

**LANDS TRUST  
MASTERTON  
ANNUAL  
REPORT  
[2016]**





## 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.

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A new chapter in the colourful history of the Star Block on the corner of Queen Street and Lincoln Road was written in 2015 with major refurbishment of four shops for new and existing tenants. The original 1880s building, home to the Wairarapa Star newspaper, was destroyed by fire in 1896, rebuilt the same year and then demolished and rebuilt in 1972 for 13 retail tenants (see pages 8 and 9).





## THE YEAR IN REVIEW

Operating Surplus	1.1 million	up 6.6%
Rental Income	\$4.8 million	up 6.2%
Equity	\$42 million	up 3.5%
Total Assets	\$71 million	up 3.7%
Debt to debt plus equity	39.97%	39.65% (2015)
Total Grants	\$1.01 million	up 10.9%



## CHAIRPERSON'S REPORT

A long-term commitment to invest in quality properties has resulted in Trust assets reaching a record level of \$71 million, and an increase in dividends to the Masterton community through grants. While the majority of the Trust's assets are leased on a commercial basis, many properties are provided for community use and return significant social and cultural dividends. Financial return from these properties is of secondary importance. Other assets are held for future development. Numerous property upgrades completed during the year and positive financial results across the board have created a firm platform for continued future growth.

### Grants

Total grants to the Masterton community increased by 10.9 percent to \$1.01 million in the 2015-2016 financial year. Grants were provided for educational, cultural and community purposes.

Following 10 years of funding collaborative education initiatives from early childhood to tertiary levels, it was timely to review the Trust's approach to allocating education funds to ensure we continue to meet the current and future needs of providers and students.

More than \$4.6 million has been granted to education during that time, including almost \$2 million to the joint programmes.

An independent review of this funding, commissioned by the Trust, found that while the funding is making a difference to the education community, there are areas for improvement. A more 'intentional' and strategic approach was recommended to better target and improve results for education providers and students. The review has so far resulted in the appointment of a part-time education coordinator to develop a strategy to guide how education grants are made in the future. The Trust aims to have its education strategy defined during 2016, allowing changes to its education grants to commence in Term 2 of 2017.

Moving to the arts sector, over the past five years the Trust has set aside \$10,000 per annum for new public art work. This has resulted in a \$50,000 Trust grant to the Aratoi Foundation for the Neil Dawson sculpture 'Ascension', to be installed at the northern roundabout in Masterton.

### Finance

Financial results for the year were positive. Total assets increased by 3.7 percent to \$71 million and equity increased by 3.5 percent to \$42 million – new highs for both.

The benefits of the Trust's extensive investment in earthquake strengthening its buildings over the past five years continued to positively influence income with a 6.2 percent increase in rental income to \$4.8 million.

Operating surplus increased by almost 6.6 percent to \$1.1 million.

### Property

The Trust's commitment to providing tenants with quality properties has paid off, resulting in 100 percent occupancy of available buildings as at 31 March 2016.

Redesign and refurbishment of the building at 395 Queen Street has provided accommodation for The Tile Warehouse and South Wairarapa Vets; both new tenants for the Trust.

Nearby, the Farmlands building was extended to accommodate the new Farmlands Real Estate business. In addition, further (much-needed) retail yard space was provided thanks to a recent property acquisition by the Trust.

At the south end of Queen Street, existing tenant City Fitness benefitted from extension and renovation of its premises, incorporating adjoining space in the same building.

The upgrade of four shops in Queen Street's Star Block and the Elliott Building was completed in 2015-2016 for existing tenants Michelles Hair Salon and Computer Partners, and for new tenants Health 2000 and Selah Music Works.



We began working with several tenants to relocate them from Radio House in Church Street to other Trust-owned properties in the CBD. This is due to uncertainty about the long-term future of Radio House.

The Trust purchased the property at 15 Queen Street which, together with two adjoining Trust properties, have potential to become part of an expanded civic cultural and recreational precinct in the future. Te Patukituki o Wairarapa is now using the building for community carving, and the Trust began work with local artists to create a container village on the vacant land at 13 Queen Street.

This year's accounts reflect Masterton Cosmopolitan Club's agreement to surrender its existing ground lease and transfer of its building assets to the Trust. In return, the Trust will settle the Club's secured debts and allow it to occupy the building until December 2016.

The major restoration of the Seddon Building for Lone Star was recognised nationally with an Award of Merit in the 2015 Property Council of New Zealand Property Industry Awards.

#### Trustees

It was with great sadness that we farewelled longstanding Trustee Heaton Haglund who died suddenly during the year. First elected to the Trust in 1998, Heaton served the Trust well with his enquiring mind, sound advice and sense of humour. His in-depth knowledge of Masterton and experience in its retail sector was invaluable to the Trust's operations. We will miss him greatly.

In accordance with the Trust's own Act of Parliament, an appointment was made to replace the vacant position left by Heaton. Garry Daniell, the next highest-polling candidate in the last election, was selected.

During the year John Bunny resigned as Chairperson and remains as a Trustee. We acknowledge and thank John for his stewardship of the Trust and contributions as Chairperson over the last two years.

Leanne Southey was elected as Chairperson in December and Karl Taucher was appointed Deputy Chairperson.

#### Personnel

Trust Secretary-Manager, Gary Percy, retired at the end of the year after 15 years in the role. His development and management of Trust property and positive relationships with tenants contributed strongly to the growth of the property portfolio and associated returns and benefits to the community. We thank Gary for his immense contribution to Masterton and the Trust, and wish him well in his retirement.

Property professional and former Masterton resident Andrew Croskery was appointed as the Trust's new General Manager, taking up the role early in the 2017 financial year. Masterton education consultant and registered teacher Colleen Douglas was appointed to a new part-time position to assist the Trust develop its education strategy and coordinate its education grants programme. The role was established as a result of the independent review of the education funding programme.

#### Thanks

Many people have worked alongside the Trust to contribute to the positive results achieved over the past year.

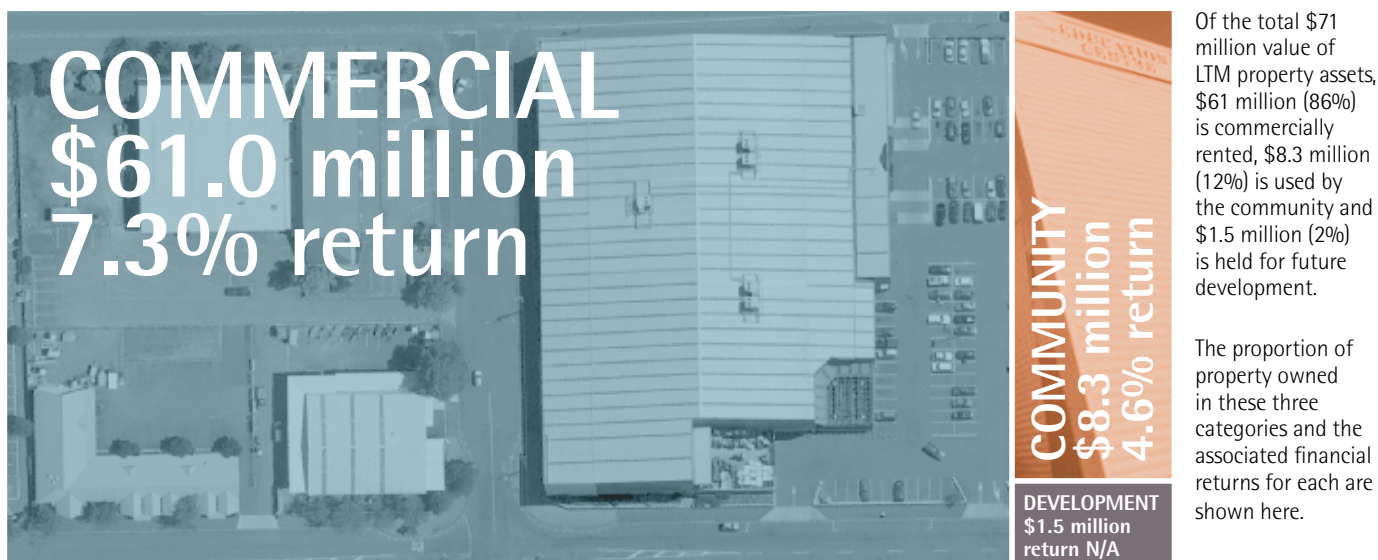
Thank you to the various contractors and professional advisors who continue to provide high-quality work and advice to complement the efforts of our staff.

We appreciate the support of our many tenants, without whom the Trust could not undertake its important community work.

Thank you to my fellow Trustees for their service to the community and support of the Trust. Finally, the efforts of Gary Percy and our small team of staff are greatly appreciated.

We look forward to continuing to serve the Masterton community in the year ahead.

Leanne Southey  
Chairperson





## GRANTS



All Masterton schools, early childhood and tertiary educators were involved in initiatives that received total funding of \$337,942 during the year. The addition of Community, Special and Concessional Rental Grants brought the total grants distributed to the Masterton community to \$1,013,319.

### WORLD WAR 1 RIMUTAKA CROSSING MEMORIAL

A \$5,000 grant to the Rimutaka Crossing Re-enactment Group assisted with the creation of a memorial dedicated to World War 1 soldiers who endured the Rimutaka Crossing and the war. The memorial's unveiling was the high point of a 21km re-enactment march in September 2015 by descendants of the more than 60,000 soldiers who trained at the Featherston Military Camp before marching over the Rimutakas to ships in Wellington harbour, taking them off to WWI. Many of the soldiers never returned.



Justyn and Kobi of **REAL TALK RADIO**, one of the programmes to benefit from Lands Trust Masterton's \$2,000 grant to assist minority groups on Access Radio. Other programmes deal with mental health issues and storytelling. Real Talk Radio is the only Arrow FM programme that thanks its funder every week in improvised freestyle rap.





**TE AWHINA CAMERON COMMUNITY HOUSE – PROFESSIONAL DEVELOPMENT**

A \$4,000 grant enabled the Coordinator and volunteers of Te Awhina Cameron Community House to undertake professional development. A two-day First Aid course completed by four people included training in the use of a defibrillator based at the house. The skills have already been used to assist people in the community. A two-day conference provided a bank new of ideas on how to build and nourish relationships that are the core of healthy and inclusive communities.



**ALAN MACDIARMID SCHOLAR**

Wairarapa College 2015 Dux, Aqueeda Singh, was awarded the 2016 Alan MacDiarmid Scholarship to assist with her studies in Health Science and eventually Medicine at Otago University. Only the second female to receive the scholarship since it began in 2002, Aqueeda was Masterton's top Chemistry student in 2015. Pictured here with LTM Grants Committee Chair, Christine Brewster, Aqueeda receives \$1,000 per year for three years.

## 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

\$

**TOTAL EDUCATIONAL GRANTS ..... 337,942**

### Early Childhood ..... 64,033

Manaia Kindergarten.....	Roll based .....	540
Makoura Early Childhood Centre.....	Roll based .....	660
Kahurangi All Day Kindergarten.....	Roll based .....	480
Ko te Aroha.....	Roll based .....	456
Una Williams Kindergaren.....	Roll based .....	480
Wahi Reka Te Kohanga Reo.....	Roll based .....	360
Lansdowne Kindergarten.....	Roll based .....	648
Masterton West Kindergarten.....	Roll based .....	744
York Street Kindergarten.....	Roll based .....	672
Masterton Family Education (Cloud Kids).....	Roll based .....	564
Westside Playcentre .....	Roll based .....	600
Early Childhood Initiative.....	Professional development.....	57,829

### Primary/Intermediate Schools..... 125,753

Douglas Park School.....	Roll based .....	4,320
Fernridge School.....	Roll based .....	2,208
Lakeview School.....	Roll based .....	5,316
Masterton Intermediate School .....	Roll based .....	4,284
Masterton Primary School.....	Roll based .....	2,856
Solway Primary School.....	Roll based .....	2,484
St Patricks School.....	Roll based .....	2,640
Te Kura Kaupapa (primary & secondary).....	Roll based .....	1,056
Hadlow College.....	Roll based .....	2,280
Primary Principals Initiative.....	Professional development.....	91,936
Principals Fund .....	Principals Fund.....	6,373

### Secondary Schools..... 73,930

Chanel College.....	Roll based .....	3,528
Makoura College.....	Roll based .....	3,924
Solway College.....	Roll based .....	1,656
Wairarapa College.....	Roll based .....	11,760
St Matthew's Collegiate School.....	Roll based .....	3,960
Teen Parent Unit.....	Roll based .....	252
Intercollegiate Wearable Arts.....	Student prize pool .....	1,500
Wairarapa Mathematics Association.....	Student prize pool .....	1,000
Secondary Principals Initiative.....	Professional development.....	46,350

### Tertiary..... 74,226

Alan MacDiarmid Scholarships.....	Three students awarded \$1,000 science scholarships.....	3,000
Tertiary Scholarships.....	152 students awarded study contribution .....	60,800
UCOL Wairarapa.....	Discretionary Assistance Fund .....	10,426

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.



\$

<b>TOTAL COMMUNITY GRANTS</b> .....	<b>314,627</b>
<b>Community Groups</b> .....	<b>127,205</b>
Wairarapa Community Centre..... Training programme for personal development .....	500
Citizens Advice Bureau .....	Assist with general running costs.....1,000
Wairarapa Rescue Trust.....	'Sartrack' training to enable improved monitoring of search teams ...1,000
Masterton Community Toy Library .....	Administration costs for the Toy Library.....1,000
Whaiora Whanui Trust - Loved 4 Life .....	Make & provide a quilt for every newborn supported by Whaiora .....1,000
Wairarapa Women's Centre .....	Delivery 'Communication Toolbox' programme.....1,000
Hedleys.....	Bob Francis Biography.....1,000
Yarns in Barns.....	Delivery of literary festival programme.....1,000
Henley Men's Shed.....	Education & training for members in safety, health & other areas.....1,500
Community Budgeting Trust.....	Rental costs to ensure continuance of client services.....1,500
NZ Council of Victim Support Groups.....	Recruitment, training & support of volunteer support workers.....1,500
Wairarapa Resource Centre .....	Professional development of staff & volunteers.....1,500
NZ Red Cross Inc - Wairarapa .....	'People Savers' - preparing students to act in emergencies.....1,500
Connecting Communities.....	Collaborative fitness workshops.....1,500
Masterton District Brass Band.....	Assist with van hire, accommodation & ancillary costs.....1,600
Sport Wairarapa .....	Hire indoor pool for annual Inter-School Swimming Champs.....1,805
Access Radio Wairarapa Charitable Trust.....	Airtime fund for disadvantaged programme makers.....2,000
Arthritis New Zealand .....	Delivery of two educational seminars on arthritis.....2,000
Wairarapa Māori Women's Welfare League.....	Whānau support services for Māori & their families.....2,000
Connecting Communities.....	Neighbourhood Support volunteer training & support .....2,000
Alzheimers Wairarapa Inc.....	Volunteer training, community support & office managers.....2,000
Wai & Southern Hawkes Bay Life Education Trust .....	Education programmes for Masterton primary schools.....2,000
Age Concern Wairarapa (WOOPS).....	Silver Jubilee Celebrations - celebrate 25 years of service.....2,000
Road Safe.....	Delivery of road safety education programmes.....2,000
Friends of Millennium Native Forest Reserve Soc.....	Ongoing development of Millennium Native Forest.....2,300
WaiWaste .....	Food Rescue service, redistribution to parcels & social services.....2,500
Literacy Wairarapa Inc.....	Upskilling literacy & numeracy of Wairarapa people in need.....2,500
Learning Disabilities Assn., Wairarapa.....	Support cost of assessment, tuition & reassessment.....2,500
Stopping Violence Services Wairarapa.....	Support & education for sufferers of domestic violence.....3,000
Autism Wairarapa Charitable Trust.....	Autism advocacy with students & teachers, education, equipment.....3,000
Toimata Foundation (ex Enviroschools Foundation)....	Project Visible - a student-led environmental expo project.....3,000
Riversdale Beach Surf Lifesaving Club.....	Level 3 First Aid Training Course for lifeguards.....3,000
Te Awhina Cameron Community House.....	Professional development for coordinator & volunteers.....4,000
Street Youth Ministries .....	Assist with op costs, enabling continued work with at-risk youth.....4,500
King Street Artworks.....	Programme of workshops including M ori art week wananga.....5,000
Wairarapa Arts Festival Trust.....	Kokomai Creative Festival, across Wairarapa, October 2015.....7,000
Granny's Basket.....	Support for continuation of language programme .....9,000
Ko te Aroha Children's Centre.....	Parent Educator Programme Research project.....10,000
Masterton Leisure Ltd.....	Community swimming programmes.....30,000

<b>Civic</b> .....	<b>31,000</b>
Masterton District Council.....	Supplement council grants for civic events.....14,000
Masterton District Council.....	Coding workshop.....3,000
Masterton District Council.....	Purchase library materials.....14,000

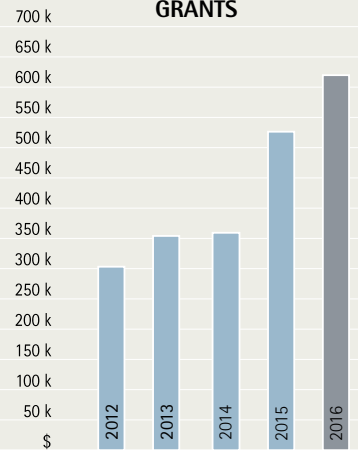
<b>Aratoi</b> .....	<b>101,423</b>
Aratoi.....	Featherston Camp Centenary Exhibition.....15,000
Aratoi.....	Exhibitions Grant .....20,000
Aratoi.....	Opex Grant.....66,423

<b>Special Grants</b> .....	<b>55,000</b>
Rimutaka Crossing Memorial Re-enactment Group....	Construction of memorial structure & reflection point.....5,000
Masterton community.....	Aratoi Foundation memorial sculpture (total contribution \$50,000, balance from accrued funds).....20,000
Wairarapa-Bush Rugby Football Union .....	Upgrade of Memorial Park (artificial turf & lighting).....30,000

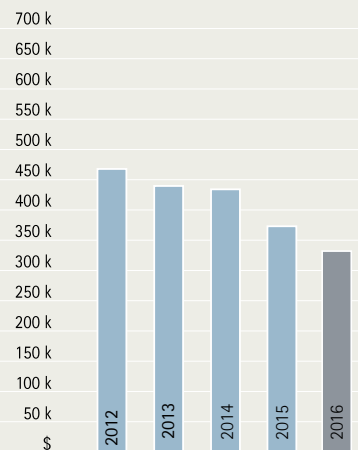
<b>CONCESSIONAL RENTS</b> .....	<b>360,750</b>
Te Kura a Rangi Trust.....	Concessional rent.....12,000
Harlequin Theatre.....	Concessional rent.....12,500
Young Citizens Club .....	Concessional rent.....11,050
Aratoi.....	Concessional rent.....324,000
Girl Guides.....	Concessional rent.....1,200

<b>TOTAL GRANTS</b> .....	<b>\$1,013,319</b>
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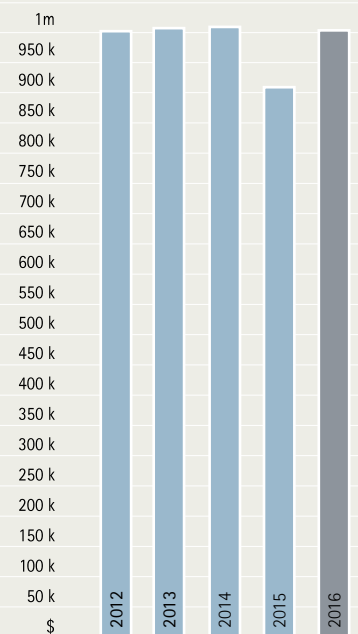
### COMMUNITY & CONCESSIONAL RENTAL GRANTS



### EDUCATIONAL GRANTS



### TOTAL GRANTS





## PROPERTY

"If there is something we want done, we always get a positive response from the Trust. When moving from another of their buildings, we were well-consulted on the design of the new premises. We now have a much more useable space, including a great workshop." *David Howden, Computer Partners*



The Trust continued to work closely with existing and new tenants to provide purpose-built, quality properties for lease, resulting in 100% occupancy of available buildings as at 31 March 2016.

The refurbishment of four shops in Queen Street's Star Block and the Elliott Building was completed for existing tenants Michelle's Hair Salon and Computer Partners, and for new tenants Health 2000 and Selah Music Works.







△ "Our clients love the new-look salon – it's wonderful for them to be able to enjoy their experience in a modern, upmarket, bright space. Lands Trust Masterton was great to work, listening to what my staff and I required for a functional working environment that is also easy for our clients in wheelchairs and with prams. The Trust is very approachable and takes an interest in the business as well – to me, it's very important that we are on the same page."  
*Michelle Pike, Michelle's Hair Studio*

"The move has been successful in every aspect - more foot traffic, a nicer outlook and great working environment. The Trust were very accommodating and gave assistance where needed to make the transition smooth. Their subcontractors were extremely efficient and easy to deal with."

*Barbara McManaway, Health 2000*





## PROPERTY



The previously-empty 750m<sup>2</sup> building at 395 Queen Street received a new lease of life with a major refurbishment and redesign of the building for two new tenants - South Wairarapa Vets and Tile Warehouse.



"The move to our new premises has meant a bigger and brighter show room with much more space to show our tiles off to their best effect. We also have great parking and easy access for all clients to both our front entrance and our pick-up area. Lands Trust Masterton took the time to sit down and listen to our plans for business growth. It wasn't rushed, they found us this space that worked with all our ideas and were willing to working with us as a team to make it as stress-free as possible."  
*Jenni Price, Tile Warehouse*







"The central location is excellent with easy access, good parking and visibility. The property was presented as a clean slate and the Trust accommodated our designs to meet client, animal and staff needs. The whole site was much too big for us as a branch clinic so we're pleased to have a neighbour and that the two businesses have made the site work for each other."

*Adrian Evans, South Wairarapa Vets*





PROPERTY



"The property upgrade has been very good for business. The new real estate part of the building has fitted in well and has created a great flow-on effect between the two parts of the business."  
*Marcus Johnston,  
Farmlands Co-operative Society Ltd*







"With the awesome help and support of the Lands Trust Masterton, our gym has increased to twice the size and we have been able to provide our members with a facility that is bright and spacious, creating a highly-motivating area to work out in. Our membership base has increased significantly due in part to the renovations. The Trust has certainly met our needs by helping us create this amazing facility that will inspire the people of Wairarapa to get fit and healthy for life."

*Jenna Mitchell, City Fitness*

"We needed to move shops as we were running out of room. The Trust was brilliant to work with - if we wanted something it was done. The new site is better, warmer brighter and overall a much more pleasant environment."

*Andrew Larkin, Electric Blue Electronics*



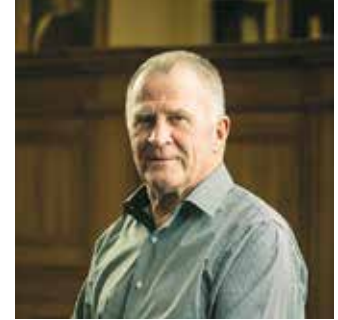


## TRUSTEES

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 Chairperson is elected by the members.



**Leanne Southey**  
Chairperson  
*Elected 2010*



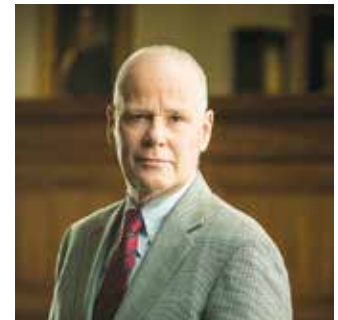
**Karl Taucher**  
Deputy Chairperson  
Audit & Risk Committee Chairperson  
*Elected 2001*



**Christine Brewster**  
Grants Committee Chairperson  
*Elected 2004*



**Chris Peterson**  
*Elected 1998*



**John Bunny**  
*Elected 2007*



**Sandy Ryan**  
*Elected 2013*



**Rick Long**  
*Elected 2013*



**Garry Daniell**  
*Appointed February 2016*

### HEATON HAGLUND (1939-2016)

We pay tribute to long-serving Trustee, Heaton Haglund, who passed away suddenly on 28 January 2016. Heaton served his community in many different ways including as an elected Lands Trust Masterton Trustee for more than 18 years from 1998 until 2016. His experience as a pharmacist and Queen Street retailer provided valuable insights at the board table, particularly when considering issues related to properties leased for retail purposes. Heaton's enquiring mind, quick wit and supportive stance contributed greatly to the success and growth of the Trust while he was involved. He is sadly missed.





## 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. Its Charities Commission number is CC30205.

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

It has responsibility for secretarial and financial reporting of the Montfort Trimble Foundation, and continues to administer several other trusts and scholarship funds.

Lands Trust Masterton is the sole 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 2016 Joan Stone Scholarship to Kylie Robinson, and the Fletcher Challenge Scholarship to Felicity Hintz.

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

Masterton Community Centre Trust: CC28687



**Gary Percy**  
*(Secretary-Manager, retired 2016)*

After 15 years in the role of Lands Trust Masterton Secretary-Manager Gary Percy retired at the end of the year. Gary's management of Trust property and positive relationships developed with tenants contributed strongly to the growth of the property portfolio and associated returns to the community.

We thank Gary for his immense contribution to Masterton and the Trust, and wish him well in his retirement.



**Statement of Comprehensive Revenue and Expense** for the year ended 31 March 2016

Notes	2015/16 \$	2014/15 \$
<b>Revenue</b>		
Administration services	9,000	7,500
Interest received	114	456
Miscellaneous revenue	12,709	5,138
Rental revenue	4,836,915	4,555,189
Tenant recoveries	<u>427,291</u>	<u>423,681</u>
<b>Total revenue</b>	<b><u>5,286,029</u></b>	<b><u>4,991,964</u></b>
<b>Expenditure</b>		
Administration expenses 3	635,870	474,060
Depreciation 5	3,955	5,550
Interest expense	1,637,013	1,581,433
Grants 7	1,013,319	914,068
Property expenses 3	494,732	621,257
Tenant outgoings expense	<u>427,291</u>	<u>388,141</u>
<b>Total expenditure</b>	<b><u>4,212,180</u></b>	<b><u>3,984,509</u></b>
<b>SURPLUS (DEFICIT)</b>	<b>1,073,849</b>	<b>1,007,455</b>
<b>Other comprehensive revenue and expense</b>		
Increase / (decrease) in revaluation reserve (Trust office)	3,955	15,550
Increase / (decrease) in revaluation of investment properties 6	<u>329,962</u>	<u>(347,622)</u>
<b>Total other comprehensive revenue and expense</b>	<b><u>333,917</u></b>	<b><u>(332,072)</u></b>
<b>TOTAL COMPREHENSIVE REVENUE AND EXPENSE</b>	<b><u>1,407,766</u></b>	<b><u>675,383</u></b>

**Statement of Changes in Equity** for the year ended 31 March 2016

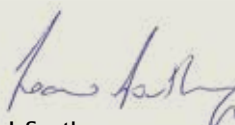
	2015/16 \$	2014/15 \$
<b>Equity</b>		
Equity at the start of the period	40,789,949	40,114,566
Net surplus for the period	<u>1,407,766</u>	<u>675,383</u>
<b>Total recognised revenues &amp; expenses for period</b>	<b><u>1,407,766</u></b>	<b><u>675,383</u></b>
<b>Equity at the end of the period</b>	<b><u>42,197,715</u></b>	<b><u>40,789,949</u></b>
Equity comprises:		
<b>Revaluation reserve Trust building</b>		
Opening balance	143,732	128,182
Revaluation movement	<u>3,955</u>	<u>15,550</u>
Closing balance	147,687	143,732
<b>Retained earnings</b>		
Opening balance	40,646,217	39,986,384
Net surplus (deficit)	1,407,766	675,383
less revaluation movement included in surplus	<u>(3,955)</u>	<u>(15,550)</u>
Closing balance	<u>42,050,028</u>	<u>40,646,217</u>
<b>Equity at the end of the period</b>	<b><u>42,197,715</u></b>	<b><u>40,789,949</u></b>

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



**Statement of Financial Position** *for the year ended 31 March 2016*

		2015/16	2014/15
		\$	\$
<b>Current Assets</b>			
Bank accounts	4	190,289	-
Loans receivable		6,187	17,135
Accounts receivable (from exchange transactions)		20,501	34,448
Revenue accrued		-	35,540
Prepayments		132,874	163,487
GST		<u>18,656</u>	<u>-</u>
		368,507	250,610
<b>Non Current Assets</b>			
Investment land & buildings	6	70,043,294	67,253,748
Work in progress		35,206	429,751
Property, plant & equipment	5	<u>775,000</u>	<u>775,000</u>
		70,853,500	68,458,499
<b>TOTAL ASSETS</b>		<u>71,222,007</u>	<u>68,709,109</u>
<b>Current Liabilities</b>			
Bank accounts	4	-	236,943
Accounts payable	8	537,310	431,254
Accruals		56,341	69,600
Revenue in advance	9	65,124	80,757
Interest accrued		97,787	135,292
Employee entitlement	3	169,639	161,005
GST		<u>-</u>	<u>6,218</u>
		926,201	1,121,069
<b>Non Current Liabilities</b>			
Borrowings	4	<u>28,098,091</u>	<u>26,798,091</u>
<b>TOTAL LIABILITIES</b>		<u>29,024,292</u>	<u>27,919,160</u>
<b>NET ASSETS</b>		<u>42,197,715</u>	<u>40,789,949</u>
<b>EQUITY</b>		<u>42,197,715</u>	<u>40,789,949</u>



 L Southey  
Chairperson



 K Taucher  
Deputy Chairperson

**Statement of Cash Flows** *as at 31 March 2016*

Note	2015/16 \$	2014/15 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Cash inflows from:		
Rental revenue	4,830,595	4,545,558
Rental outgoings recovery	478,464	374,257
Other revenue	21,709	12,638
Interest	114	456
GST	-	9,259
	<u>5,330,882</u>	<u>4,942,168</u>
Cash outflows for:		
Payments to suppliers and employees	(1,481,066)	(1,353,835)
Interest paid	(1,674,517)	(1,560,647)
GST	(24,874)	-
	<u>(3,180,458)</u>	<u>(2,914,482)</u>
<i>Net Cash Inflow/(Outflow) from Operating Activities</i> 10	<u>2,150,424</u>	<u>2,027,686</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Cash was disbursed to:		
Capital improvements	(1,564,874)	(3,474,858)
Investment property portfolio	(435,000)	(455,000)
	<u>(1,999,874)</u>	<u>(3,929,858)</u>
<i>Net Cash Inflow/(Outflow) from Investing Activities</i>	<u>(1,999,874)</u>	<u>(3,929,858)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash was provided from:		
Borrowings	1,300,000	2,735,000
	<u>1,300,000</u>	<u>2,735,000</u>
Cash was disbursed to:		
Distributions	(1,023,319)	(969,068)
	<u>(1,023,319)</u>	<u>(969,068)</u>
<i>Net Cash Inflow/(Outflow) from Financing Activities</i>	<u>276,681</u>	<u>1,765,932</u>
<b>Total movement in cash</b>	<u><b>427,232</b></u>	<u><b>(136,240)</b></u>
Opening Cash Balance	(236,943)	(100,703)
Closing Cash Balance	<u>190,289</u>	<u>(236,943)</u>
<i>made up as follows</i>		
ANZ Bank	190,289	(236,943)
	<u>190,289</u>	<u>(236,943)</u>

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



## Notes to the Financial Statements *For the Year Ended 31 March 2016*

### 1. STATEMENT OF ACCOUNTING POLICIES

#### Statutory Basis

The Masterton Trust Lands Trust was established in 1872 and operates pursuant to the Masterton Trust Lands Act 2003. Schedule 2, Clause 12 (1) of the Masterton Trust Lands Act 2003 requires the Masterton Trust Lands Trust (the Trust) to prepare annual financial statements in accordance with generally accepted accounting practice (NZGAAP).

#### 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.

The Trust provides educational and community grants for the benefit of the Masterton District. It does not operate to make a financial return.

#### Statement of Compliance

The Trust has designated itself as a public benefit entity (PBE) for financial reporting purposes. The financial statements have been prepared in accordance with Tier 2 RDR (Reduced Disclosure Regime) of the PBE accounting standards framework.

The Trust falls into Tier 2 on the basis that it non-publicly accountable and does not have total expenses in excess of \$30 million.

The Trust manages assets that were entrusted to it by the Wairarapa Town Lands Management Act 1870 to achieve its own charitable objectives of supporting the educational, cultural and community initiatives of Masterton. As the beneficiaries of the Trust

did not settle the Trust, the Trust is not acting in a fiduciary capacity.

These financial statements of the Trust are for the year ended 31 March 2016 and were authorised for issue by the Board on 28 July 2016 and are the first financial statements presented in accordance with the new PBE accounting standards. The material adjustments arising on transition to the new PBE accounting standards are explained in note 16.

The financial statements have been prepared on a going concern basis and the accounting policies have been applied consistently throughout the period.

#### Presentation currency and rounding

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

### SIGNIFICANT ACCOUNTING POLICIES

#### Revenue

Revenue is measured at fair value.

The specific accounting policies for significant revenue items are explained below:

##### *Rent*

Rentals will reflect both local and provincial market rates for like businesses and are recognised when they become receivable.

##### *Tenant Outgoings Recovered*

Actual operating costs recovered from tenants as specified in lease arrangements and are recognised when they become receivable.

#### Cash and Deposits

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

#### Loans and receivables

Receivables are recorded at their face value, less any provision for impairment. Loans and receivables are non-interest bearing and receivables are generally settled on 30-day terms. Therefore, the carrying value of receivables approximates their fair value. The Trust holds no collateral as security or other credit enhancements over receivables that are either past due or impaired.

#### Goods and Services Tax

All items in the financial statements are stated exclusive of GST, except for receivables and payables, which are presented on a GST-inclusive basis. Where GST is not recoverable as input tax, it is recognised as part of the related asset or expense.

The net GST paid to, or received from the IRD, including the GST relating to investing and financing activities, is classified as a net operating cash flow in the statement of cash flows.

Commitments and contingencies are disclosed exclusive of GST.

#### Payables and Borrowings

Short-term creditors are recorded at their face value. Payables are non-interest bearing and are normally settled on 30-day terms. Therefore, the carrying value of payables approximates their fair value.

##### *Borrowings*

Borrowings costs are recognised as an expense in the period in which they are incurred.

Borrowings are initially recognised at their fair value net of transaction costs incurred. After initial recognition, all borrowings are measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

#### Income tax

The Trust is exempt from income tax. Accordingly, no provision has been made for income tax.

#### Property, plant, and equipment

Property, plant, and equipment consist of the following asset classes: land and buildings. Property held to meet service delivery objectives is classified as property, plant, and equipment.

#### Additions

The cost of an item of property, plant, and equipment is recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

The costs of day-to-day servicing of property, plant, and equipment are recognised in the surplus or deficit as they are incurred.



### Disposals

Gains and losses on disposals are determined by comparing the disposal proceeds with the carrying amount of the asset. Gains and losses on disposals are reported net in the surplus or deficit. When revalued assets are sold, the amounts included in property revaluation reserves in respect of those assets are transferred to general funds.

### Revaluation

Land and buildings (operational and restricted) are revalued with sufficient regularity to ensure their carrying amount does not differ materially from fair value. This is done annually.

Revaluations of property, plant and equipment are accounted for on a class of assets basis.

The net revaluation results are credited or debited to the Statement of comprehensive revenue and expense and are accumulated to an asset revaluation reserve. Where this would result in a debit balance in the asset revaluation reserve, this balance is not recognised in other comprehensive revenue and expense but is recognised in the surplus or deficit. Any subsequent increase on revaluation that reverses previous decrease in value recognised in the surplus or deficit will be recognised first in the surplus or deficit up to the amount previously expensed, and then recognised in other comprehensive revenue and expense.

### Subsequent Costs

Costs incurred subsequent to the initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably. The costs of day-to-day servicing of property, plant and equipment are recognised in the surplus or deficit.

### Depreciation

Depreciation is provided on a straight line basis at a rate calculated to allocate the assets' cost over its estimated useful life.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Trust office Improvements	100 years	(1%)
Furniture & equipment	3-10 years	(10-33%)

### Investment property

Properties leased to third parties under operating leases are classified as investment property unless the property is held to meet service delivery objectives, rather than to earn rentals or for capital appreciation. Property held to meet service delivery objectives is classified as property, plant, and equipment.

Land and buildings and other infrastructure that comprises the Trust's investment portfolio is valued at fair value and is valued annually to ensure that the value does not alter materially from fair value.

New acquisitions are measured initially at cost, including transaction costs. After initial recognition, investment property is measured at fair value as determined annually by an independent valuer.

The portfolio was valued as at 31 March 2016 by Morgan's Property Advisors, Registered Valuers.

The net revaluation results are credited or debited to other comprehensive revenue and expense and are accumulated to an asset revaluation reserve in equity.

### Employee entitlements

#### Short-term employee entitlements:

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee renders the related service are measured at nominal values based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date and annual leave earned to but not yet taken at balance date.

#### Superannuation schemes:

##### Defined contribution schemes

The Trust's contributions to KiwiSaver are accounted for as defined contribution schemes and are recognised as an expense in the surplus or deficit when incurred.

### Equity

Equity is measured as the difference between total assets and total liabilities. Equity is disaggregated and classified into the following components:

- » General funds.
- » Property revaluation reserves.

#### Property revaluation reserve

These reserves relate to the revaluation of land, buildings, and infrastructure assets to fair value.

2 REVENUES	2016	2015
Revenue under exchange transactions		
Rent	4,836,915	4,555,189
Tenant outgoings recovered	427,291	423,681
Other revenue	21,823	13,094
	<u>5,286,029</u>	<u>4,991,964</u>
3 EXPENDITURE INCLUDES THE FOLLOWING;	2016	2015
Property and tenant outgoings		
Insurance	180,441	225,361
Rates	405,738	388,809
Administration		
Audit	17,230	16,730
Bad debts	79,533	-
Legal	17,340	24,094
Employer contributions to defined contribution schemes	10,177	10,188
Increase/(decrease) in employee entitlements	8,634	20,047

## MASTERTON TRUST LANDS TRUST 2016 FINANCIAL REPORT

<b>4 BANK</b>	<b>2016</b>	<b>2015</b>
Current account		
ANZ Current account	190,289	(236,943)
<b>Borrowings</b>		
The loan instruments are repayable as follows:		
Within 1 year	0	0
1 - 2 years	0	0
2 - 5 years	28,098,091	26,798,091
	<u>28,098,091</u>	<u>26,798,091</u>

The weighted cost of funding on term borrowings is 5.95% (2015: 6.15%).

#### Security

The overdraft is unsecured. The maximum amount that can be drawn down against the overdraft facility is \$0.5 million (2015 \$1.0 million). There are no restrictions on the use of this facility.

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.

The secured loan is secured by a first registered mortgage over the whole of the property portfolio - a carrying value of \$37.02 million for land and \$33.67 million for buildings.

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

#### 5 PROPERTY, PLANT AND EQUIPMENT

Cost or valuation	Furniture and Office Equipment	Trust Office Land	Trust Office Improvements	Total
Balance 1 April 2014	117,580	210,000	555,000	882,580
Additions	-	-	-	-
Revaluation increase (decrease)	-	-	10,000	10,000
Cost or valuation at 31 March 2015	<u>117,580</u>	<u>210,000</u>	<u>565,000</u>	<u>892,580</u>
Balance 1 April 2015	117,580	210,000	565,000	892,580
Additions				
Revaluation increase (decrease) -				
Cost or valuation at 31 March 2016	<u>117,580</u>	<u>210,000</u>	<u>565,000</u>	<u>892,580</u>
<b>Accumulated depreciation</b>				
Balance 1 April 2014	117,580	-	-	117,580
Depreciation	-	-	5,550	5,550
Adjustment of revaluation	-	-	(5,550)	(5,550)
Accumulated depreciation at 31 March 2015	<u>117,580</u>	<u>-</u>	<u>-</u>	<u>117,580</u>
Balance 1 April 2015	117,580	-	-	117,580
Depreciation			3,955	
Adjustment of revaluation			(3,955)	
Accumulated depreciation at 31 March 2016	<u>117,580</u>	<u>-</u>	<u>-</u>	<u>117,580</u>
<b>Fair Value at 31 March 2016</b>	<u>0</u>	<u>210,000</u>	<u>565,000</u>	<u>775,000</u>
Fair Value at 31 March 2015	<u>0</u>	<u>210,000</u>	<u>565,000</u>	<u>775,000</u>

Restrictions on title

There are no restrictions on title of the property at 187-189 Queen Street, known as the Trust Office. This is reflected in the valuation done as at 31 March 2016 by registered valuer Paul van Velthoven of Morgan's Property Advisors, Registered Valuers.

<b>6 INVESTMENT PORTFOLIO</b>	<b>2016</b>	<b>2015</b>
Opening value of investment Land and Buildings	67,683,500	63,878,500
Plus additions to Portfolio	2,029,832	3,722,869
Plus increase/(decrease) in Revaluation	329,962	(347,622)
Closing Balance	<u>70,043,294</u>	<u>67,253,748</u>

Valuation

The most recent valuations of land, buildings and infrastructure were performed by an independent registered valuer Paul van Velthoven of Morgan's Property Advisors, Registered Valuers. Qualifications: FNZIV, FPINZ, BCom (VPM), BA (History) and a registered valuer since 1985. He is also a fellow of NZIV and the Property Institute of NZ.

The valuation is effective as at 31 March 2016.

Non-specialised buildings are valued at fair value using market-based evidence. Market rents and capitalisation rates were applied to reflect market value. These valuations include adjustments for estimated building strengthening costs for earthquake-prone buildings. The fair value of investment property has been determined using the capitalisation of net revenue and discounted cash flow methods. These methods are based upon market evidence and use assumptions including future rental revenue, anticipated maintenance costs, and appropriate capitalisation or discount rates.

Land has been valued using market value - i.e. sales of comparable land.



MASTERTON TRUST LANDS TRUST 2016 FINANCIAL REPORT

7 GRANTS	2016	2015
Community grants	314,627	271,082
Education grants	337,942	375,736
Concessional rents	360,750	267,250
Total Grants	<u>1,013,319</u>	<u>914,068</u>

8 PAYABLES	2016	2015
Payables under exchange transactions		
Creditors	126,319	96,916
Capital expenditure	330,311	256,003
Accrued expenses	<u>17,539</u>	<u>23,600</u>
	474,169	376,519
Payables under non-exchange transactions		
Grants	54,858	46,000
Decrease in asset revaluation investment properties and Trust office	-	(332,072)
Tax (PAYE)	<u>8,282</u>	<u>8,735</u>
	63,140	(277,337)
	<u>537,309</u>	<u>99,182</u>

9 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.

10 RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

	2016	2015
Reported net surplus / (deficit) to equity	1,407,766	675,383
<b>Add non-cash items:</b>		
Depreciation	3,955	5,550
Other non-cash items (bad debts)	79,533	-
(Increase) / decrease in asset revaluation investment and trust office properties	(333,917)	332,073
<b>Increase / decrease movements in other working capital items:</b>		
(Increase) / decrease in prepayments	30,613	41,446
(Increase) / decrease in receivables	13,946	4,892
(Increase) / decrease in revenue accrued	35,540	(35,540)
Increase / (decrease) in payables	(30,995)	124,719
Increase / (decrease) in accruals	(13,259)	19,273
Increase / (decrease) in revenue in advance	(15,633)	(20,618)
Increase / (decrease) in entitlements	8,634	20,047
Movement in GST	(11,573)	(32,820)
Movement in interest	(37,505)	(20,787)
<b>Items classified as financing activities:</b>		
Grants distributed	1,013,319	914,068
Net cash inflow / (outflow) from operating activities	<u>2,150,424</u>	<u>2,027,686</u>

11 POLICIES IN ACCORDANCE WITH MTLT ACT 2003, CL 17

	2016	2015
Policy requires the Trustees to maintain a ratio of Debt to Debt plus Equity of no more than 40%.	39.97%	39.65%
The Trustees will maintain an interest cover of no less than two times		
The interest cover calculation excludes property revaluation.	2.27	2.22

12 COMMITMENTS

The Trust has a capital commitment at 31 March 2016 of \$285,206 (2015: \$225,302.12) (Masterton Cosmopolitan Club Lease surrender and capex small project)

13 CONTINGENT LIABILITIES

The Trust has no contingent liabilities as at 31 March 2016 (2015: Nil)

14 RELATED PARTIES

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and conditions no more or less favourable than those that are reasonable to expect that the Institute would have adopted in dealing with the party at arm's length in the same circumstances. During the year the Trust provided funds to 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 (Chair) is a minority shareholder.  
 The Trust received rent from "The Wairarapa Autism Trust" of which John Bunny (Trustee) 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.

<b>Key management personnel compensation</b>	<b>2016</b>	<b>2015</b>
<i>Board members</i>		
Remuneration	60,060	59,325
Full-time equivalent members <sup>1</sup>	8.0	8.0
<i>Management Team</i>		
Remuneration	235,668	226,109
Full-time equivalent members	2.0	2.0
<b>Total key management personnel remuneration</b>	<b>295,728</b>	<b>285,434</b>
<b>Total full-time equivalent personnel <sup>1</sup></b>	<b>10.0</b>	<b>10.0</b>

<sup>1</sup> Due to the difficulty in determining the full time equivalence for trustees  
 - the full-time equivalent figure is taken as the number of trustees.

#### 15 EVENTS AFTER THE BALANCE DATE

Masterton Cosmopolitan Club has surrendered its lease to Masterton Trust Lands Trust on 26th April 2016.

#### 16 ADJUSTMENTS TO THE COMPARATIVE YEAR FINANCIAL STATEMENTS

Reclassification adjustments

The "Statement of financial performance" is now the "Statement of comprehensive revenue and expense"  
 "Fixed assets" now becomes "Property Plant & Equipment"

Recognition and measurement adjustments

The table below explains the recognition and measurement adjustments to the 1 April 2014  
 comparative information resulting from the transition to the new PBE accounting standards.

	<b>Old GAAP as at 31 March 2014</b>	<b>Adjustment</b>	<b>PBE accounting standards as at 31 March 2014</b>
<b>Statement of financial position</b>			
Investment in land and buildings	62,533,498	1,345,002	63,878,500
<b>Statement of comprehensive revenue and expense</b>			
Increase/(Decrease) in Revaluation of Investment Properties (1,166,997)		1,345,002	178,005
<b>Statement of movements in equity</b>			
Difference in opening equity balance	38,769,564	1,345,002	40,114,566

#### **Explanatory notes**

Under PBE IPSAS 16 investment property is measured at Fair Value rather than Net Book Value.

The impact on the closing balance for the 2013/2014 financial statements is detailed in the above table.

	<b>Old GAAP as at 31 March 2015</b>	<b>Adjustment</b>	<b>PBE accounting standards as at 31 March 2015</b>
<b>Statement of financial position</b>			
Investment in land and buildings	66,743,252	510,496	67,253,748
<b>Statement of comprehensive revenue and expense</b>			
Increase/(Decrease) in Revaluation of Investment Properties 57,133		(404,755)	(347,622)
<b>Statement of movements in equity</b>			
Difference in opening equity balance	39,849,702	940,247	40,789,949

#### **Explanatory notes**

Under PBE IPSAS 16 investment property is measured at Fair Value rather than Net Book Value.

The impact on the opening balance for the 2014/2015 financial statements is detailed in the above table.

The adjustment to prior year revaluation reserve (secondary to the transition to fair value) has resulted in a downward revision of the Total Comprehensive result by \$404,755 from \$1,064,588 to \$675,383.

The adjustment to the Statement of financial position has resulted in the Non-Current Asset figure increasing by \$510,496  
 These adjustments serve to increase closing equity by \$940,247



## INDEPENDENT AUDITOR'S REPORT

### To the readers of Masterton Trust Lands Trust's financial statements for the year ended 31 March 2016

The AuditorGeneral is the auditor of Masterton Trust Lands Trust (the Trust). The AuditorGeneral 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.

#### Opinion

We have audited the financial statements of the Trust on pages 16 to 23, that comprise the statement of financial position as at 31 March 2016, the statement of comprehensive revenue and expense, 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.

In our opinion, the financial statements of the Trust:

- present fairly, in all material respects:
  - > its financial position as at 31 March 2016; and
  - > its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards with reduced disclosure requirements.

Our audit was completed on 28 July 2016. 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 explain our independence.

#### Basis of Opinion

We carried out our audit in accordance with the AuditorGeneral'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 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 the 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 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 the preparation and fair presentation of financial statements for the Trust that comply with generally accepted accounting practice in New Zealand.

The Trustees' responsibilities arise from schedule 2, clause 12 of the Masterton Trust Lands Act 2003.

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.

#### 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 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 AuditorGeneral, 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.

The Trust's earlier purchase of the neighbouring property allowed for continued growth with the expansion of the space for existing tenant, Farmlands.

"It was great that Lands Trust allowed us to expand into the spare yard next door, which has made it a lot more user-friendly. We also have unloading zones away from the public which keeps WorkSafe happy.

The new firewall has given us more space in store, allowing us to change the layout and we have had a lot of positive feedback from shareholders, customers and suppliers. Lands Trust has been very accommodating and approachable in this process, keeping us well-informed and meeting all of our needs."

*Marcus Johnston, Farmlands Co-operative Society Ltd*



The Trust would like to thank its tenants, grant recipients, Wairarapa News and Wairarapa Times-Age for assisting with photographs for this report.





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