

**MASTERTON
TRUST LANDS
TRUST**
ANNUAL
REPORT
[2014]



LANDS TRUST MASTERTON - 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.

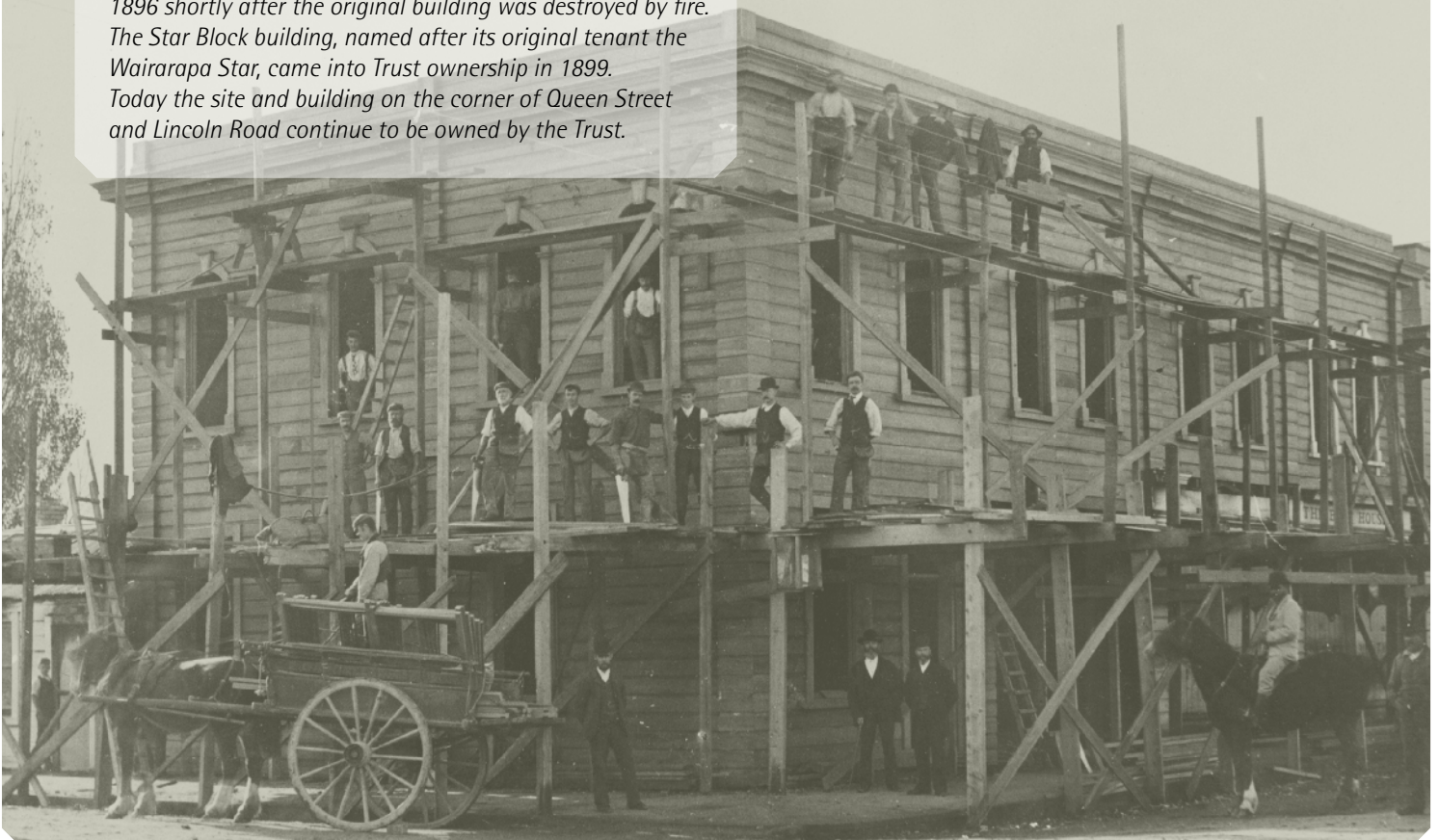
RECORDING HISTORY:

During 2013 archivist Pauline Porteous recorded an oral history of former Trustees' Helen Dashfield, Owen Prior, Alan Sadler and Garry Daniell involvement with the Trust. In addition, Alan Henderson author of 'Fortuitous Legacy' which covered the Trust's history until 1997, was commissioned to collate Trust records since then to be archived for future use.

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IMAGE: Reconstruction of the Star Block on Trust land in 1896 shortly after the original building was destroyed by fire. The Star Block building, named after its original tenant the Wairarapa Star, came into Trust ownership in 1899. Today the site and building on the corner of Queen Street and Lincoln Road continue to be owned by the Trust.



In partnership with the Trust, Rangitāne o Wairarapa is reinstating the former trout hatchery on Trust land adjacent to Millenium Reserve on Pownall Street.

THE YEAR IN REVIEW

Operating Surplus	\$1.6 million	Up 2%
Rental Income	\$4.2 million	Up 4.4%
Equity	\$38.8 million	Down 1%
Total Assets	\$63.6 million	Up 1.4%
Debt Ratio	38.3%	36.2% (2013)
WALT (Weighted Average Lease Term)	5.3 years	4.8 years (2013)
Total Grants	\$1.03 million	Up 1%

CHAIRMAN'S REPORT

Contributions to educational, cultural and community initiatives of more than \$1 million benefitted large sections of the Masterton community during the year. In-kind support for a range of community organisations through facilitation, knowledge transfer and stewardship enhanced this. After several years of active investment in new property, particularly demolishing and replacing earthquake-prone buildings, building activity over the year was limited to existing property upgrades and decisions on two new developments.



GRANTS

Grants distributed to the Masterton community were maintained above \$1 million for the seventh consecutive year. Support for all levels of the education sector, from early childhood to tertiary, benefitted the vast majority of Masterton students and teachers with \$441,584 granted to schools and collaborative initiatives.

Roll-based grants to early childhood education providers and schools were maintained at last year's levels. The tertiary scholarships' contribution decreased on the year before with a total of \$83,300 awarded to 167 students. This was due to fewer applications and pressure on the total grants budget which lessened the individual scholarship values.

The Trust was honoured to receive a Special Award from the UCOL Council recognising its extensive contribution over many years to local education, its valued role in the community and its ongoing support of UCOL Wairarapa.

The community grants programme continued to attract a wide range of applications from non-profit organisations operating in Masterton. A total of \$135,152 was granted to 35 community organisations with an additional \$140,829 going to civic projects and Aratoi.

The Trust supported two major one-off projects that will provide enduring benefits to the community. The attractive new Masterton Town Square received a \$25,000 contribution and \$20,000 granted to the new Motorplex drag strip helped develop a long-term asset that will contribute to the economy through event visitors.

A cluster of arts and cultural events enriched the community, assisted by Trust grants. They included the 2014 New Zealand Arts Festival brought to Masterton, the Wairarapa Arts Festival Trust's Kokamai Creative Festival and the touring Orchestra Wellington concert. Matariki celebrations, the Glistening Waters Storytelling Festival and Yarns in Barns also received assistance.

A \$30,000 grant funded a major water safety and learn-to-swim programme for children and a week's public swimming at the Masterton pool complex. The joint initiative between the Trust and Community Leisure Management saw more than 450 children receive water safety education or swimming lessons. Not limited to cash grants, Trust support for the community extended to adding value to projects and initiatives in a number of other ways, using expertise and experience gained from our own activity. Much of this work is behind the scenes and this year included supporting facilitation of newly aligned agreements and constitutions of the five organisations that fund Aratoi. Experience gained through its own work to address earthquake issues for buildings was used to initiate and fund earthquake engineering reviews of the Solway Showgrounds grandstand and MATTs building to enable both organisations to plan for their futures. The previously unused property adjacent to Millennium Reserve in Pownall Street was made available for use by Rangitāne o Wairarapa for a range of new initiatives including reinstating the former trout hatchery, planting and kapa haka. We look forward to working in partnership with Rangitāne on further developing the property. The Trust participated in discussions with other major funders in Masterton about common issues and interests, and we look forward to working more closely with them in future.

FINANCE

The year produced a strong financial result with Trust assets increasing by 1.4 percent to a record level of \$63.6 million and rental income increasing by more than four percent. This reflects continued investment in replacement and improvement of existing properties in recent years.

The Trust achieved its required ratios and met its covenants. Operating surplus increased by two percent and equity decreased slightly.

While the extensive programme of structural assessment, demolitions, replacement buildings and strengthening work since 2011 has not generally provided an immediate return or more rental value, it has allowed rentals and tenants to be maintained, as opposed to leaving properties vacant.

We also recognise that investment in building safety with no immediate increase in rental value is likely to mean that financial covenants are pushed close to their limits in future. This will be carefully monitored. The essential work of making Trust buildings safe for both tenants and the community was considered equally important to the level of grants, which are consequently not expected to increase in the short term.

PROPERTY

The year saw further progress made towards the completion of two major property upgrades and signalled the start of consolidation of the property portfolio after several years of intense activity.

The final stage in the major redevelopment of the Dixon and Church Street corner site began with commissioning a new single-storey building for new tenant, rural insurer FMG. This will complete the development begun in 2007 with Beaurepaires, followed by McKenzie's Carpet Court in 2011.

More than one hundred years after it was built, the former Seddon Memorial Technical School building on the corner of Dixon and Church Streets is to be strengthened and restored for a new tenant – the Lone Star franchisee for Wairarapa.

Badly weakened in the 1942 Wairarapa earthquake, the brick building will be strengthened to 100 percent of the building code. The Lone Star and FMG projects will be completed during the next financial year.

The building at 27 Lincoln Road formerly occupied by Lamberts Cycles, the Ambassador Lounge and earlier the Masterton Printing Company, was demolished. The empty space, adjacent to Lands Trust Masterton Park, is now held for future development.

The Lands Trust building at 189 Queen Street was upgraded for new tenant Ngāti Kahungunu ki Wairarapa which was attracted to the space partly due to community synergies with the Trust.

The Trust purchased the ground lease for the property on the Dixon and Russell Street corner occupied by Mills Brothers. This will enable consolidation of the entire corner site for future development.

Trust property withstood two major natural events during the year. Storms in October caused damage to roofs on a number of properties at a cost of \$40,000. The magnitude 6.2 earthquake near Eketahuna in January 2014, felt strongly in Masterton, caused no damage to Trust buildings which reacted as they were designed to.

Excellence in architecture and design of Waiata House by Proarch Architects was recognised with a Wellington Architecture Award from the New Zealand Institute of Architects. Builder Rigg-Zschokke received a Bronze Master Builders award for the same building. We congratulate both contractors for this well-deserved recognition.

GOVERNANCE

The local body elections and retirement of Chairman Alan Sadler brought changes in Trust governance during the year.

Every three years, four of the eight trustees are elected by the community at the local body election. John Bunney and Karl Taucher were re-elected and we were joined by new trustees Rick Long and Sandy Ryan. Following the election, John Bunney was elected Chairman and Leanne Southey Deputy Chair.

After 24 years of service, ten of those as chairman, Alan Sadler stood down as Chairman at the Annual General Meeting in August 2013 and retired at the October election. We also said goodbye to long-serving trustee since 1988, Garry Daniell. The contributions of these two Trustees have been immense and we thank them both for their dedication and work during a challenging but successful period for the Trust.

THANKS

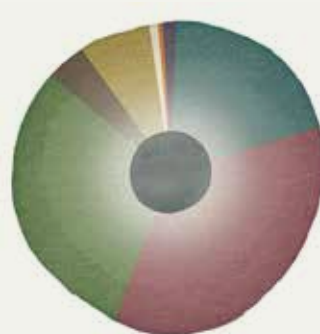
I would like to extend my sincere thanks to the many people who have worked for and alongside the Trust this year to achieve its objectives. Secretary/Manager Gary Percy and his small team do an outstanding job in the management of all Trust activity. Thank you also to the professional advisors, and design and building contractors who work closely with the Trust team to achieve results of a consistently high standard.

J R Bunney *Chairman*

Rental Income by Use



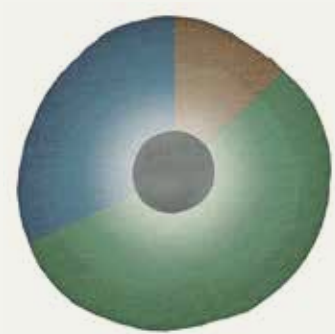
Property Use by Area



Property Use by Value



Tenant Ownership



Retail	75.2%
Ground	19.3%
Educational	1.8%
Recreational	0.6%
Industrial	2.1%
Residential	0.2%
Community	0.7%

Rent Free	1.0%
Retail	20.4%
Ground	36.4%
Educational	7.5%
Recreational	29.7%
Industrial	4.1%
Residential	0.3%
Community	0.5%

Rent Free	6.4%
Retail	57.3%
Ground	30.1%
Educational	2.5%
Recreational	1.3%
Industrial	1.9%
Residential	0.2%
Community	0.3%

International	13%
Local	55%
National	33%



EDUCATION

TOTAL GRANTS DISTRIBUTED TO THE MASTERTON COMMUNITY WERE MAINTAINED ABOVE \$1 MILLION FOR THE SEVENTH CONSECUTIVE YEAR. SUPPORT FOR ALL LEVELS OF THE EDUCATION SECTOR, FROM EARLY CHILDHOOD TO TERTIARY, BENEFITTED THE VAST MAJORITY OF MASTERTON STUDENTS AND TEACHERS WITH \$441,584 GRANTED TO SCHOOLS AND COLLABORATIVE INITIATIVES.

SPECIAL AWARD ▲

Lands Trust Masterton received a Special Award from the Universal College of Learning (UCOL) Council in recognition of its extensive contribution to education in Wairarapa, its valued role in the community and its ongoing support of UCOL. During the year \$24,187 was granted to UCOL and 167 eligible students received tertiary scholarships.

CHEMISTRY SCHOLARSHIP ▼

Christine Brewster, Grants Committee Chair, with the 2013 Alan MacDiarmid Scholarship recipient, William Rogerson, who is studying for a Bachelor of Bio Medical Sciences at Auckland University.





DEVELOPING TEACHERS \triangle

Trust-funded collaborative initiatives providing professional development for teachers continued in the early childhood, primary/intermediate and secondary sectors. Primary/intermediate Lead Maths Teachers up-skilled in extension activities and problem solving, and in turn led professional development for teachers in their own schools.

ENVIRONMENTAL EDUCATION ∇

A \$5,000 grant supported environmental education programmes for early childhood and school groups at Pukaha Mount Bruce. School groups regularly visit the internationally-significant wildlife centre to get up close and personal with some of New Zealand's most endangered species and learn how they are being restored to the native forest.



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

EDUCATIONAL GRANTS 441,584

EARLY CHILDHOOD..... 94,393

Kahurangi All Day Kindergarten.....	Roll based.....	783
Ko Te Aroha.....	Roll based.....	918
Lansdowne Kindergarten.....	Roll based.....	1,458
Lansdowne Playcentre.....	Roll based.....	216
Makoura Early Childhood Centre.....	Roll based.....	1,620
Manaia Kindergarten.....	Roll based.....	1,080
Masterton Christian Childcare Centre.....	Roll based.....	999
Te Kohanga Reo O Ngati Hamua.....	Roll based.....	1,215
UCOL Wairarapa Childcare.....	Roll based.....	1,188
Una Williams Kindergarten.....	Roll based.....	972
Wahi Reka Te Kohanga Reo.....	Roll based.....	1,161
West Kindergarten.....	Roll based.....	864
West Playcentre.....	Roll based.....	1,539
York Street Kindergarten.....	Roll based.....	1,080
Early Childhood Initiative.....		79,300

PRIMARY/INTERMEDIATE SCHOOLS..... 133,843

Douglas Park School.....	Roll based.....	5,009
Fernridge School.....	Roll based.....	2,228
Hadlow School.....	Roll based.....	797
Lakeview School.....	Roll based.....	5,589
Masterton Primary School.....	Roll based.....	3,065
Masterton Intermediate School.....	Roll based.....	5,468
Solway Primary School.....	Roll based.....	2,606
St Patrick's School.....	Roll based.....	3,105
Te Kura Kaupapa Maori.....	Roll based.....	2,457
Primary Principals Initiative.....	Professional Development.....	99,522
Principals Fund.....	Principals Fund.....	4,000

SECONDARY SCHOOLS 102,861

Chanel College.....	Roll based.....	4,509
Makoura College.....	Roll based.....	3,996
Solway College.....	Roll based.....	1,944
St Matthew's Collegiate.....	Roll based.....	4,766
Teen Parent Unit.....	Roll based.....	378
Wairarapa College.....	Roll based.....	13,217
Intercollegiate Wearable Arts.....	Student prize pool.....	1,500
Reap business experience.....		5,500
Wairarapa Mathematics Association.....	Student prize pool.....	1,000
Secondary Principals Initiative.....	Professional Development.....	66,052

TERTIARY..... 110,487

Alan McDiarmid Scholarship.....	1 student.....	3,000
Tertiary Scholarships.....		83,300
UCOL Wairarapa.....	Discretionary Assistance Fund.....	24,187

NON-CASH GRANTS..... 188,000

Wairarapa Cultural Trust.....	Concessional rent.....	188,000
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The Lands Trust Masterton district was defined by legislation in 1871 for the purpose of Trustee elections. This area encompassed the original Masterton Town Acres and suburban sections and determined where the Trust's proceeds could be distributed. Today, all beneficiaries must have resided or operated within this district.

COMMUNITY GRANTS 397,149

COMMUNITY GROUPS 135,152

Access Radio Wairarapa.....	School broadcast service.....	3,000
Autism New Zealand.....	Courses/strategies to enable support/teaching.....	2,000
Citizens Advice Bureau.....	Training volunteers.....	1,000
Enviroschools Foundation.....	Teacher professional development & early childhood.....	3,000
Friends of Millennium Reserve.....	Signage, leaflets & tool replacements.....	2,000
Genesis Energy Recreation Centre.....	Free swimming programme.....	26,087
He Kahui Wairarapa Inc.....	Whiti te Ra & community workshops.....	4,000
Henley Men's Shed Inc.....	Support for ongoing activities.....	2,500
Henley Trust 2003.....	Walking tracks & wetlands.....	2,000
King Street Artworks.....	Programme of structured workshops.....	4,500
Learn'n'Live Ministries Charitable Trust.....	Equipment for Camp Anderson.....	1,000
Learning Disabilities Assn.....	Assessment, tuition and reassessments for students.....	4,000
Literacy Wairarapa.....	Upskilling literacy and numeracy.....	5,000
Masterton Agricultural & Pastoral Assn.....	Seismic assessment of grandstand.....	4,800
Masterton Amateur Theatrical Soc.....	Building feasibility & engineer assessment.....	10,000
Masterton Community Toy Library Inc.....	Purchase of toys.....	2,000
Masterton Young Citizens Club.....	Ongoing maintenance.....	3,000
New Zealand Festival.....	2014 Masterton programme.....	5,000
Ngati Kahungunu ki Wairarapa.....	Matariki 2013.....	3,000
NZ Council of Victim Support.....	Service delivery for victims.....	1,000
NZ Guides Association.....	Hall carpeting.....	1,295
Orchestra Wellington.....	Arohanui Strings Holiday Programme.....	5,000
Pukaha Mount Bruce.....	Environmental & conservation programmes.....	5,000
Riversdale Surf Life Saving Club.....	Nippers programme.....	2,000
Royal NZ Plunket Society.....	Parenting skills courses, support & advice.....	3,000
Shear History Trust.....	Education resources & library construction.....	3,000
Sport Wellington Wairarapa.....	In-depth schools project.....	10,000
Sport Wellington Wairarapa.....	Swimming lessons.....	2,470
Street Youth Ministries Trust.....	On-going running costs.....	3,500
Wairarapa Arts Festival Trust.....	Kokomai Creative Festival.....	5,000
Wairarapa Fern & Thistle Pipe Band.....	Players to 2014 RNZPBA Summer School.....	1,000
Wairarapa Health History Group.....	150 years health services in Wairarapa book.....	1,500
Wairarapa Kaumatua Council.....	Advocacy services, youth and families in crisis.....	1,000
Wairarapa Maori Women's Welfare League.....	Whanau support services.....	1,000
Wairarapa Parents Centre.....	Newsletters.....	500
Yarns in Barns.....	Festival in reading.....	1,000

CIVIC 19,600

Masterton District Council.....	Supplement civic events.....	3,600
Masterton District Council.....	Purchase library materials.....	16,000

ARATOI..... 127,647

Aratoi.....	Exhibition Grant.....	20,000
Aratoi.....	Opex Grant.....	101,229
Aratoi.....	Contribution to redrafting constitution.....	6,418

SPECIAL GRANTS..... 77,500

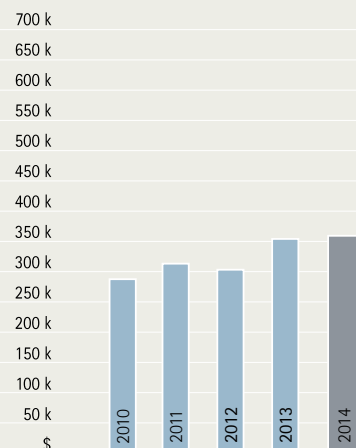
Wairarapa Building Society Charitable Trust.....	Town Square.....	25,000
Masterton Motorplex.....	Contribution to construction of strip.....	20,000
Makoura College.....	Upgrade library.....	25,000
Workforce Development Trust.....	For future-me careers event.....	2,500
T Hullena.....	Assistance with Harvard Leadership programme.....	4,000
P Mathews.....	Assistance with attending AERA Conference.....	1,000

RENTAL GRANTS..... 37,250

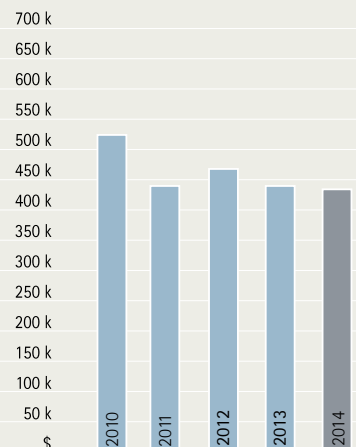
Te Kura A Rangi Trust.....	Concessional rent.....	12,500
Harlequin Theatre.....	Concessional rent.....	12,500
Masterton Young Citizens Club.....	Concessional rent.....	11,050
Girl Guides.....	Concessional rent.....	1,200

TOTAL GRANTS..... 1,026,733

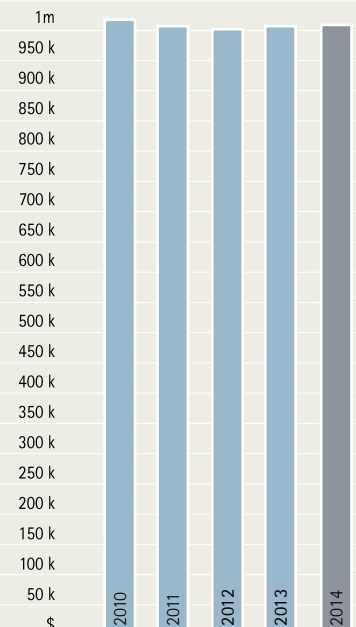
COMMUNITY GRANTS



EDUCATIONAL GRANTS



TOTAL GRANTS



COMMUNITY

THE COMMUNITY GRANTS PROGRAMME CONTINUED TO ATTRACT A WIDE RANGE OF APPLICATIONS FROM NON-PROFIT ORGANISATIONS OPERATING IN MASTERTON. A TOTAL OF \$135,152 WAS GRANTED TO 35 COMMUNITY ORGANISATIONS WITH AN ADDITIONAL \$140,827 GOING TO CIVIC PROJECTS AND ARATOI.



TOWN SQUARE ▽

The Trust made a \$25,000 contribution to the development of a new Town Square for Masterton. Since its opening in December 2013, the landscaped open space has hosted numerous community events and been enjoyed by many.

ARATOI AGREEMENT △

Lands Trust Masterton, Aratoi Regional Trust and Masterton District Council together reviewed, aligned and updated their agreements and arrangements for support of Aratoi – Wairarapa Museum of Art and History. Facilitated by the Trust, which owns Aratoi's land and buildings, this process also involved the Aratoi Foundation and Friends of Aratoi. The Trust also provides annual funding and rental concessions valued at more than \$240,000.

Pictured (from left) are Aratoi Foundation Chairman Bob Francis, Friends of Aratoi Chair Jo Beetham and Aratoi Regional Trust Chairman Frazer Mailman.





PRESERVING HERITAGE ▽

St Patrick's School welcomed part of its heritage that was reconstructed from the school's former Trust-owned, severely earthquake-prone building. The Trust salvaged the eight-metre high brick wall and other features during the demolition of the old building in 2013, then repaired and reconstructed it on the current school site.

DRAG STRIP ▲

A \$20,000 contribution assisted the Masterton Motorplex Drag Racing Club achieve its long-held goal to build a state-of-the-art drag strip. In February 2014 the first of many meets at the new venue attracted more than 200 competitors and a host of visitors to the region. The new asset will bring long-term economic and recreational benefits to Masterton.



PROPERTY

THE 2014 YEAR SAW FURTHER PROGRESS MADE TOWARDS THE COMPLETION OF TWO MAJOR PROPERTY UPGRADES AND SIGNALLED THE START OF CONSOLIDATION OF THE TRUST'S PROPERTY PORTFOLIO AFTER SEVERAL YEARS OF INTENSE ACTIVITY.



AWARD WINNING △

Excellence in architecture and design of Waiata House at 27 Lincoln Road by Proarch Architects was recognised with a Wellington Architecture Award from the New Zealand Institute of Architects. Builder Rigg-Zschokke received a Bronze Master Builders award for the building which was built and opened last year.

189 QUEEN STREET ▽

The Lands Trust building at 189 Queen Street was upgraded for new tenant Ngāti Kahungunu ki Wairarapa which was attracted to the space partly due to community synergies with the Trust.





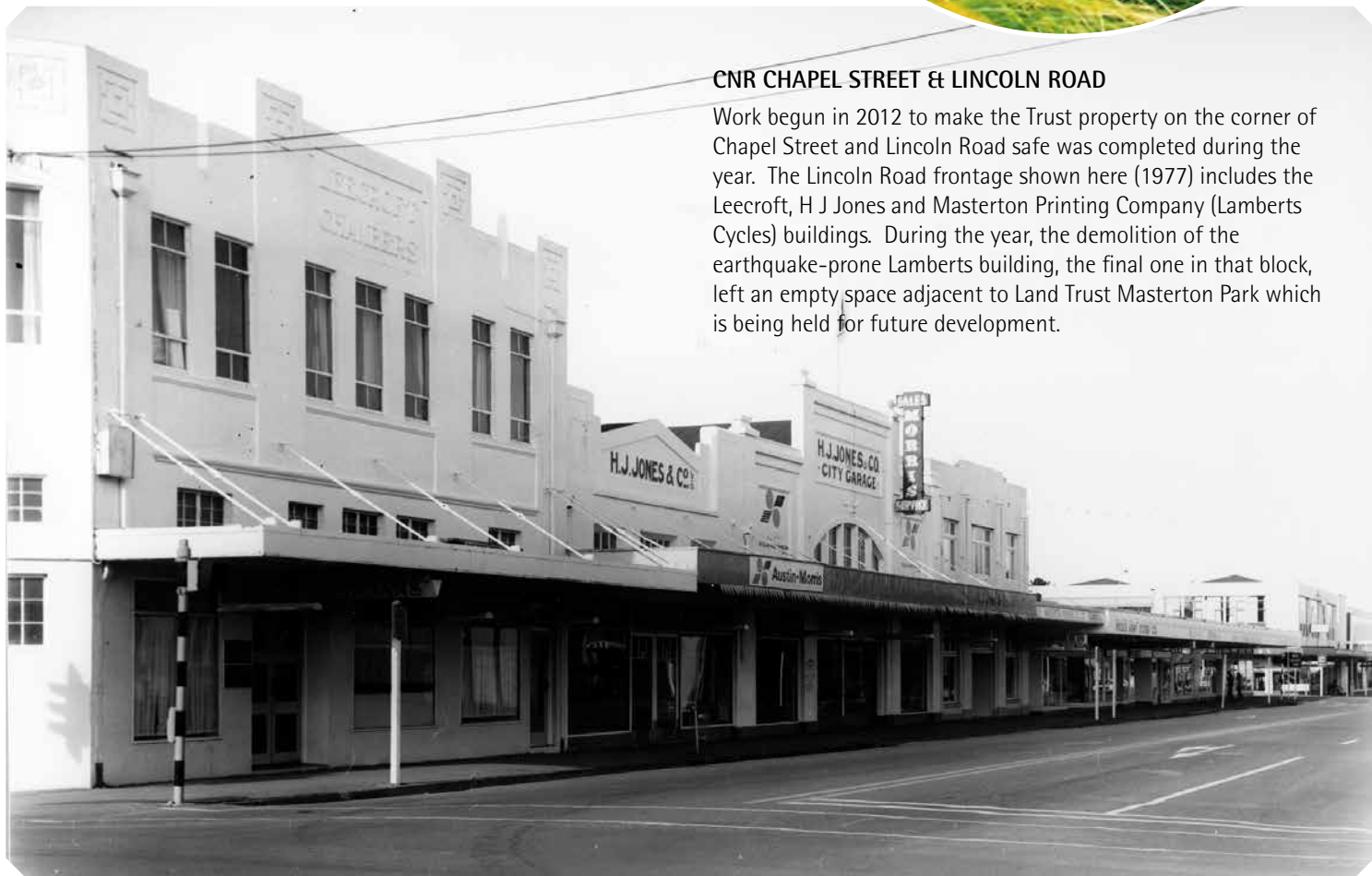
POWNALL STREET - FORMER TROUT HATCHERY △

The previously unused property adjacent to Millennium Reserve in Pownall Street was made available for use by Rangitāne o Wairarapa for a range of new initiatives including reinstating the former trout hatchery, planting and kapa haka. The Trust looks forward to working in partnership with Rangitāne to further develop the property.



CNR CHAPEL STREET & LINCOLN ROAD

Work begun in 2012 to make the Trust property on the corner of Chapel Street and Lincoln Road safe was completed during the year. The Lincoln Road frontage shown here (1977) includes the Leecroft, H J Jones and Masterton Printing Company (Lamberts Cycles) buildings. During the year, the demolition of the earthquake-prone Lamberts building, the final one in that block, left an empty space adjacent to Land Trust Masterton Park which is being held for future development.





TRUSTEES

The Board of Trustees consists of eight members elected by voters living within the Masterton Small Farms Settlement boundaries. The 2013 triennial election saw the re-election of John Bunny and Karl Taucher and the election of new Trustees Sandy Ryan and Rick Long. Following the election the Trustees appointed John Bunny as Chairman and Leanne Southey as Deputy Chair.

SEATED:

Leanne Southey, *Deputy Chair, Audit & Risk Committee Chair, Elected 2010*

John Bunny, *Chairman, Elected 2007*

Rick Long, *Elected 2013*

Christine Brewster, *Grants Committee Chair, Elected 2004*

STANDING:

Gary Percy, *Secretary/Manager*

Sandy Ryan, *Elected 2013*

Chris Peterson, *Elected 1998*

Heaton Haglund, *Elected 1998*

Karl Taucher, *Elected 2001*



GOVERNANCE

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

ROLE OF THE BOARD OF TRUSTEES

The Board of Trustees is committed to maintaining the highest standards of business behaviour and accountability. Accordingly the Trustees have adopted 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 Grants Committee meets monthly. The Audit and Risk 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 2014 were:

GOLDEN C'ART SCHOLARSHIP FUND

Charities Commission registration no. CC36481
Scholarship: No award 2014

WAIRARAPA TERTIARY EDUCATION SCHOLARSHIP FUND

Charities Commission registration no. CC30095
Joan Stone Scholarship: Lauren Spicers, Teaching.
Fletcher Challenge Scholarship: Betty Goodger, Nursing.

FAREWELLS



Alan Sadler



Garry Daniell

After 24 years of service, ten of those as chairman, Alan Sadler stood down as Chairman at the Annual General Meeting in August 2013 and retired at the October election. We also said goodbye to long-serving trustee since 1988, Garry Daniell. The contributions of these two Trustees has been immense and we thank them both for their dedication and work during a challenging but successful period for the Trust.

Statement of Financial Performance for the year ended 31 March 2014

	Notes	2013/14	2012/13
		\$	\$
Revenue			
Rent	12	4,155,289	3,980,400
Tenant outgoings income		305,642	334,324
Other income		35,873	-
Total operating revenue		<u>4,496,804</u>	<u>4,314,724</u>
Operating expenditure			
Property expenses		639,454	710,774
Tenants outgoings expense		305,642	334,324
Administration expenses		490,979	407,401
Depreciation	2	10,238	7,216
Total operating expenditure before interest		<u>1,446,313</u>	<u>1,459,715</u>
OPERATING SURPLUS BEFORE INTEREST		3,050,491	2,855,009
Interest received		447	128
Interest payable		(1,475,199)	(1,310,768)
		<u>(1,474,753)</u>	<u>(1,310,640)</u>
OPERATING SURPLUS		1,575,738	1,544,369
Increase/(decrease) in revaluation of investment properties	12	(1,166,997)	(343,420)
Less grants	4	(838,733)	(827,232)
NET SURPLUS TO EQUITY		<u>(429,991)</u>	<u>373,717</u>

Statement of Movements in Equity for the year ended 31 March 2014

	2013/14	2012/13
	\$	\$
Equity		
Equity at the start of the period	39,170,646	38,761,579
Net surplus for the period	(429,991)	373,717
Increase / (decrease) in revaluation reserve	28,909	35,350
Total recognised revenues & expenses for period	(401,082)	409,067
Equity at the end of the period	<u>38,769,564</u>	<u>39,170,646</u>
<i>Equity comprises:</i>		
Revaluation reserve Trust building		
Opening balance	99,273	63,923
Revaluation movement	28,909	35,350
Closing balance	128,182	99,273
Retained earnings		
Opening balance	39,071,373	38,697,656
Net surplus (deficit)	(429,991)	373,717
Closing balance	<u>38,641,382</u>	<u>39,071,373</u>
Equity at the end of the period	<u>38,769,564</u>	<u>39,170,646</u>

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

Statement of Financial Position for the year ended 31 March 2014

		2013/14	2012/13
	Notes	\$	\$
Current assets			
Deposit account	5	-	2,450
Loans receivable		19,243	30,107
Accounts receivable		39,340	142,386
GST		-	184,391
Prepayments	14	<u>204,933</u>	<u>167,314</u>
		<u>263,516</u>	<u>526,648</u>
Non-current assets			
Investment land & buildings	3	62,533,498	58,416,000
Work in progress		-	2,983,152
Fixed assets	2	<u>765,000</u>	<u>746,329</u>
		<u>63,298,498</u>	<u>62,145,481</u>
TOTAL ASSETS		<u>63,562,014</u>	<u>62,672,129</u>
Current liabilities			
Bank accounts	5	100,703	229,320
Accounts payable		113,535	645,249
Accruals		119,245	199,888
Revenue in advance	13	101,375	10,476
Interest accrued		114,505	121,051
GST		39,038	-
Employee entitlement		140,958	107,408
Current portion of term liabilities	6	<u>9,000,000</u>	<u>270,000</u>
		<u>9,729,359</u>	<u>1,583,392</u>
Non-current liabilities			
Non-current portion of term liabilities		15,063,091	21,918,091
TOTAL LIABILITIES		<u>24,792,450</u>	<u>23,501,483</u>
NET ASSETS		<u>38,769,564</u>	<u>39,170,646</u>
EQUITY		<u>38,769,564</u>	<u>39,170,646</u>

 Chairman
J B Bunny

 Deputy Chairman
L Southey

Statement of Cash Flows *as at 31 March 2014*

Note	2013/14	2012/13
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Cash inflows from:		
Rental income	4,585,343	3,882,508
Rental outgoings	434,740	334,324
Other income	41,737	-
Interest	447	128
GST	167,515	-
	<u>5,229,782</u>	<u>4,216,960</u>
Cash outflows for:		
Payments to suppliers and employees	(2,410,537)	(1,648,610)
Interest paid	(1,481,744)	(1,301,205)
GST	-	(158,417)
	<u>(3,892,281)</u>	<u>(3,108,232)</u>
<i>Net cash inflow/(outflow) from operating activities</i>	<u>1,337,501</u>	<u>1,108,728</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Sale of investment property	77,500	-
	<u>77,500</u>	<u>-</u>
Cash was disbursed to:		
Capital improvements	(1,319,701)	(3,210,697)
Addition to investment property portfolio	(1,000,000)	-
	<u>(2,319,701)</u>	<u>(3,210,697)</u>
<i>Net cash inflow/(outflow) from investing activities</i>	<u>(2,242,201)</u>	<u>(3,210,697)</u>
Cash was provided from:		
Borrowings	1,875,000	3,310,000
	<u>1,875,000</u>	<u>3,310,000</u>
Cash was disbursed to:		
Distributions	(844,133)	(717,052)
Loan repayment	-	(500,000)
	<u>(844,133)</u>	<u>(1,217,052)</u>
<i>Net Cash Inflow/(Outflow) from financing activities</i>	<u>1,030,867</u>	<u>2,092,948</u>
Total movement in cash	<u>126,167</u>	<u>(9,021)</u>
Opening cash balance	(226,870)	(217,849)
Closing cash balance	<u>(100,703)</u>	<u>(226,870)</u>
<i>made up as follows</i>		
ANZ current account	(100,703)	(229,320)
ANZ 20 account	-	2,450
	<u>(100,703)</u>	<u>(226,870)</u>

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

Statement of Accounting Policies *for the year ended 31 March 2014*

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 2014 by Morgan's 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 & equipment	3 – 10 years	(10% – 33%)
	Office computer software	2 years	(50%)

Investment Properties

Investment properties have been valued in 2014 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 2014 by Morgan's 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 have 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.

Impacts of the Adoption to International Public Sector Accounting Standards

In November 2013 the XRB Board issued XRBA1: Accounting Standards Framework (Not for profit entities Update). The Standard establishes the accounting standards framework for those entities that have a statutory obligation to prepare general purpose financial reports.

The new Accounting Standards Framework involves a multi-sector, multi-tiered approach. Masterton Trust Lands Trust falls into the Not-For-Profit Public Benefit Entities', Tier 2 category which will enable it to apply PBE International Public Sector Accounting Standards, Reduced Disclosure Regime (IPSAS RDR).

In accordance with Standard XRB A1 (Not For -profit Entities Update) Tier 2 Not-for-profit entities preparing general purpose financial reports for periods beginning on or after 1 July 2014 must do so in accordance with the "new" Accounting Standards Framework.

Masterton Trust Lands Trust will apply the "new" Accounting Standards Framework from the financial year beginning 1 April 2015.

Masterton Trust Lands Trust has yet to determine all of the impacts of adopting IFRS.

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 2014

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

	2014	2013
Reported net surplus / (deficit) to equity	(429,991)	373,717
Add non-cash items:		
Depreciation	10,238	7,216
Other non-cash items (bad debts)	9,893	1,725
(Increase) / decrease in asset revaluation investment properties	1,166,997	343,420
Increase / decrease movements in other working capital items:		
Increase / (decrease) in payables	(600,749)	(153,977)
Increase / (decrease) in receivables	113,910	(150,211)
Revenue in advance	90,898	10,476
Movement in prepayments	(37,619)	93,665
Movement in operating accruals	(75,242)	-
Movement in recoveries	-	(86,852)
Movement in entitlements	33,550	(16,660)
Movement in GST	223,429	(131,460)
Movement in interest	(6,546)	(9,563)
Items classified as financing activities:		
Grants distributed	838,733	827,232
Net cash inflow/(outflow) from operating activities	<u>1,337,501</u>	<u>1,108,728</u>

2 FIXED ASSETS AND DEPRECIATION

	Furniture and Office Equipment	Trust Office Land	Trust Office Improvements	Total
Cost or valuation				
Balance 1 April 2012	117,580	175,000	535,000	827,580
Additions	-	-	-	-
Revaluation increase/(decrease)	-	35,000	(5,000)	30,000
Cost or valuation at 31 March 2013	<u>117,580</u>	<u>210,000</u>	<u>530,000</u>	<u>857,580</u>
Balance 1 April 2013	117,580	210,000	530,000	857,580
Additions	-	-	-	-
Revaluation increase/(decrease)	-	-	25,000	25,000
Cost or valuation at 31 March 2014	<u>117,580</u>	<u>210,000</u>	<u>555,000</u>	<u>882,580</u>
Accumulated depreciation				
Balance 1 April 2012	109,385	-	-	109,385
Depreciation expense	1,866	-	5,350	7,216
Adjustment of revaluation	-	-	(5,350)	(5,350)
Accumulated depreciation at 31 March 2013	<u>111,251</u>	<u>-</u>	<u>-</u>	<u>111,251</u>
Balance 1 April 2013	111,251	-	-	111,251
Depreciation	6,329	-	3,909	10,238
Adjustment of revaluation	-	-	(3,909)	(3,909)
Accumulated depreciation at 31 March 2014	<u>117,580</u>	<u>-</u>	<u>-</u>	<u>117,580</u>
Net book value at 31 March 2014	<u>0</u>	<u>210,000</u>	<u>555,000</u>	<u>765,000</u>
Net book value at 31 March 2013	6,329	210,000	530,000	746,329

3 INVESTMENT LAND AND BUILDINGS

	2014	2013
Opening value of investment land and buildings	61,399,152	57,932,501
Plus additions to portfolio	2,301,345	826,919
Plus work in progress	-	2,983,152
Plus increase/(decrease) in revaluation	(1,166,997)	(343,420)
Closing balance	<u>62,533,500</u>	<u>61,399,152</u>

4 CASH GRANTS

	2014	2013
Community grant	397,149	382,498
Education grants	441,584	444,734
Total cash grants	<u>838,733</u>	<u>827,232</u>

MASTERTON TRUST LANDS TRUST 2014 FINANCIAL REPORT

5 BANK ACCOUNTS	2014	2013
ANZ current account	(100,703)	(229,320)
ANZ 20 account	-	2,450
	<u>(100,703)</u>	<u>(226,870)</u>
6 BANK LOANS	2014	2013
The loan instruments are repayable as follows:		
Within 1 year	9,000,000	270,000
1 - 2 years	13,793,091	8,125,000
2 - 5 years	1,270,000	13,793,091
	<u>24,063,091</u>	<u>22,188,091</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.</p> <p>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 2014 financial year.</p> <p>The weighted cost of funding on term borrowings is 6.12% (2013: 6.05%).</p>		
7 POLICIES IN ACCORDANCE WITH MTLT ACT 2003, CL 17	2014	2013
Policy requires the Trustees to maintain a ratio of Debt to Debt plus Equity of no more than 40%.	38.30%	36.16%
The Trustees will maintain an interest cover of no less than two percent. The interest cover calculation excludes grants and upward property revaluation.	2.07%	2.18%
8 COMMITMENTS		
The Trust has no capital commitments at 31 March 2014 (2013:\$671,917)		
9 CONTINGENT LIABILITIES		
The Trust has no contingent liabilities as at 31 March 2014 (2013: Nil)		
10 EXPENDITURE INCLUDES THE FOLLOWING	2014	2013
Audit fees	16,255	19,099
Trustees fees	60,385	61,250
Bad debts	9,893	1,725
11 RELATED PARTIES		
<p>During the year the Trust provided funds via the Masterton District Council for community purposes. Two Trustees, one current and one retired (C Peterson and G Daniel respectively) are/were members of the Masterton District Council.</p> <p>The Trust received rent from "Magie B's" in which Mrs Brewster is a shareholder.</p> <p>A community grant was given to REAP which was represented by Trustee A Sadler (retired during financial year). Under the Trust's Code of Conduct and having declared an interest, these Trustees did not participate in the decision.</p> <p>The Trust received rent from "Mangan Graphics" in which Leanne Southey is a minority shareholder.</p>		
12 REVENUES	2014	2013
Rent	4,155,289	3,980,400
Other income	35,873	0
Tenant outgoings recovered	305,642	334,324
Increase/(decrease) in asset revaluation investment properties	(1,166,997)	(343,420)
	<u>3,329,807</u>	<u>3,971,304</u>
13 REVENUE IN ADVANCE		
Some property related expenditure is recovered from the Trust's tenants. Where the recovered amount relates to a period beyond balance date, the amount is transferred to Revenue in Advance. This treatment is new for the 2013/14 year		
14 PREPAYMENTS		
In the prior year's Statement of Financial Position, the current asset "Recoveries in advance " was disclosed separately. This year, the comparative assets "Prepayments" and "Recoveries in advance" are combined.		
15 SUBSEQUENT EVENTS	There are no subsequent events	

INDEPENDENT AUDITOR'S REPORT**To the readers of Masterton Trust Lands Trust's financial statements for the year ended 31 March 2014**

The Auditor-General is the auditor of Masterton Trust Lands Trust (the Trust). The Auditor-General has appointed me, J R Smaill, 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 2014, the statement of financial performance, statement of movements in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

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 2014; and
 - > financial performance and cash flows for the year ended on that date.

Our audit was completed on 15 July 2014. 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, in our judgement, are likely to influence readers' 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. Also we did not evaluate the security and controls over the electronic publication 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 are also responsible for the publication of the financial statements, whether in printed or electronic form.

The Trustees' responsibilities arise from schedule 2, clause 12 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 External Reporting Board.

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

J.R Smaill
Audit New Zealand
On behalf of the AuditorGeneral
Palmerston North, New Zealand





Trust-funded professional development initiatives for teachers continued to benefit all Masterton early childhood and school pupils.



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