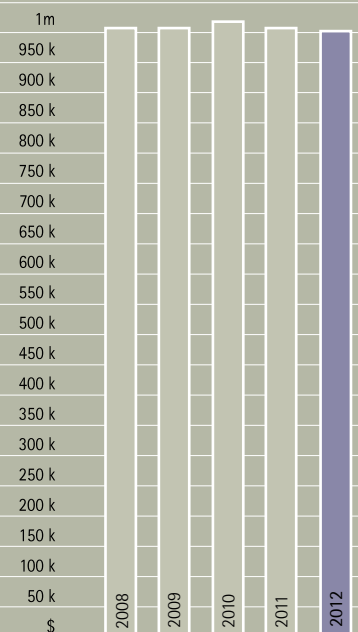
**COMMUNITY GRANTS**



**EDUCATIONAL GRANTS**



**TOTAL GRANTS**



## PROPERTY DEVELOPMENT

During the year the Trust completed a \$3 million redevelopment of its high-profile 3,000m<sup>2</sup> site on the corner of Chapel Street and Lincoln Road.

The redevelopment followed the demolition of Leecroft Chambers and the former McKenzies Carpet Court building after engineering assessments found that the buildings were earthquake prone and could not be strengthened and remain economically viable.

Stage one of the redevelopment was completed in August with construction of a purpose-built restaurant for new tenant Burger King on the 1,500m<sup>2</sup> corner site, including an outdoor dining area and drive-through.

Stage two saw longstanding tenant Lamberts Cycles move from Lincoln Road to a new 300m<sup>2</sup> destination retail store on Chapel Street, making use of the prominent Chapel Street position formerly occupied by Stewarts Electrical.

Last year longstanding tenant McKenzies Carpet Court moved to a new \$1.2 million bulk store, retail showroom and offices constructed by the Trust on its property at 57 Dixon Street.

The development demonstrates the Trust's policy of working with existing tenants to expand and assist their businesses, while growing the community assets in its care. Two longstanding tenants moved to vastly-improved premises that, together with Burger King's new tenancy, will bring increased returns, ultimately benefiting the Masterton community through grants.

### Property Stats

Address: 18 Lincoln Road - 47 Chapel Street

Area: 3,000m<sup>2</sup>

Valuation: \$6,400,000 (Includes Star Block)

Tenants: Burger King and Avanti Cycles







## PROPERTY

The Trust's policy of working with existing tenants to assist their businesses while growing its community-owned assets is well-illustrated by looking at Trust-owned property in Masterton's central business district (CBD).

A significant part of the Trust's property portfolio is situated within an 800 metre strip between Chapel and Dixon Streets in Masterton's CBD. Valued at almost \$24 million, the land and buildings in this area serve mostly retail and service tenants. They account for 41 per cent of the total value of Trust property.

In part two of a three-year presentation of all Trust property, the following three pages feature the land and buildings owned by the Trust in Lincoln Road and the north Chapel, Queen and Dixon Street areas.

Approximately 50 per cent of the tenants in the CBD have been with the Trust for more than 10 years, some many more. All of these tenants have either received major upgrades to their existing premises (e.g. Firestone, The Chemists) or relocated to new purpose-built developments within the area, allowing them to expand their business and serve customers better (e.g. Beaurepairs, Resene, Carpet Court, Avanti).

During the same time period the Trust has been successful in attracting new tenants to either fill vacancies or lease new purpose-built developments.

### CENTRAL CBD BLOCK

*between Renall & Bruce Streets + Lincoln Road*

	Full lease (ground & buildings)	Ground lease only
Square metres	25,847	11,417
2012 Valuation	\$21,190,000	\$2,491,000
Total Rental Income	\$368,137	\$143,137
Rate of Return	6.61%	5.75%



Trust Office  
187 Queen Street  
Valuation: \$680,000  
Land area: 507m<sup>2</sup>



PGG Wrightson  
38 Lincoln Road  
Valuation: \$1,490,000  
Land area: 4,123m<sup>2</sup>

6 Perry Street  
Valuation: \$165,000  
Land area: 794m<sup>2</sup>

27 Lincoln Road  
Valuation: \$225,000  
Land area: 1,190m<sup>2</sup>







1 Bruce Street (New World)  
Valuation \$1,620,000  
Land area: 4,701m<sup>2</sup>

Education Centre  
22 Dixon Street  
Valuation: \$220,000  
Land area: 228m<sup>2</sup>

10 Queen Street  
Valuation: \$525,000  
Land area: 2,833m<sup>2</sup>

13 Queen Street  
Valuation: \$140,000  
Land area: 576m<sup>2</sup>

105 - 119 Queen Street  
Valuation: \$341,000  
Land area: 1,323m<sup>2</sup>



Radio House  
5 Church Street  
Valuation: \$1,335,000  
Land area: 1,337m<sup>2</sup>

Repc  
42 Dixon Street  
Valuation: \$865,000  
Land Area: 1,148m<sup>2</sup>

Supercheap Auto  
115 Chapel Street  
Valuation: \$1,070,000  
Land area: 1,350m<sup>2</sup>



Carpet Court  
Beaupairs  
57 - 71 Dixon Street  
Valuation: \$2,330,000  
*Combined*  
Land area: 2,973m<sup>2</sup>





Burger King  
18 Lincoln Road

Avanti Cycles  
47 Chapel Street

Star Block  
78 Queen Street -  
12 Lincoln Rd

Valuation: \$6,400,000  
*Combined*

Land area: 6,241m<sup>2</sup>



The Chemists  
136 Queen Street  
Valuation: \$775,000  
Land area: 826m<sup>2</sup>





CENTRAL CBD BLOCK



Firestone  
1 Chapel Street  
Valuation: \$895,000  
Land area: 2,193m<sup>2</sup>



Aratoi  
10 Bruce Street  
Valuation: \$4,050,000  
Land area: 2,436m<sup>2</sup>





CHURCH STREET

DIXON STREET

Resene  
286 Queen Street  
Hell Pizza  
276 Queen Street  
Wairarapa Drycleaners  
4 Renall Street  
Valuation: \$1,080,000  
*Combined*  
Land area: 2,485m<sup>2</sup>



KEY  Full lease (ground & buildings)  
 Ground lease only

## TRUSTEES



Alan Sadler  
Chairman  
Elected 1989



John Bunny  
Deputy Chairman  
Property/Finance Committee Chair  
Elected 2007



Christine Brewster  
Grants Committee Chair  
Elected 2004



Heaton Haglund  
Property/Finance Committee Chair  
Elected 1998



Garry Daniell  
Elected 1988



Chris Peterson  
Elected 1998



Karl Taucher  
Elected 2001



Leanne Southey  
Elected 2010



Gary Percy  
Secretary/Manager



## GOVERNANCE

The Board of Trustees consists of eight members elected by voters living within the Masterton Small Farms Settlement boundaries. Four trustees retire at the each triennial local body election. There have been no changes to the board in the last 12 months.

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 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 Property/Finance Committee and the Grants Committee meet monthly. The Audit Committee meets as required.

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

### Other Trusteeships

Lands Trust Masterton also undertakes a number of other governance roles, supporting community organisations. The Trust is the sole trustee of the Masterton Community Centre Trust which owns the Masterton YMCA complex, and it oversees the Community Centre Trust.

Lands Trust Masterton also holds in trust scholarship funds on behalf of Golden C'Art and Wairarapa Tertiary Education. These are administered in accordance with an investment policy with scholarships paid annually.

Recipients for the year ended 31 March 2012 were:

#### **GOLDEN C'ART SCHOLARSHIP FUND**

Charities Commission registration no. CC36481

Scholarship: Daniel McAuley

#### **WAIRARAPA TERTIARY EDUCATION SCHOLARSHIP FUND**

Charities Commission registration no. CC30095

Joan Stone Scholarship: Tammy Wilson

Fletcher Challenge Scholarship: Jody Marshall

## CHANGE OF NAME



The Masterton Trust Lands Trust's new trading name is 'Lands Trust Masterton'. The change simplifies what was sometimes a confusing name and more clearly reflect the nature of its work. The new name also places greater emphasis on the word 'Lands' which is the reason the trust exists – to carry on the work of Masterton's early settlers who secured land to assist the town's future generations.

'Masterton Trust Lands Trust' will remain the formal, legal name of the Trust which operates under an act of Parliament 'Masterton Trust Lands Act 2003'.



**Statement of Financial Performance**

For the year ended 31 March 2012

Notes	2012	2011
	\$	\$
<b>Revenue</b>		
Rental Income	3,884,643	3,663,050
Other Income	<u>2,935</u>	<u>3,724</u>
Total Operating Revenue	3,887,578	3,666,774
<b>Operating Expenditure</b>		
Property Expenses	582,071	367,719
Administration Expenses	422,550	456,009
Depreciation	2 <u>7,464</u>	<u>6,877</u>
Total Operating Expenditure before Interest	<u>1,012,085</u>	<u>830,605</u>
<b>OPERATING SURPLUS BEFORE INTEREST</b>	2,875,493	2,836,169
Interest Received	6,342	9,753
Interest Payable	<u>1,313,823</u>	<u>1,253,227</u>
	<u>1,307,481</u>	<u>1,243,474</u>
<b>OPERATING SURPLUS</b>	1,568,012	1,592,695
Increase/(Decrease) in Revaluation of Investment Properties	3 (2,393,415)	1,180,325
Less Grants	4 <u>(813,472)</u>	<u>(802,661)</u>
<b>NET SURPLUS (DEFICIT) TO EQUITY</b>	<b><u>(1,638,875)</u></b>	<b><u>1,970,359</u></b>

**Statement of Movements in Equity**

For the year ended 31 March 2012

	2012	2011
	\$	\$
<b>Equity</b>		
Equity at the Start of the Period	40,419,854	38,443,845
Net Surplus (Deficit) for the Period	(1,638,875)	1,970,359
Increase (Decrease) in Revaluation Reserve	<u>(19,400)</u>	<u>5,650</u>
Total Recognised Revenues & Expenses for period	(1,658,275)	1,976,009
<b>Equity at the end of the Period</b>	<b><u>38,761,579</u></b>	<b><u>40,419,854</u></b>
Equity comprises:		
<b>Revaluation Reserve Trust Building</b>		
Opening Balance	83,323	77,673
Revaluation Movement	<u>(19,400)</u>	<u>5,650</u>
Closing balance	63,923	83,323
<b>Retained earnings</b>		
Opening Balance	40,336,531	38,366,172
Net Surplus (Deficit)	<u>(1,638,875)</u>	<u>1,970,359</u>
Closing balance	38,697,656	40,336,531
<b>Equity at the end of the Period</b>	<b><u>38,761,579</u></b>	<b><u>40,419,854</u></b>

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

**Statement of Financial Position**

For the year ended 31 March 2012

	Notes	2012	2011
		\$	\$
<b>Current Assets</b>			
Short Term Investment	5	848	2,579
Accounts Receivable		22,282	12,891
Prepayments		174,127	60,060
GST		-	<u>114,891</u>
		197,257	190,421
<b>Non Current Assets</b>			
Investment Land & Buildings	3	57,932,501	56,511,653
Fixed Assets	2	718,195	<u>741,580</u>
		<u>58,650,696</u>	<u>57,253,233</u>
<b>TOTAL ASSETS</b>		<b><u>58,847,953</u></b>	<b><u>57,443,654</u></b>
<b>Current Liabilities</b>			
Bank Accounts	5	218,697	181,923
Accounts Payable		214,339	743,978
Accruals		13,716	-
Interest Accrued		111,488	60,854
GST		25,975	-
Rent in Advance		-	990
Entitlements		124,068	92,964
Current Portion of Term Liabilities		<u>9,350,000</u>	<u>5,000,000</u>
		10,058,283	6,080,709
<b>Non Current Liabilities</b>			
ANZ	6	<u>19,378,091</u>	<u>15,943,091</u>
		19,378,091	15,943,091
Less Current Portion of Term Liabilities		<u>9,350,000</u>	<u>5,000,000</u>
		<u>10,028,091</u>	<u>10,943,091</u>
<b>TOTAL LIABILITIES</b>		20,086,374	17,023,800
<b>NET ASSETS</b>		<b><u>38,761,579</u></b>	<b><u>40,419,854</u></b>
<b>EQUITY</b>		<b><u>38,761,579</u></b>	<b><u>40,419,854</u></b>

Chairman



J A Sadler

Deputy Chairman



J B Bunny

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

**Statement of Cash Flows**

for the year ended 31 March 2012

	Notes	2012	2011
		\$	\$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash inflows from:			
Rental income		3,874,262	3,666,145
Other income		2,935	
Interest received		6,342	9,753
GST (net)		<u>140,863</u>	<u>(145,955)</u>
		4,024,402	3,529,943
Cash outflows for:			
Payments to suppliers and employees		945,037	754,909
Interest paid		<u>1,263,188</u>	<u>1,245,475</u>
		2,208,225	2,000,384
Net Cash Inflow/(Outflow) from Operating Activities	1	1,816,177	1,529,559
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Cash was disbursed on:			
Prepayments		114,067	(46,529)
Payments for Investment Buildings		4,345,916	1,381,160
Payments for Fixed Assets		<u>3,479</u>	<u>2,559</u>
		4,463,462	1,337,190
Net Cash Inflow/(Outflow) from Investing Activities		(4,463,462)	(1,337,190)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Cash was provided from:			
Borrowed this year		<u>3,935,000</u>	<u>1,000,000</u>
		3,935,000	1,000,000
Cash was disbursed on:			
Grants		826,220	793,592
Loan Repayments this year		<u>500,000</u>	<u>368,157</u>
		1,326,220	1,161,749
Net Cash Inflow/(Outflow) from Financing Activities		<u>2,608,780</u>	<u>(161,749)</u>
Movement in Cash		(\$38,505)	\$30,620
Opening Cash Balance		(179,344)	(209,964)
Closing Cash Balance		<b><u>(\$217,849)</u></b>	<b><u>(\$179,344)</u></b>
made up as follows			
ANZ Bank		(218,697)	(181,923)
ANZ Bank 20 Account		<u>848</u>	<u>2,579</u>
		<b><u>(\$217,849)</u></b>	<b><u>(\$179,344)</u></b>



## Statement of Accounting Policies for the year ended 31 March 2012

### 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 2012 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 2012 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 2012 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 2012

### 1 RECONCILIATION OF REPORTED SURPLUS (LOSS) TO NET CASHFLOW FROM OPERATING ACTIVITIES

	2012	2011
Reported Net Surplus/(Deficit) to Equity	(1,638,875)	1,970,359
Add non-cash items:		
Depreciation	7,464	6,877
Other Non-cash Items		
Increase/Decrease in Asset Revaluation Investment Properties	2,393,415	(1,180,325)
Increase/Decrease movements in other working capital items:		
Increase/Decrease in Payables	28,480	(9,820)
Decrease/Increase in Receivables	(9,391)	(10)
Increase in Accruals	80,749	85,772
Increase/ Decrease in GST	140,863	(145,955)
Items classified as investing activities:		
Gain on Disposal of Properties	-	-
Items classified as financing activities:		
Grants Distributed	<u>813,472</u>	<u>802,661</u>
Net Cash Inflow/(Outflow) from Operating Activities	<u><b>1,816,177</b></u>	<u><b>1,529,559</b></u>

### 2 FIXED ASSETS AND DEPRECIATION

Cost or valuation	Furniture and Office Equipment	Trust Office Land	Trust Office Improvements	Total
Balance 1 April 2011	114,101	175,000	560,000	849,101
Additions	3,479	-	-	3,479
Revaluation increase (decrease)	-	-	(25,000)	(25,000)
Cost or valuation at 31 March 2012	<u>117,580</u>	<u>175,000</u>	<u>535,000</u>	<u>827,580</u>
Balance 1 April 2010	111,542	170,000	565,000	846,542
Additions	2,559	-	-	2,559
Revaluation increase (decrease)	-	5,000	(5,000)	-
Cost or valuation at 31 March 2011	<u>114,101</u>	<u>175,000</u>	<u>560,000</u>	<u>849,101</u>
<b>Accumulated depreciation</b>				
Balance 1 April 2011	107,521	-	-	107,521
Depreciation expense	1,864	-	5,600	7,464
Adjustment of revaluation	-	-	(5,600)	(5,600)
Accumulated depreciation at 31 March 2012	<u>109,385</u>	<u>-</u>	<u>-</u>	<u>109,385</u>
Balance 1 April 2010	106,294	-	-	106,294
Depreciation expense	1,227	-	5,650	6,877
Adjustment of revaluation	-	-	(5,650)	(5,650)
Accumulated depreciation at 31 March 2011	<u>107,521</u>	<u>-</u>	<u>-</u>	<u>107,521</u>
<b>Net Book Value at 31 March 2012</b>	<u><b>8,195</b></u>	<u><b>175,000</b></u>	<u><b>535,000</b></u>	<u><b>718,195</b></u>
Net Book Value at 31 March 2011	6,580	175,000	560,000	741,580

### 3 INVESTMENT LAND AND BUILDINGS

	2012	2011
Opening value of investment Land and Buildings	56,511,653	53,334,000
Plus additions to Portfolio	3,814,263	761,675
Plus Work in Progress		1,235,653
Plus increase/(decrease) in Revaluation	<u>(2,393,415)</u>	<u>1,180,325</u>
Closing Balance	<u><b>57,932,501</b></u>	<u><b>56,511,653</b></u>

### 4 CASH GRANTS

	2012	2011
Community Grants	345,180	357,783
Education Grants	<u>468,292</u>	<u>444,878</u>
<b>Total Cash Grants</b>	<u><b>813,472</b></u>	<u><b>802,661</b></u>

## Note Disclosures continued

<b>5 BANK ACCOUNTS</b>	<b>2012</b>	<b>2011</b>
ANZ Current Account	(218,697)	(181,923)
ANZ 20 Account	848	2,579
	<u>(217,850)</u>	<u>(179,344)</u>

<b>6 BANK LOANS</b>	<b>2012</b>	<b>2011</b>
The loans are repayable as follows:		
Within 1 year	9,350,000	5,000,000
1 - 2 years	5,028,091	6,000,000
2 - 5 years	5,000,000	4,943,091
	<u>19,378,091</u>	<u>15,943,091</u>

All term borrowings are bank loans. Interest rates for these borrowings are a combination of floating and fixed rates based on BKBM 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 2012 financial year.

The weighted cost of funding on term borrowings is 6.79% (2011: 7.67%).

<b>7 POLICIES IN ACCORDANCE WITH MTLT ACT 2003, CL 17</b>	<b>2012</b>	<b>2011</b>
Policy requires the Trustees to maintain a ratio of Debt to Debt plus Equity of no more than 40%.	32.8%	28.3%
The Trustees will maintain an interest cover of no less than two. The interest cover calculation is to exclude grants and upward property revaluation.	2.21	2.28

<b>8 COMMITMENTS</b>	
The Trust has capital commitments of Nil as at 31 March 2012 (2011: \$802,757)	

<b>9 CONTINGENT LIABILITIES</b>	
The Trust has no contingent liabilities as at 31 March 2012 (2011: Nil)	

<b>10 EXPENDITURE INCLUDES THE FOLLOWING</b>	<b>2012</b>	<b>2011</b>
Audit fees	15,645	16,206
Trustees fees	59,903	58,750
Bad Debts	8,734	18,836

<b>11 RELATED PARTIES</b>	
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.	

<b>12 TOTAL REVENUES</b>	<b>2012</b>	<b>2011</b>
Operating	3,893,919	3,676,527
Increase/(Decrease) in Asset Revaluation Investment Properties	(2,393,415)	1,180,325
	<u>1,500,504</u>	<u>4,856,852</u>



# INDEPENDENT AUDIT REPORT

## To the readers of Masterton Trust Lands Trust's financial statements for the year ended 31 March 2012

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

We have audited the financial statements of the Trust on pages 14 to 19, that comprise the statement of financial position as at 31 March 2012, the results of its operations and cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

### 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 2012; and
  - > the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 20 August 2012. This 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 our responsibilities, and we explain our independence.

### Basis of opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and carry out our audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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.

An audit involves carrying out procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the preparation of the Trust's financial statements that fairly reflect the matters to which they relate. We consider internal control 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.

An audit also involves evaluating:

- > the appropriateness of accounting policies used and whether they have been consistently applied
- > the reasonableness of the significant accounting estimates and judgements made by the Trustees;
- > the adequacy of all disclosures in the financial statements; and
- > the overall presentation of the financial statements.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements. We have obtained all the information and explanations we have required and we believe we have obtained sufficient and appropriate audit evidence to provide a basis for our audit opinion.

### Responsibilities of the Trustees

The Trustees are responsible for preparing financial statements that:

- > comply with generally accepted accounting practice in New Zealand; and
- > fairly reflect the Trust's financial position, financial performance and cash flows.

The Trustees are also 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.

The Trustees' responsibilities arise from schedule 2, clause 32 of the Masterton Trust Lands Act 2003.

### Responsibilities of the Auditor

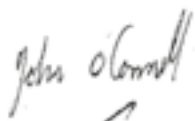
We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you based on our audit. Our responsibility arises from section 15 of the Public Audit Act 2001 and section 32 of the Masterton Trust Lands Act 2003.

### Independence

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

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.





In its first full year, the early childhood sector professional development initiative for teachers received \$40,620 from the Trust.





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

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