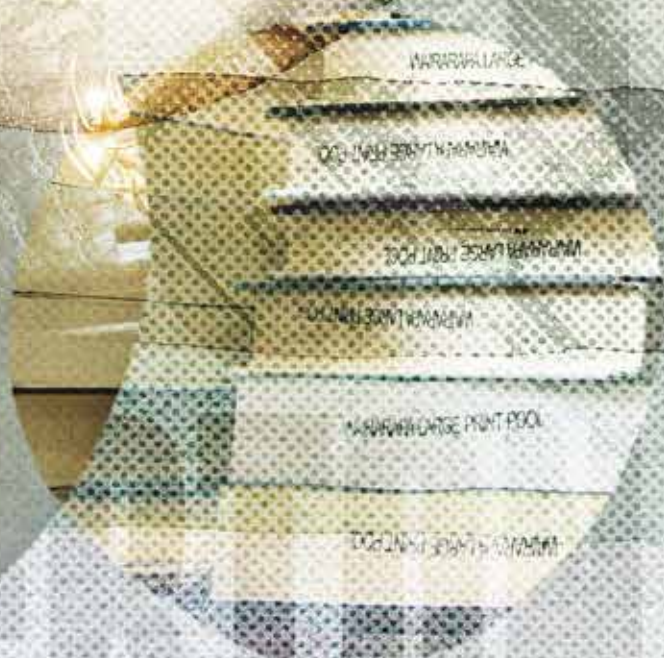


LANDS TRUST MASTERTON ANNUAL REPORT [2015]



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.

The Trust would like to thank the tenants and grant recipients for assisting with photographs for this report.

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PRESERVING HISTORY

The community-owned **Seddon Building** occupies a significant place in Masterton's history as New Zealand's first technical secondary school, built by Lands Trust Masterton in 1908.

Severely damaged in the 1942 earthquake, the building lost its grand second storey but retained the original staircase leading to a rebuilt first floor (see more on pages 8,9 & 12).

THE YEAR IN REVIEW

Operating Surplus	\$1.9 million	Up 21.9%
Rental Income	\$4.6 million	Up 9.6%
Equity	\$39.8 million	Up 2.8%
Total Assets	\$67.8 million	Up 6.6%
Debt Ratio	40.21%	38.3% (2014)
WALT (Weighted Average Lease Term)	6.15 years	5.3 years (2014)
Total Grants	\$0.9 million	Down 11%



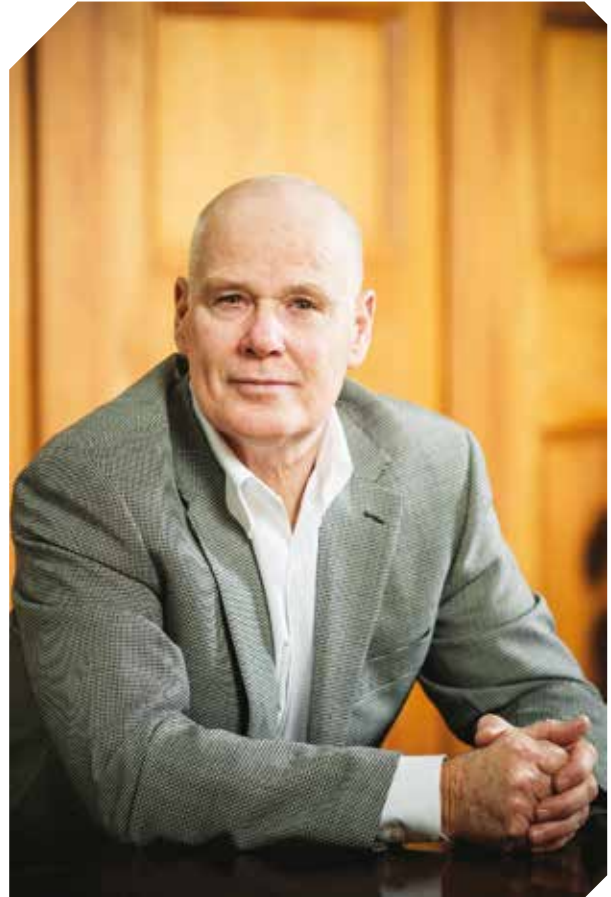
The strengthened and restored Seddon Building has a new lease of life as a boutique Lone Star restaurant and bar. The 506 square metre, two-storey building occupies a high-profile site on the corner of Dixon and Church Streets.



CHAIRMAN'S REPORT

Balancing the annual distribution of financial grants to the Masterton community, and investment in high-quality, sustainable properties that deliver long-term returns has been an on-going feature of Trust activity over the past five years.

The completion of a major property development begun by the Trust in 2005 that will provide long-term income for the community was the highlight of another successful year.



Grants

A total of \$914,068 was distributed to the Masterton community during the year for educational, community and cultural activities. The expenditure associated with the Trust's extensive earthquake strengthening programme since 2011 has resulted in grants being held at similar levels over the past four years.

Masterton educators, from the early childhood to tertiary sectors, received \$375,736 in educational grants. Collaborative initiatives that centred on professional development for teachers received \$222,052 and involved all early childhood, primary, intermediate and secondary schools. Ultimately benefiting all Masterton pupils, these initiatives have provided more than \$1.7 million for teacher and student development since they were first introduced 10 years ago.

Roll-based grants totalling \$49,210 were made to all Masterton early childhood centres and primary, intermediate and secondary schools, allowing boards to make their own decisions on the best use of the Trust grants within their schools.

One-off scholarships for tertiary students, including apprentices, who have either lived in the Trust district or were studying at UCOL Wairarapa, amounted to \$77,700.

Support for UCOL Wairarapa, an on-going feature of the Trust's educational grants programme, saw \$18,969 granted this year for course development and refurbishment of the student hub.

During the year an independent review of the Trust's current education funding programme, in place for the past 10 years, was commissioned to ensure that it continues to evolve and deliver maximum value.

The review will measure the benefits of the Trust's contributions to the education community and investigate opportunities to further improve outcomes for teachers and students.

The Trust's significant contribution to community and cultural activities in Masterton continued through grants of \$538,332 to community groups, Masterton District Council, special projects, events and Aratoi. The grant to Aratoi included \$243,000 to offset the rental of the Trust-owned building, an arrangement that was formalised through a rental agreement and lease. The grant reflects the true value of the rent in the accounts of both organisations, as determined by an independent valuer.

Finance

Strong financial results continued this year as shown by a number of positive key indicators. Total Trust assets reached a new record level of \$67.8 million, up 6.6 percent on the previous year.

Equity increased by 2.8 percent to \$39.8 million. The extensive earthquake strengthening work carried out by the Trust enabled this increase, as opposed to allowing earthquake-prone properties devalue and become empty, as has occurred in other parts of New Zealand. If it were not for the proactive stance on strengthening taken by the Trust since 2011, a number of its properties would now be vacant and returning significantly lower rental income.

Rental income increased by 9.6 percent from last year to \$4.6 million due to completion of property developments and commencement of new leases.

This resulted in an operating surplus of \$1.9 million, up 21.9 percent on the year before. This increase was not reflected in the grants round which was decided earlier in the year when a prudent approach was taken, mainly due to market conditions. The surplus bodes well for the future with on-going revenue from new long-term leases assured.

A key measure of strength of the property portfolio, Weighted Annual Lease Term (WALT), showed strong growth to 6.15 years, up from 5.3 years in 2014. It measures the average years of rental security over the entire portfolio.

The Board was satisfied with the position achieved with regard to the Trust's financial covenants. These will be closely monitored as the Trust finishes its building strengthening programme which has placed an additional cost burden on normal business operations.

Property

Significant and sustained investment since 2010 in property improvements, particularly in assessing and strengthening buildings, has increased asset value, attracted new tenants and enhanced the Masterton streetscape during challenging national and international economic conditions.

The highlight of the past 12 months was the major refurbishment and strengthening of historic Seddon building, now leased by Lone Star. One of Masterton's earliest remaining buildings and significant in the town's educational history, the previously earthquake-prone building was spared demolition by a Trust decision to restore and preserve it for commercial lease that allowed it to be enjoyed by the whole community. A \$600,000 investment in strengthening the building to 100 percent of the building code was viewed by the Trustees as another way of supporting the community in a non-financial way.

The restoration of the Seddon Building completes the 10-year development of Trust property between Lone Star and Beaufort, incorporating the FMG and Carpet Court buildings.

Working in partnership with tenants to meet their needs remained a key focus of an on-going programme to enhance property and sustain long-term rental income. The Warehouse building, constructed in 2004, received a \$1 million upgrade of new, energy efficient artificial and natural lighting and the building's exterior. This is a significant building in the Trust

portfolio with a long-term lease delivering excellent returns.

The Trust purchased the land and building adjacent to its own offices at 189 Queen Street. Similar in style and era to the Trust building, the former Westpac building does much to preserve the original 1920s character of central Queen Street. Over time, the Trust will look at the feasibility of strengthening and preserving the building which is currently rated as an earthquake risk.

Redevelopment of the property at 395 Queen Street began with good progress made on an extensive refurbishment and redesign of the building for two new tenants - South Wairarapa Vets and Tile Warehouse. The renovation includes an extension to the TRC building and strengthening of the 1966 building to meet 100 percent of the new building code, up from 61 percent.

Additional community support

The Trust continued to use its experience and expertise to assist other local Trusts and scholarship funds by providing financial, secretariat and board services. It assumed the secretarial and financial reporting of the Montfort Trimble Foundation, and continued to administer several other trusts and scholarship funds.

The Trustees agreed to reserve funding on an annual basis for Lands Trust Masterton's 150th anniversary contribution to Masterton in 2022.

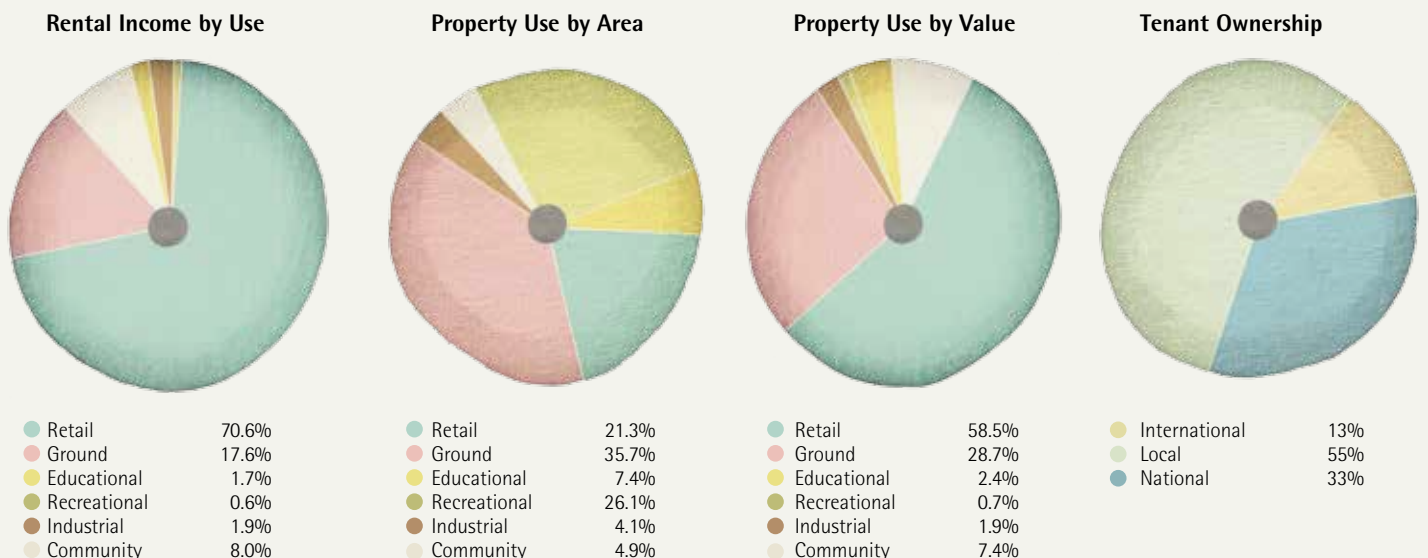
Thanks

I thank my fellow Trustees for their work during the year and the small staff of three led by Secretary/Manager, Gary Percy. They do an outstanding job, supported by a number of trusted professional advisors to who I also extend my thanks.

My sincere thanks are also extended to the large number of contractors and sub-contractors, most of them local, have worked hard to create some special buildings for the town.

We look forward to the year ahead.

J R Bunny
Chairman



GRANTS

ALL MASTERTON EARLY CHILDHOOD CENTRES, SCHOOLS AND UCOL WAIRARAPA, AS WELL AS A WIDE RANGE OF COMMUNITY AND CULTURAL ACTIVITIES IN MASTERTON BENEFITED FROM GRANTS VALUED AT \$914,068 DURING THE YEAR.



△ **Community Support** The work of the Wairarapa Division of the Parkinsonism Society was supported with a \$2,500 grant. The Society offers education, support, advocacy and advice to clients in their homes, care facilities and hospitals. Other health support services that received Trust grants were Alzheimers Wairarapa, Arthritis Foundation of NZ, Autism Wairarapa, King Street Artworks and Hospice Wairarapa.

▽ **Reading Resources** A \$16,000 grant to the Masterton District Library to support reading in the community has been made on an annual basis for a number of years. This year's grant was used to increase the library's fiction stock, including e-books, large print and audiobooks, an area of increased demand from the community.





△ **Road Safety Awareness** Key safety messages for young drivers were delivered to 240 Year 12 students from Solway, Kuranui, Rathkeale, St Matthew's, Makoura, Solway, Ponatahi and Chanel Colleges at the Rotary Youth Driver Awareness programme held at Solway Showgrounds, supported by a \$2,000 Lands Trust Masterton grant.

▽ **MacDiarmid Scholar** Christine Brewster, Grants Committee Chair, with the 2015 Alan MacDiarmid Scholarship recipient, Edward Barnett, who is studying Health Science at Otago University.



Former MacDiarmid Scholar, Greg Haslett, this year completed nine years of university studies including a PhD at the University of Cambridge. Greg is now undertaking research and development as a medicinal chemist at UCB Pharmaceuticals in the United Kingdom.

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	375,736
Early Childhood	75,284
Ko Te Aroha	Roll based..... 270
Lansdowne Kindergarten	Roll based..... 580
Lansdowne Playcentre	Roll based..... 140
Makoura Early Childhood Centre	Roll based..... 580
Masterton Christian Childcare	Roll based..... 430
Manaia Kindergarten	Roll based..... 400
Te Kohanga Reo o Ngāti Hamua	Roll based..... 350
Una Williams Kindergarten	Roll based..... 360
Wahi Reka Te Kohanga Reo	Roll based..... 330
West Kindergarten	Roll based..... 630
Westside Playcentre	Roll based..... 410
York Street Kindergarten	Roll based..... 550
UCOL Wairarapa Childcare	Roll based..... 230
Kahurangi All Day Kindergarten	Roll based..... 380
Early Childhood Initiative	69,644
Primary/Intermediate Schools	119,441
Douglas Park School	Roll based..... 3,690
Fernridge School	Roll based..... 1,900
Lakeview School	Roll based..... 4,150
Masterton Intermediate School	Roll based..... 3,430
Masterton Primary School	Roll based..... 2,520
Solway Primary School	Roll based..... 1,890
St Patrick's School	Roll based..... 2,220
Te Kura Kaupapa Māori	Roll based..... 690
Hadlow School	Roll based..... 1,790
Primary Principals Initiative	Professional Development..... 94,856
Principals Fund	Principals Fund..... 2,305
Secondary Schools	81,342
Chanel College	Roll based..... 2,980
Makoura College	Roll based..... 2,870
Solway College	Roll based..... 1,400
Wairarapa College	Roll based..... 10,030
St Matthew's Collegiate School	Roll based..... 3,650
Teen Parent Unit	Roll based..... 270
Te Kura Kaupapa Māori	Roll based..... 90
Intercollegiate Wearable Arts	Student prize pool 1,500
Wairarapa Mathematics Association	Student prize pool 1,000
Secondary Principals Initiative	Professional Development..... 57,552
Tertiary	99,669
Alan MacDiarmid Scholarships	3 students 3,000
Tertiary Scholarships	77,700
UCOL Wairarapa	Discretionary Assistance Fund 18,969

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.

\$

TOTAL COMMUNITY GRANTS 538,332

Community Groups 124,100

Access Radio Wairarapa.....	Remote transmission to 8 primary schools.....	2,000
Arthritis New Zealand.....	Two educational seminars on arthritis.....	1,000
King Street Artworks.....	Programme of structured workshops.....	4,500
Orchestra Wellington.....	Two orchestral concerts held in Masterton.....	5,000
Henley Men's Shed.....	Facilities for members/community projects.....	2,000
Community Budgeting Trust.....	Assistance by way of covering building rental.....	1,000
Street Youth Ministries.....	Assistance with essential costs.....	3,500
Friends of Millennium Reserve.....	Development of Millennium Forest Reserve.....	2,000
Wairarapa Resource Centre.....	Assess trainee skills.....	1,000
Stopping Violence Services Wairarapa.....	Youth anger change & empowerment programme.....	3,000
Riversdale Surf Lifesaving Club.....	Nipper Programme teaching & support.....	2,000
Masterton Community Toy Library.....	Purchase of new toys.....	1,000
NZ Council of Victim Support.....	Service delivery to victims of crime and trauma.....	1,000
Literacy Wairarapa Inc.....	Tutor pay rates to reflect literacy qualifications.....	2,000
Alzheimers Wairarapa Inc.....	Professional Development/Staff Training.....	2,000
The Masterton Art Club Inc.....	Free artist workshop for general public.....	1,000
Wairarapa Kaumatua Council.....	Advocacy services for youth & families in crisis.....	1,000
Citizens Advice Bureau Wairarapa.....	On-going training & recruitment of volunteers.....	1,000
Learn 'n Live Ministries.....	Camp Anderson director wages/volunteer expenses.....	1,000
Pukaha Mount Bruce Board.....	Environmental programmes for schools.....	4,500
Wairarapa Rescue Trust.....	Wandatrak training for volunteers (Dementia/Autism).....	1,000
Sport Wellington Wairarapa.....	In-depth schools project.....	10,000
Te Awhina Cameron Community House.....	Activity, programmes, workshops for all ages.....	3,600
He Kahui Wairarapa.....	Whiti te ra one-day annual community event.....	2,000
Ngāti Kahungunu ki Wairarapa.....	Wairarapa Matariki Festival.....	2,000
Autism Wairarapa.....	Educational programmes.....	3,000
Wairarapa Parents Centre.....	Assistance with postage, printing & other costs.....	500
Wairarapa Women's Centre.....	Work ready programme for long-term unemployed.....	500
Hospice Wairarapa Community Trust.....	Biography services & training/equipment/education.....	2,500
The Enviroschools Foundation.....	Professional development for schools/early childhood.....	3,000
Parkinsonism Society Wairarapa.....	Education Day Seminar.....	2,500
Road Safety Education.....	Road safety awareness Year 12 Wairarapa students.....	2,000
Wairarapa Filipino Society.....	Assistance to stage cultural revitalisation events.....	1,000
Granny's Basket.....		9,000
Genesis Recreation Centre.....	Free swimming programme.....	30,000
Masterton Community.....	LTM 150th anniversary public artwork.....	10,000

Civic..... 30,000

Masterton District Council.....	Supplement council grants for civic events.....	14,000
Masterton District Council.....	Purchase library materials.....	16,000

Aratoi..... 333,425

Aratoi.....	Rent.....	243,000
Aratoi.....	Opex Grant.....	90,425

Special Grants..... 26,557

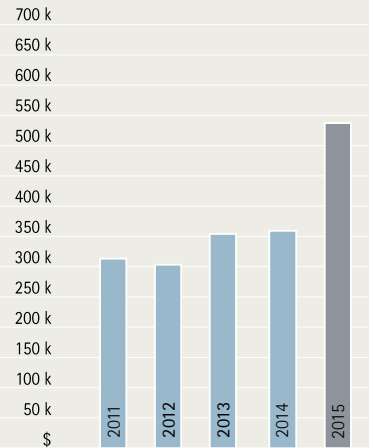
Wairarapa Workforce Development Trust.....		1,972
Lions Club of Carterton Charitable Trust.....		5,000
Wings over Wairarapa.....		10,000
Masterton A&P Association.....		5,000
Sport Wellington Wairarapa.....		2,185
Breeze Paul.....		400
Whakataki Marae & Papauma o Wairarapa.....		2,000

Rental Grants 24,250

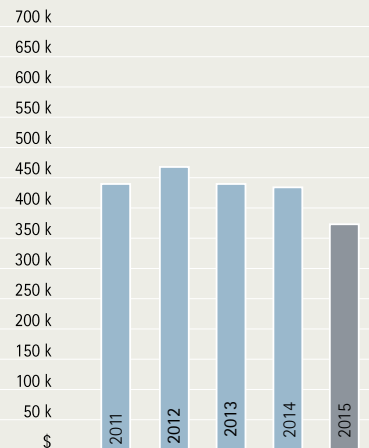
Harlequin Theatre.....	Concessional rent.....	12,000
Masterton Young Citizens Club.....	Concessional rent.....	11,050
Girl Guides.....	Concessional rent.....	1,200

TOTAL GRANTS \$914,068

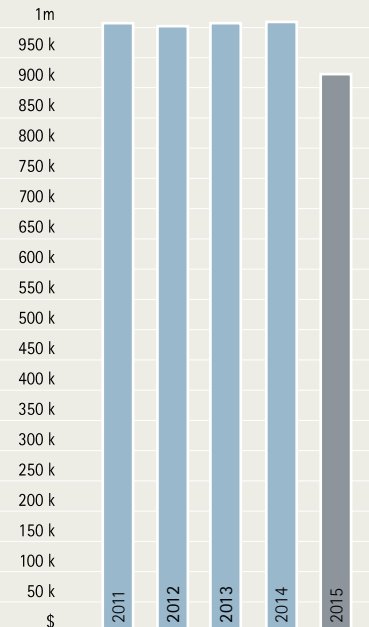
COMMUNITY GRANTS



EDUCATIONAL GRANTS

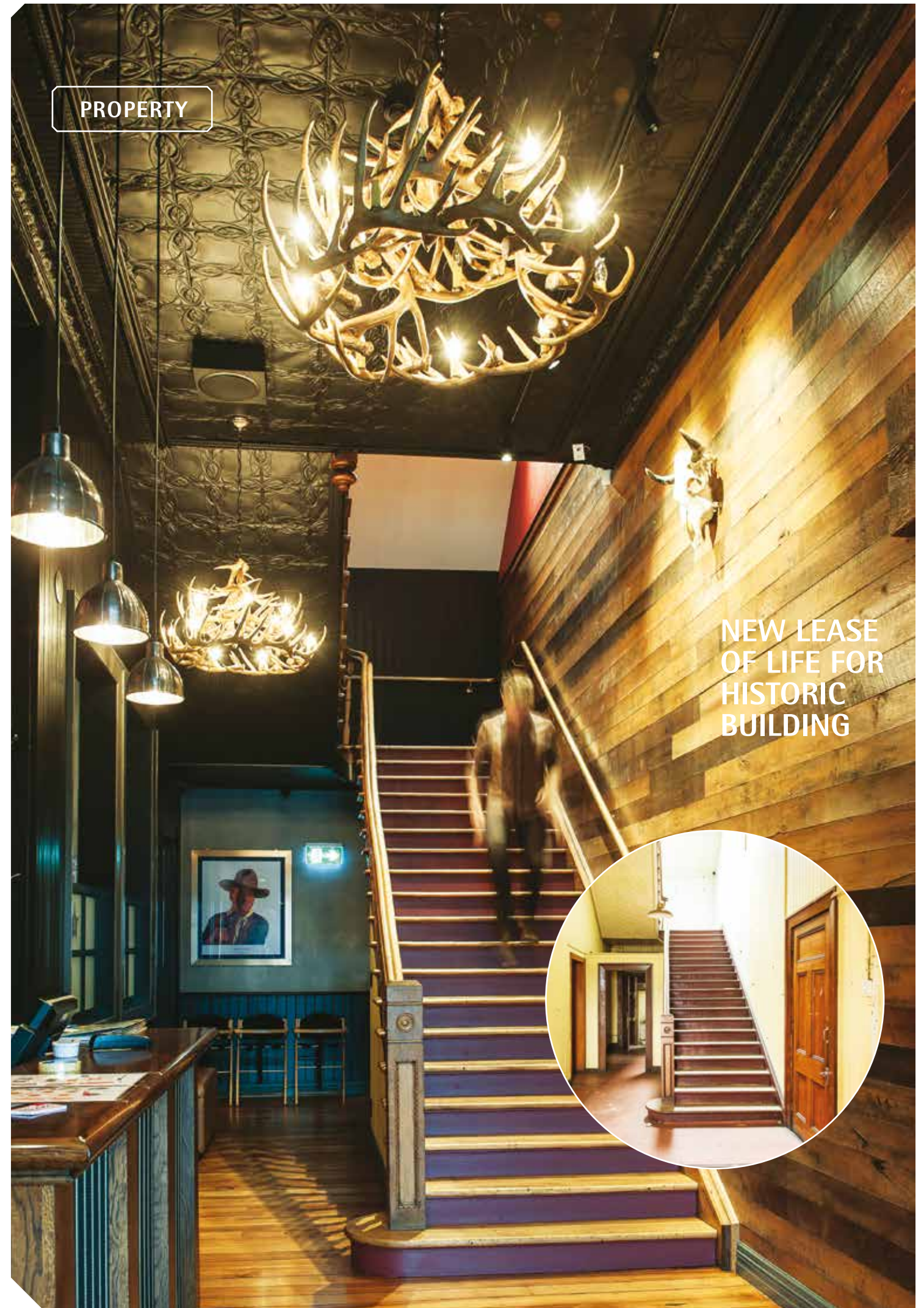


TOTAL GRANTS



PROPERTY

NEW LEASE
OF LIFE FOR
HISTORIC
BUILDING





THE UNIQUE OPPORTUNITY TO PUT THE HISTORIC SEDDON BUILDING TO ITS FIRST COMMERCIAL USE SINCE THE 1950's CAME TO FRUITION IN 2014 WITH ITS STRENGTHENING, RESTORATION AND LEASE TO NEW TENANT, LONE STAR.



The Trust's decision to invest in restoring the near-derelect, earthquake-prone building reflected its historic significance, high intrinsic value to the community and ability to provide a commercial return.

Strengthening the building to 100 percent of the New Building Code, up from just 6 percent, enabled it to be retained and used commercially (see inside cover).

The Lone Star theme was based around the building's restored original features including a grand wooden staircase, timber floors, decorative pressed metal ceilings and match-lined walls.

The development has greatly enhanced a high-profile corner site on the edge of Masterton's recreation precinct and central business district. New outdoor seating and landscaping included a relocated mature oak tree. A secure, carpark area on long-term lease to the Ministry of Justice was developed at the back of the property, serving the adjacent Courthouse.

The project was recognised in the New Zealand Property Industry Awards 2015 when it received an Award of Merit in the Hawkins Heritage and Adaptive Reuses category.

PROPERTY



△ **FMG** The 10-year redevelopment of the 2,973 square-metre site bounded by Church and Bannister Streets came to fruition with the completion of a new building for an existing tenant, rural insurer FMG. The 150 square-metre single-storey building provides quality office space with improved facilities for clients and employees. The site also includes McKenzie's Carpet Court and Beaurepaires.

▽ **Westpac Building Purchase** Lands Trust Masterton purchased the land and building adjacent to its own offices at 189 Queen Street. Similar in style and era to the Trust building, the former Westpac building reflects the original 1920s character of central Queen Street which the Trust intends to preserve. Over time, the feasibility of strengthening and preserving the building, currently rated as an earthquake risk, will be considered.





The Warehouse - Working with tenants to meet their long-term needs is a key focus of the Trust's on-going property improvement programme. The Trust worked in partnership with The Warehouse to complete a \$1 million upgrade of new, energy efficient artificial and natural lighting, and the building's exterior. This significant building in the Trust portfolio has a long-term lease delivering excellent returns.

the warehouse //
where everyone gets a bargain

open 7 days
9.30am - 8pm

with kinny



TRUSTEES

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

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*

Karl Taucher, *Elected 2001*

Heaton Haglund, *Elected 1998*

FROM THE ARCHIVES

Some of the first students of the Seddon Memorial Technical School, built by the Masterton Trust Lands Trust in 1908.

An historic link between the Technical School and this year's Seddon Building restoration was made through two tradesmen employed on the project, father and son, whose mother and grandmother was a pupil of the school.



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

During the past year it assumed responsibility for secretarial and financial reporting of the Montfort Trimble Foundation, and continued to administer several other trusts and scholarship funds.

Lands Trust Masterton is the sole Trustee and administrator of the Masterton Community Centre Trust which owns the Masterton YMCA Complex.

The Wairarapa Tertiary Education Scholarship Fund, administered by Lands Trust Masterton, awarded the 2015 Joan Stone Scholarship to Coral Trower, and the Fletcher Challenge Scholarship to Emma Dawes.

The Golden C'Art Scholarship Fund, also administered by Lands Trust Masterton, was not awarded this year.

CHARITIES COMMISSION NUMBERS

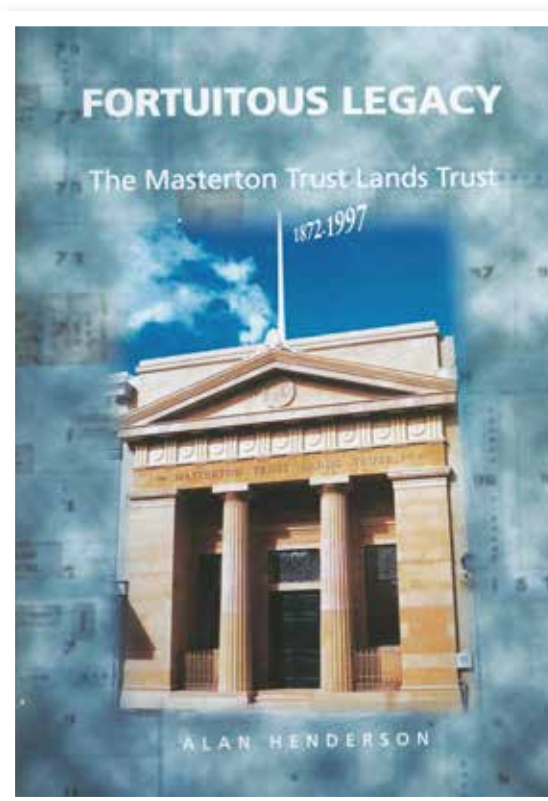
Masterton Trust Lands Trust: CC30205

Golden C'Art Scholarship Fund: CC36481

Wairarapa Tertiary Education Scholarship Fund: CC30095

Fortuitous Legacy

Two initiatives continued the Trust's work to record and preserve the history of its involvement in Masterton. Alan Henderson, author of *Fortuitous Legacy* that recorded the Trust's history until 1997, has been tasked with compiling information that will form subsequent chapters to be published in the future. In this rapidly-changing electronic information age, valuable knowledge and recollections of longstanding chairmen and trustees were captured by Archivist Pauline Porteous in interviews with Alan Sadler, Helen Dashfield, Owen Prior and Garry Daniell. These will be deposited in the town archive.



Statement of Financial Performance for the year ended 31 March 2015

	Notes	2014/15	2013/14
		\$	\$
Revenue			
Rental income	12	4,555,189	4,155,289
Miscellaneous income		5,138	35,873
Administration services		7,500	-
Tenant recoveries		423,681	305,642
Total operating revenue		<u>4,991,508</u>	<u>4,496,804</u>
Operating expenditure			
Property expenses		621,257	639,454
Tenant outgoings expense		388,141	305,642
Administration expenses		474,060	490,979
Depreciation	2	5,550	10,238
Total operating expenditure before interest		<u>1,489,008</u>	<u>1,446,313</u>
OPERATING SURPLUS BEFORE INTEREST		3,502,500	3,050,491
Interest received		456	447
Interest payable		<u>(1,581,433)</u>	<u>(1,475,199)</u>
		<u>(1,580,977)</u>	<u>(1,474,752)</u>
OPERATING SURPLUS		1,921,523	1,575,739
Increase/(decrease) in revaluation of investment properties	12	57,133	(1,166,997)
Less grants	4	<u>(914,068)</u>	<u>(838,733)</u>
NET SURPLUS TO EQUITY		<u>1,064,588</u>	<u>(429,991)</u>

Statement of Movements in Equity for the year ended 31 March 2015

	2014/15	2013/14
	\$	\$
Equity		
Equity at the start of the period	38,769,564	39,170,646
Net surplus for the period	1,064,588	(429,991)
Increase (decrease) in revaluation reserve	15,550	28,909
Total recognised revenues & expenses for period	<u>1,080,138</u>	<u>(401,082)</u>
Equity at the end of the period	<u>39,849,702</u>	<u>38,769,564</u>
<i>Equity comprises:</i>		
Revaluation reserve trust building		
Opening balance	128,182	99,273
Revaluation movement	15,550	28,909
Closing balance	143,732	128,182
Retained earnings		
Opening balance	38,641,382	39,071,373
Net surplus (deficit)	1,064,588	(429,991)
Closing balance	<u>39,705,970</u>	<u>38,641,382</u>
Equity at the end of the period	<u>39,849,702</u>	<u>38,769,564</u>

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

Statement of Financial Position for the year ended 31 March 2015

		2014/15	2013/14
	Notes	\$	\$
Current assets			
Loans receivable		17,135	19,243
Accounts receivable		34,448	39,340
Income accrued		35,540	-
Prepayments		163,487	204,933
		<u>250,610</u>	<u>263,516</u>
Non current assets			
Investment land & buildings	3	66,313,500	62,533,498
WIP		429,752	-
Fixed assets	2	775,000	765,000
		<u>67,518,252</u>	<u>63,298,498</u>
TOTAL ASSETS		<u>67,768,862</u>	<u>63,562,014</u>
Current Liabilities			
Bank accounts	5	236,943	100,703
Accounts payable		431,254	113,535
Accruals		69,600	119,245
Revenue in advance	13	80,757	101,375
Interest accrued		135,292	114,505
Employee entitlement		161,005	140,958
GST		6,218	39,038
Current portion of term liabilities	6	-	9,000,000
		<u>1,121,069</u>	<u>9,729,359</u>
Non Current Liabilities			
ANZ	6	26,798,091	15,063,091
TOTAL LIABILITIES		<u>27,919,160</u>	<u>24,792,450</u>
NET ASSETS		<u>39,849,702</u>	<u>38,769,564</u>
EQUITY		<u>39,849,702</u>	<u>38,769,564</u>

 Chairman
 J R Bunny

 Deputy Chairman
 L Southey

Statement of Cash Flows *as at 31 March 2015*

Note	2014/15	2013/14
	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES		
Cash inflows from:		
Rental income	4,545,558	4,585,343
Rental outgoings	374,257	434,740
Other income	12,638	41,737
Interest	456	447
GST	9,259	167,515
	<u>4,942,168</u>	<u>5,229,782</u>
Cash outflows for:		
Payments to suppliers and employees	(1,353,835)	(2,410,537)
Interest paid	(1,560,647)	(1,481,744)
GST	-	-
	<u>(2,914,482)</u>	<u>(3,892,281)</u>
<i>Net cash inflow/(outflow) from operating activities</i>	<u>2,027,686</u>	<u>1,337,501</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Sale of investment property	-	77,500
Cash was disbursed to:		
Capital improvements	(3,474,858)	(1,319,701)
Investment property portfolio	(455,000)	(1,000,000)
	<u>(3,929,858)</u>	<u>(2,242,201)</u>
<i>Net cash inflow/(outflow) from investing activities</i>	<u>(3,929,858)</u>	<u>(2,242,201)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash was provided from:		
Borrowings	2,735,000	1,875,000
	<u>2,735,000</u>	<u>1,875,000</u>
Cash was disbursed to:		
Distributions	(969,068)	(844,133)
	<u>(969,068)</u>	<u>(844,133)</u>
<i>Net cash inflow/(outflow) from financing activities</i>	<u>1,765,932</u>	<u>1,030,867</u>
Total movement in cash	<u>(136,240)</u>	<u>126,167</u>
Opening cash balance	(100,703)	(226,870)
Closing cash balance	<u>(236,943)</u>	<u>(100,703)</u>
<i>made up as follows</i>		
ANZ Bank	(236,943)	(100,703)
	<u>(236,943)</u>	<u>(100,703)</u>

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

Statement of Accounting Policies *for the year ended 31 March 2015*

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 only

Loans and receivables

Loans and receivables are measured at amortised cost applying the effective interest

Goods and Services Tax

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

Fixed assets

The Trust office building was valued, as at 31 March 2015 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 at a rate calculated to allocate the assets' cost over its estimated useful life.

The depreciation period is: Trust office 100 years (1%)

Investment properties

Investment properties have been valued in 2015 at net current value in accordance with SSAP-17.

Net current value is the open market value less the cost of disposal that could reasonably be anticipated.

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 as at 31 March 2015 by Morgan's Property Advisors, Registered Valuers.

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 had 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.

Masterton Trust Lands Trust will be reporting under the new accounting framework for the year beginning 1 April 2015.

Impacts of the Adoption to International Public Sector Accounting Standards

The multi standard frame work for was approved in April 2012 by the External Reporting Board (XRB).The Standard (XRB A1) establishes the accounting standards framework for those entities that have a statutory obligation to prepare general purpose financial reports.

Under this standard the Trust is defined as a Public Sector PBE (Public Benefit Entity).

Public sector PBE's have to transition to PBE Standards for accounting periods on or after 1 July 2014. The Trust therefore will adopt the PBE Standards for the annual period starting 1 April 2015. The Trust will have to restate comparative information. Therefore the transition date for the Trust will be 1 April 2014.

The major impact of adopting these standards will be the effect on the value of Land and Buildings. Land and buildings are currently valued using the "Net Current Value": this is the open market value less the cost of disposal that could reasonably be anticipated.

The new standards will be valuing land and buildings using "Fair Value": this is the open market value only.

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 2015

1 RECONCILIATION OF REPORTED SURPLUS / (LOSS) TO NET CASHFLOW FROM OPERATING ACTIVITIES				
		2015		2014
Reported net surplus / (deficit) to equity		1,064,588		(429,991)
Add non-cash items				
Depreciation		5,550		10,238
Other non-cash items (bad debts)		-		9,893
(Increase) / decrease in asset revaluation investment properties		(57,133)		1,166,997
Increase / decrease movements in other working capital items:				
(Increase) / decrease in prepayments		41,446		(37,619)
(Increase) / decrease in receivables		4,892		113,910
(Increase) / decrease in income accrued		(35,540)		-
Increase / (decrease) in payables		124,719		(600,749)
Increase / (decrease) in accruals		19,273		(75,242)
Increase / (decrease) in revenue in advance		(20,618)		90,898
Increase / (decrease) in entitlements		20,047		33,550
Movement in GST		(32,820)		223,429
Movement in interest		(20,787)		(6,546)
Items classified as financing activities:				
Grants distributed		914,068		838,733
Net cash inflow/(outflow) from operating activities		<u>2,027,686</u>		<u>1,337,501</u>
2 FIXED ASSETS AND DEPRECIATION				
	Furniture and Office Equipment	Trust Office Land	Trust Office Improvements	Total
Cost or valuation				
Balance 1 April 2013	117,580	210,000	530,000	857,580
Additions	-	-	-	-
Revaluation increase (decrease)	-	-	25,000	25,000
<i>Cost or valuation at 31 March 2014</i>	<u>117,580</u>	<u>210,000</u>	<u>555,000</u>	<u>882,580</u>
Balance 1 April 2014	117,580	210,000	555,000	882,580
Additions	-	-	-	-
Revaluation increase (decrease)	-	-	10,000	10,000
<i>Cost or valuation at 31 March 2015</i>	<u>117,580</u>	<u>210,000</u>	<u>565,000</u>	<u>892,580</u>
Accumulated depreciation				
Balance 1 April 2013	111,251	-	-	111,251
Depreciation	6,329	-	3,909	10,238
Adjustment of revaluation	-	-	(3,909)	(3,909)
<i>Accumulated depreciation at 31 March 2014</i>	<u>117,580</u>	<u>-</u>	<u>-</u>	<u>117,580</u>
Balance 1 April 2014	117,580	-	-	117,580
Depreciation	-	-	5,550	5,550
Adjustment of revaluation	-	-	(5,550)	(5,550)
<i>Accumulated depreciation at 31 March 2015</i>	<u>117,580</u>	<u>-</u>	<u>-</u>	<u>117,580</u>
Net Book Value at 31 March 2015	<u>0</u>	<u>210,000</u>	<u>565,000</u>	<u>775,000</u>
Net Book Value at 31 March 2014	0	210,000	555,000	765,000
3 INVESTMENT LAND AND BUILDINGS				
		2015		2014
Opening value of investment Land and Buildings		62,533,498		61,399,152
Plus additions to portfolio		3,722,869		2,301,345
Plus work in progress		429,752		-
Plus increase/(decrease) in revaluation		57,133		(1,166,997)
Closing balance		<u>66,743,252</u>		<u>62,533,500</u>
4 GRANTS				
		2015		2014
Community grants		538,332		397,149
Education grants		375,736		441,584
Total grants		<u>914,068</u>		<u>838,733</u>

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5 BANK ACCOUNTS	2015	2014
ANZ Current Account	(236,943)	(100,703)
	<u>(236,943)</u>	<u>(100,703)</u>

6 BANK LOANS	2015	2014
The loan instruments are repayable as follows:		
Within 1 year	0	9,000,000
1 - 2 years	0	13,793,091
2 - 5 years	26,798,091	1,270,000
	<u>26,798,091</u>	<u>24,063,091</u>

All term borrowings are bank loans and interest rates for these borrowings are based on the bank bill rate plus a margin. The Trust utilises loan and credit facilities that are reviewed annually and for this reason, all borrowings under these facilities are reported as term borrowings.

All bank borrowings are secured by way of first mortgage over all properties held by the Trust.

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

The Trust complied with all covenants for the 2015 financial year.

The weighted cost of funding on term borrowings is 6.15% (2014: 6.12%).

7 POLICIES IN ACCORDANCE WITH MTLT ACT 2003, CL 17	2015	2014
Policy requires the Trustees to maintain a ratio of Debt to Debt plus Equity of no more than 40%.	40.21%	38.30%
The Trustees will maintain an interest cover of no less than two times		
The interest cover calculation excludes property revaluation.	2.21	2.07
The Debt to Debt+Equity ratio has marginally exceeded the 40% threshold as per Trust policy. This is due to increased borrowings for earthquake strengthening. The impact of changes in the accounting standards for the year ending 31 March 2016 will have the effect of bringing the ratio back in line with Trust policy.		

8 COMMITMENTS	
The Trust has a capital commitment at 31 March 2015 of \$225,302.12 (2014: NIL)	

9 CONTINGENT LIABILITIES	
The Trust has no contingent liabilities as at 31 March 2015 (2014: Nil)	

10 EXPENDITURE INCLUDES THE FOLLOWING	2015	2014
Audit fees	16,730	16,255
Trustees fees	59,325	60,385
Bad Debts	0	9,893

11 RELATED PARTIES	
During the year the Trust provided funds via the Masterton District Council for community purposes.	
Chris Peterson (Trustee) is a member of the Masterton District Council	
The Trust received rent from "Magie B's" in which Christine Brewster (Trustee) is a shareholder.	
The Trust received rent from "Mangan Graphics" in which Leanne Southey (Trustee) is a minority shareholder.	
The Trust received rent from "The Wairarapa Autism Trust" of which John Bunny (Trust Chair) is a foundation Trustee	
The Trust has signed up a tenant who is a service agent for "Connecting Communities" of which Sandy Ryan (Trustee) is an employee.	

12 REVENUES	2015	2014
Rent	4,555,189	4,155,289
Other Income	12,638	35,873
Tenant Outgoings Recovered	423,681	305,642
Increase/(Decrease) in Asset Revaluation Investment Properties	57,133	(1,166,997)
	<u>5,048,640</u>	<u>3,329,807</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.

14 SUBSEQUENT EVENTS	
The Trust purchased the property at 15 Queen Street, Masterton on 30 April 2015	
The Trust purchased the property at 17 Queen Street, Masterton on 11 May 2015	

INDEPENDENT AUDITOR'S REPORT

To the readers of Masterton Trust Lands Trust's financial statements for the year ended 31 March 2015

The Auditor-General is the auditor of Masterton Trust Lands Trust (the Trust). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Trust on 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 2015, the statement of financial performance, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements that include accounting policies and other explanatory information.

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 2015; and
 - financial performance and cash flows for the year ended on that date.

Our audit was completed on 21 July 2015. 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 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.

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



Masterton District Library staff unpack some of the new stock of fiction books funded by a \$16,000 grant.

on Fiction Pakiwaitara





189 Queen Street. PO Box 90, Masterton
ph: 06 370 0155 fax: 06 370 0156
email: trust@ltm.org.nz

www.ltm.org.nz