



WELLINGTON TENTHS TRUST

ANNUAL **REPORT** 2019





Te Matatini Mauri Stone at Te Wharewaka o Pōneke

Mihi

Whakarongo ake ki te tangi o te manu nei a te matui.

Tuia i runga, tuia i raro, tuia i roto, tuia i waho.

Tui Tui Tuia

Tihei Mauriora

Tena koutou e nga whanau.

He mihi whanui

Mihi hoki ki nga tini aitua, ratou kua haere ki te po

No reira me kati.

E te hunga ora tena koutou, tena koutou katoa.

Objective

The objective of Wellington Tenth's Trust is to maintain and develop the lands to the best financial and social benefit of the descendants of the original owners. Therefore the Managing Trustees must look at investments and projects in a holistic way – incorporating cultural, social, spiritual and financial considerations in their decision making. Another responsibility of the Trust is to uphold the Mana Whenua status in the region. This means that the Wellington Tenth's Trust are involved in many different projects and activities in the Wellington region.





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Section One / General

Notice of Annual General Meeting

Saturday 7 September 2019

10am

Te Raukura (Te Wharewaka)

2 Taranaki Street

Wellington

Agenda

Mihi Whakatau / Karakia

Apologies

Minutes of 2018 Annual General Meeting

Report from the Chairman and Trustees

Financial Report

Appointment of Auditor

Election of Managing Trustees

Trustee Remuneration

Annual Distribution

General Business

Karakia Whakamutunga



Transportation

From Waitara — If you require transportation from Taranaki to the Annual General Meeting in Wellington on Saturday 7 September, there is a Weir Bros Bus and Charter Services bus departing from the New Plymouth Ariki Bus Depot promptly at 4am, then travelling on to Waitara McLean Street (Challenge Petrol Station) at 4.30am. Please contact Wiki Michalanney on 027 4900 837 or 06 754 4459 to reserve a seat.

From Hawera — If you require transportation from Hawera, the bus will depart from the Hawera Information Centre at 5.30am. Please contact Paula King on 027 278 5954 to reserve a seat.

From Petone — If you require transportation from Wellington, a taxi van departs from Hikoikoi, 24d Marine Parade, Petone at 9am on Saturday 7 September. Please contact the Executive Office on toll-free number 0508 445 645 to reserve a seat.

All bookings must be received by 5pm Wednesday 4 September 2019. **For all pickups please arrive 15 minutes prior to departure.**

Transportation will return to Taranaki and Hikoikoi respectively after the Annual General Meeting.

Report from the Chairman and Trustees

This report covers the period up to 30 June 2019 at which time I retired from the Trust. I started with the Trust as Trustee and then Chairman in 2012. Over this period the Trust has dealt with the case brought by the Serious Fraud Office and the subsequent conviction. The Trust was never a party to those Court cases but had to deal with the consequences. This coming year the Trust will likely see the conclusion of all related Court action and settlements with the parties affected.

Village at the Park is the Trust's largest asset being 50% of the \$125M asset however showing on the Trust accounts as net asset values of \$22.5M. It also produces a very good annual accounting income of \$3.6M. Development on the site continues apace with the latest 24 Apartment Block E to be completed this year.

With the change of partner at Village at the Park to Arvida, Little Wonders became a separate entity renamed The Park Early Learning Centre. The centre is able to cater for 150 children. Wellington Tenth's Trust remains a joint venture partner with Ben Hurst.

The arrangements at Pipitea House through the Joint Venture did not start in favour of the Trust with a 25% share with a variety of loans from other parties, which has become a 50% share with the loans converted to equity, accompanied by a significant lift in the accounting income to the Trust of \$1.6M.

Taranaki 217 has now been leased by Massey University for the last few years after the Trust repaired the leaky building issues. This has been a successful arrangement for the Trust and the University.

At 11am on 11 November 2018 New Zealand marked Armistice Day at Pukeahu Park ending the period of World War 1 commemorations. It also saw the end of the Great War Exhibition in the old Dominion Museum Building prompting the removal of the exhibits and the restoration of the building to its pre-exhibition condition. That restoration was funded by the Ministry for Arts and Culture which had sub-leased part of the building from Massey University.

Te Matatini ki Te Ao, the national kapa haka competition was held in 2019 in Wellington at the Westpac Stadium and was a great event in the cultural calendar in Wellington. The mauri stone for the event was held at Te Raukura (the Wharewaka) prior to the powhiri for the event held at Waitangi Park.

It is important that the Trusts leadership continue to support such events as this, and at Pukeahu National War Memorial Park. Te Matatini ki Te Ao will not return to Wellington for some 20 years.

383–387 Adelaide Road

The Adelaide Road development is now nearing completion with some of the 16 townhouses in the last stages of finishing with all being completed ready for renting in November 2019.

When completed the Trust will hold the properties long term as superior rental properties. The project has run extremely well with a few relatively minor issues. It has kept on time and on-budget throughout.

I must congratulate Holmes Construction (the builders) who have been exceptional performers, Architecture + (the Architects), Clendon Burns and Park (the structural Engineers), Cuttriss Consultants (Civil Engineering and Land Surveyors), Robertson Surveyors (Quantity Surveyors), Richard Te One (Client representative) and the cooperation of the Arvida team (Village at the Park) next door and MacAlister Heights.

I also acknowledge our Wellington Tenth's Trust team headed by Keith Hindle who



383-387 Adelaide Road

managed all the invoicing and the whole contracts for the project. This has been a model project and I hope owners can visit the site and see the project as it nears completion.

2-8 Lambton Quay – 9-19A Kate Sheppard Place (Kate Sheppard Exchange)

The chequered history of the development of this site seems doomed to continue. The judicial review of the Wellington City Council's granting of resource consent for the development of the site by the joint venture between the Trust and Equinox Group overturned the consent that was granted, forcing a re-think of the whole project.

The decision will step the whole development away from the neighbouring property that took the judicial review, and will instead take up the air space over the Council bus turnaround area which would

allow a bigger footprint and provide a more efficient development on the site. This will require the Joint Venture getting new consents from Wellington City Council particularly when developing the air rights over the bus turnaround area.

In the meantime, another hotel developer sought to buy the site from the JV and made an offer subject to completing due diligence. In the end they found the project too difficult and withdrew their offer. The matter is now back with the JV to try to either sell the property or develop it.

Village at the Park

The new joint venture partner Arvida have rejuvenated the operations at the Park while maintaining the momentum of construction particularly with the 24 Apartment Block E which will be ready for occupation in August 2019. The last stages of development of the site will be west of Block E with the construction of a further 25 villas enabled by the decommissioning of 8 of the older

style villas. That will be done in two stages to allow existing residents to be rehoused in Apartments or in some of the new villas. The roading network will include new connecting roads and some relocation of existing roading including the Rintoul Street entrance.

The present state of the Village includes for Village at the Park Care a 42 bed Hospital, a 33 bed Dementia wing and 17 bed Rest home and for Village at the Park Lifecare with 38 villas and 99 Apartments.

The Village now provides the Trust with a steady income and is increasing in asset value, being the Trusts most valuable asset.

The Park Early Learning Centre

The Park Early Learning Centre with a capacity of 150 pre-school children has been an outstanding success with children ranging from under two years to 5 years and a professional staff of 21 teachers, team leaders and a manager along with a cook and an administrator.

The 4-5 year olds are now located in the newer building. The entrance and parking facilities will change with the development of the infrastructure for Village at the Park. The main entrance would move closer to the The Park Early Learning Centre.



Village at the Park

Taranaki 217 Accommodation

The hostel in Taranaki Street has some 148 studio units in two blocks. The buildings are now some 13 years old and have had leaky building issues. There has been a major repair job done to a section of the rear block's northern wall. This has been accompanied by a revamp of the bathrooms in each of the units adjacent to the repaired wall. A second tranche of repairs were completed in late 2017 to enable Taranaki 217 to be leased for 3 years to Massey University. Massey have branded the building as Massey's with the name Kainga Rua. This lease is due for renewal.

Te Raukura (Te Wharewaka o Pōneke)

Te Raukura (the Wharewaka) is owned by the Wharewaka o Pōneke Charitable Trust. Wellington Tenth Trust and Palmerston North Māori Reserve Trust have significant loans to the Charitable Trust and four Trustees on the Wharewaka Charitable Trust Board. The Wharewaka is now over 8 years old and there has been a steady lift in patronage and similarly a lift in the income of the Charitable Trust through Wharewaka o Pōneke Enterprises Limited (WOPEL) – the commercial company.

WOPEL runs the walking and waka tours as a small tourism business which is in its early stages of development however this business has grown significantly with waka and walking tours booked by groups from the USA in particular.

The conferencing venue, and cafe, are well utilised, and the Wharewaka is becoming known as the Maori cultural hub of Wellington.

Massey University – Old Dominion Museum Building (Tokomaru)

The Trust has been in discussion with the Vice Chancellor of Massey University, Jan Thomas and the Chancellor, Michael Ahie who were keen to resolve matters such as the Head Lease to Massey University, the historical rent reviews and the associated valuation of the Trust interest to determine this rental. Good progress has been made on those after many years of trying.

Now the WW1 period 2014 –2018 has ended and the Great War Exhibition has been removed the building has been reinstated to its former condition and Massey is in the process of re-establishing their use of the building.

Massey University itself has a strong interest in the building as part of its long term assets and the centrepiece of its academic campus and the existing arrangements with Massey are being reviewed.

Granville Flats

Granville Flats as 559 Adelaide Road are on Wellington Tenth Trust lands which are leased by Wellington City who own the buildings which comprise 3 large blocks with some 107 Apartments. These require considerable work to get them up to modern standards which the Wellington City Council estimate will cost a minimum of \$20 M. That is not a cost that this Trust has any liability for. However, this is a significant number of social housing apartments which are needed in the City. It would be helpful for all for the Council to work cooperatively with the Trust to determine ways to assist the Council to manage this upgrade. The ground lease is reviewed every seven years.

Wellington South Intermediate School

Wellington South Intermediate School is secure on its site and provides the Trust with a valuable ground lease to the Ministry of Education. It is of note that a small part of the site in Russell Terrace was separately sub-leased for a special needs school; which has since been demolished and was used for a storage site for the internet fibre cable store and now looks decidedly neglected.

Burrell Farm

Burrell Farm continues in its use as a part of the large dairy farm supplying Fonterra. There are no problems with the lease, however there may be questions over the long-term future of this land and its use.

429-437 Adelaide Road, 64 and 64A Waripori Street and 40-46 Waripori Street

These properties are also part of the corpus lands of Wellington Tenths Trust and some have 1920s houses that are rented out providing a modest income. Many of the sections such as the land at 433, 435 along with 437 Adelaide Road are currently vacant and could be developed for townhouses. The four houses at 429 -431 Adelaide Road and 64 and 64a Waripori Street have had to be brought up to the latest standards and if building warrant of fitnesses become a requirement they would require considerable refurbishment to reach that standard. In my opinion in the medium term they probably should be completely re-developed.

The Trust owns two houses at 40 and 42 Waripori Street, which are in very poor condition and the land at 44 Waripori (but not the leasehold). The Trust could potentially purchase 46 Waripori from Village at the Park, along with some land behind these sections.

Concluding Remarks

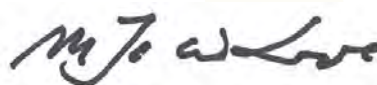
The Trust is in an excellent financial position, however with a number of properties which if re-developed, either via a joint venture or by the Trust itself, could make improvements to the Trust income and its overall values. The developable properties are well located either in Wellington's valuable residential areas or in the commercial hub. The most difficult of these is Kate Sheppard Place but that could also have the highest rewards if it is consented for development.

There is an urgent need for the Trust to carefully consider what to do with the empty sections and aging rental house left in south Adelaide Road and Waripori Street. The development at 383-387 Adelaide Road is a good model.

More thought must be given to how the benefits from commercial activities of the Trust can be spread to the wider collection of owners and in particular the smaller shareholders who receive only small dividends. Scholarships, grants and other charitable type activities are some considerations to provide benefits to owners.

On a personal note I leave the Trust in a much better position than when I arrived some 7 years ago. I leave it still with some challenges but with the basics of the Trust being in good stead. It has been a testing time with matters like the SFO case and the resulting legal challenges taking considerable energy to see justice being done.

No reira, e te iwi, e te whanau whanui, tena koutou, tena koutou, tena koutou katoa



Morris Te Whiti Love
Chairman

30 June 2019

Anaru Smiler has been appointed Chairman from 1 July 2019.



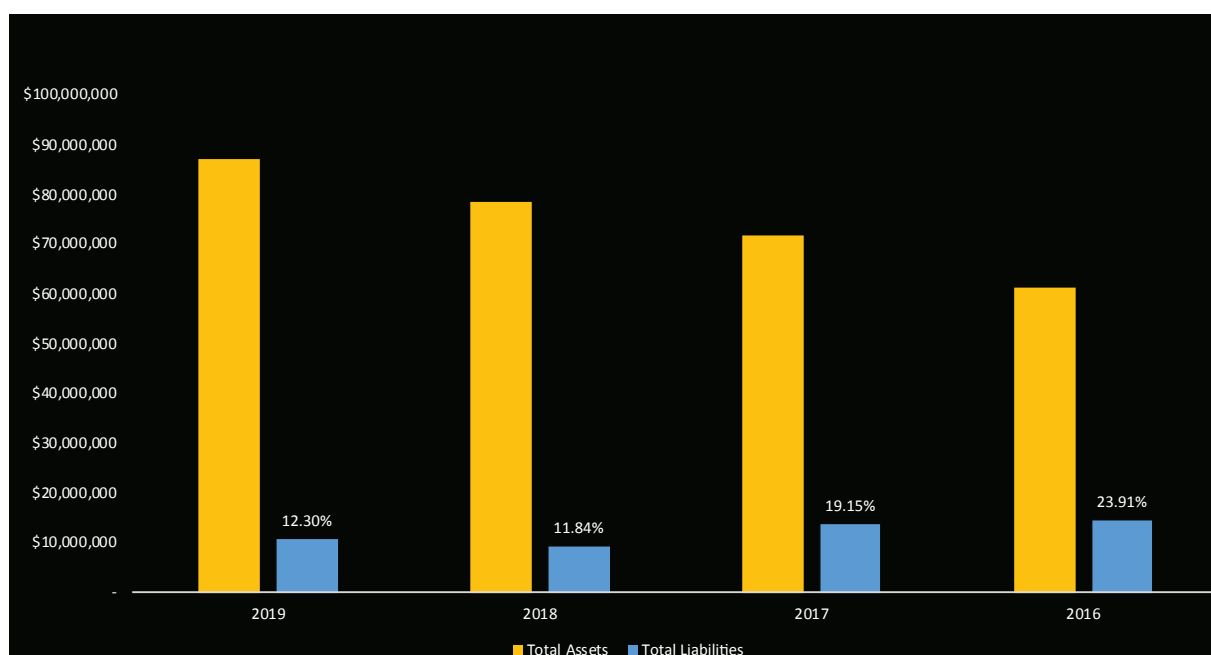
Pipitea House

Statistical Information

| | 2019 | 2018 | 2017 | 2016 |
|--|--------------|--------------|--------------|--------------|
| Number of Owners | 6,850 | 6,682 | 6,548 | 6,442 |
| Number of Shares | 182,919.681 | 182,919.681 | 182,919.681 | 182,919.681 |
| Total Assets | \$86,840,524 | \$78,265,916 | \$71,629,687 | \$61,069,836 |
| Total Liabilities | \$10,685,517 | \$9,263,453 | \$13,714,395 | \$14,598,762 |
| Trust Capital | \$76,155,007 | \$69,002,463 | \$57,915,292 | \$46,471,074 |
| Value per share | \$416.33 | \$377.23 | \$316.62 | \$254.05 |
| Revenue | \$2,537,838 | \$2,676,110 | \$2,764,318 | \$2,849,808 |
| Operating Profit After Net Financing Costs | \$864,483 | \$240,902 | \$450,107 | \$330,570 |
| Profit After Income Tax | \$7,792,762 | \$11,910,307 | \$12,084,435 | \$3,591,651 |
| Distribution to Owners | \$640,218 | \$823,136 | \$640,217 | \$548,759 |
| Distribution per Share | \$3.50 | \$4.50 | \$3.50 | \$3.00 |

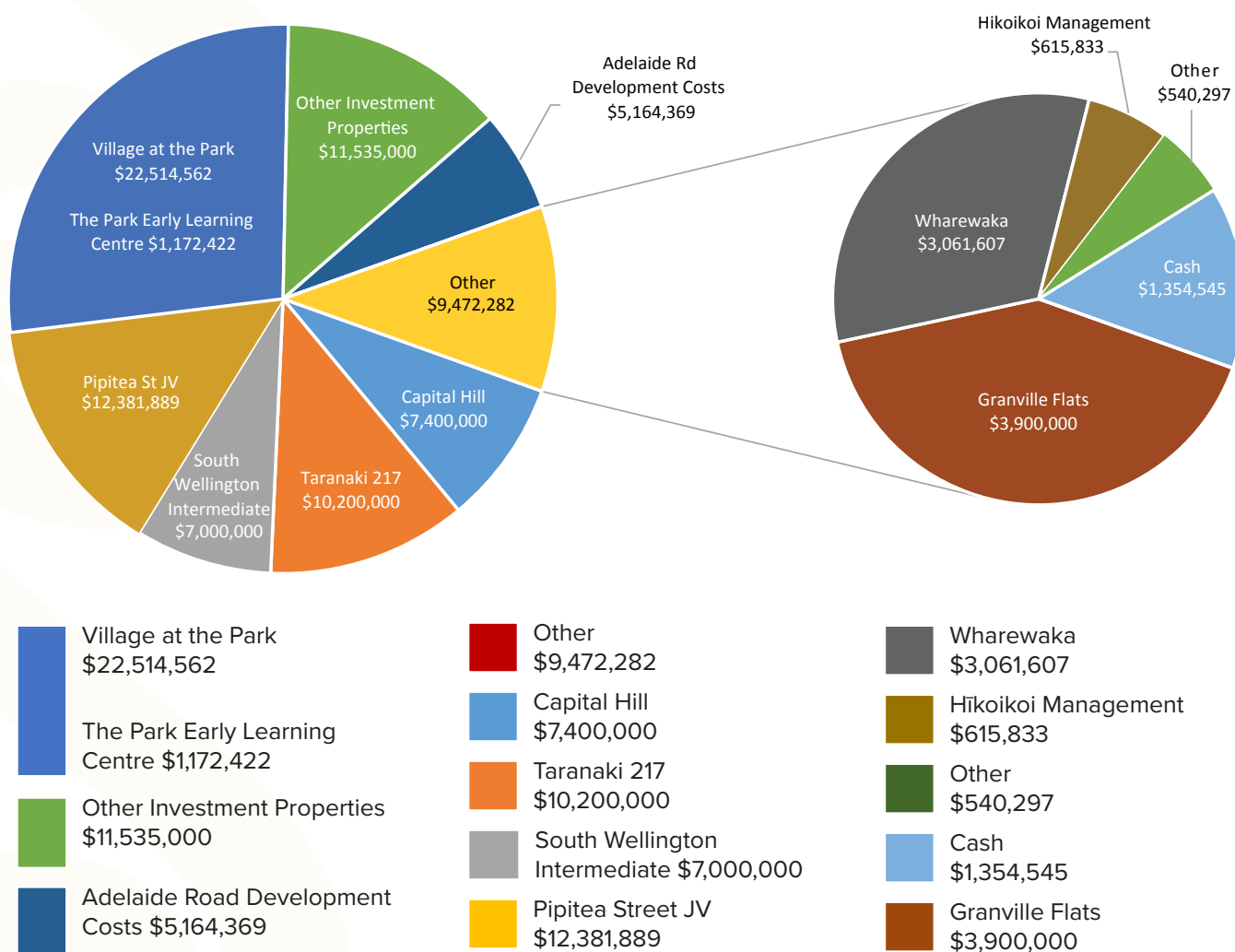
Debt to Equity Ratio

The illustration below shows the movement in the debt to total assets ratio over the past four years. As at 31 March 2019 the debt to total assets ratio is 12.30%, that is, the total liabilities of the Trust is 12.30% of the Trust's total assets. This is an increase of 0.46% from the 31 March 2018 figures.



Total Assets

The illustration below shows the breakdown of the total assets of the Trust in graphical form. The graph shows in dollar terms the holdings of the Trust as at 31 March 2019. The diversified nature of the portfolio means that any risk is spread across a range of holdings and returns are generated from a range of sources reducing any potential losses in one particular area.





Section Two / Consolidated Financial Statements



Wellington Tenths Trust

Consolidated Statement of Profit and Loss and Other Comprehensive Income

For the year ended 31 March 2019

| REVENUE | Note | 2019 (\$) | 2018 (\$) |
|---|------|--------------------|---------------------|
| Gross Rental Income | 4 | 2,508,695 | 2,629,711 |
| Other Income | 5 | 29,143 | 46,399 |
| Total Revenue | | 2,537,838 | 2,676,110 |
| EXPENSES | | | |
| Direct Property Expenses | 4 | (397,944) | (1,010,163) |
| Administration Expenses | 6 | (1,188,044) | (1,189,147) |
| Depreciation | 10 | (24,911) | (17,292) |
| Amortisation | 11 | (34) | (72) |
| Total Expenses | | (1,610,933) | (2,216,674) |
| OPERATING PROFIT BEFORE NET FINANCING COSTS | | 926,905 | 459,436 |
| FINANCE COSTS | | | |
| Finance Income | 7 | 187,703 | 154,405 |
| Finance Expenses | 7 | (250,125) | (372,939) |
| Net Finance Costs | | (62,422) | (218,534) |
| OPERATING PROFIT AFTER NET FINANCING COSTS | | 864,483 | 240,902 |
| OTHER MOVEMENTS | | | |
| Share of Equity Accounted Investees Profit for the Year | 13 | 5,377,037 | 9,530,576 |
| Impairment of KS Exchange Loan | 22 | (67,483) | (866,670) |
| Loss on Sale of Investment Property | 12 | - | (105,400) |
| Investment Property Revaluation | 12 | 1,810,000 | 3,400,000 |
| Demolition Costs | | - | (64,370) |
| Profit Before Income Tax | | 7,984,037 | 12,135,038 |
| INCOME TAX EXPENSE | 8 | (191,275) | (224,731) |
| PROFIT FOR THE YEAR | | 7,792,762 | 11,910,307 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | \$7,792,762 | \$11,910,307 |

The above statements should be read in conjunction with the notes to and forming part of the financial statements

Wellington Tenth Trust
Consolidated Statement of Changes In Equity
For the year ended 31 March 2019

| | | Retained Earnings and Total Equity (\$) |
|--|-------------|--|
| BALANCE AT 1 APRIL 2017 | Note | 57,915,292 |
| Profit for the Year | | 11,910,307 |
| Total Comprehensive Income for the Year | | 11,910,307 |
| Distributions Paid | 16 | (823,136) |
| BALANCE AT 31 MARCH 2018 | | 69,002,463 |
| Profit for the Year | | 7,792,762 |
| Total Comprehensive Income for the Year | | 7,792,762 |
| Distributions Paid | 16 | (640,218) |
| BALANCE AS AT 31 MARCH 2019 | | \$76,155,007 |

The above statements should be read in conjunction with the notes to and forming part of the financial statements

Wellington Tenths Trust

Consolidated Statement of Financial Position Cont.

As at 31 March 2019

| EQUITY | Note | 2019 (\$) | 2018 (\$) |
|--|------|---------------------|---------------------|
| Retained Earnings | | 76,155,007 | 69,002,463 |
| TOTAL EQUITY | | \$76,155,007 | \$69,002,463 |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Trade and Other Receivables | 14 | 36,974 | 24,373 |
| Prepayments | | 93,945 | 87,787 |
| Cash and Cash Equivalents | 15 | 1,354,545 | 862,787 |
| Income Tax Receivable | 8 | - | 43,486 |
| Related Party Receivables | 22 | 2,203 | 17,520 |
| TOTAL CURRENT ASSETS | | \$1,487,667 | \$1,035,953 |
| NON - CURRENT ASSETS | | | |
| Property, Plant and Equipment | 10 | 318,299 | 198,079 |
| Intangible Assets | 11 | - | 34 |
| Investment Properties | 12 | 40,035,000 | 38,225,000 |
| Investment in Equity Accounted Investees | 13 | 36,068,873 | 34,431,097 |
| Adelaide Road Development Costs | 23 | 5,164,369 | 629,324 |
| Related Party Receivables | 22 | 3,766,316 | 3,746,429 |
| TOTAL NON-CURRENT ASSETS | | \$85,352,857 | \$77,229,963 |
| TOTAL ASSETS | | \$86,840,524 | \$78,265,916 |

Wellington Tenths Trust
Consolidated Statement of Financial Position Cont.

As at 31 March 2019

LIABILITIES

| CURRENT LIABILITIES | Note | 2019 (\$) | 2018 (\$) |
|---------------------------------------|------|---------------------|---------------------|
| Trade and Other Payables | 18 | 976,755 | 338,089 |
| Other Current Liabilities | 19 | 320,457 | 338,749 |
| Income Tax Payable | 8 | 51,953 | - |
| Unclaimed Distributions | 16 | 2,840,164 | 2,651,767 |
| Related Party Payables | 22 | - | 9,620 |
| Interest-Bearing Loans and Borrowings | 17 | 471,840 | 456,600 |
| TOTAL CURRENT LIABILITIES | | \$4,661,169 | \$3,794,825 |
| | | | |
| NON-CURRENT LIABILITIES | | | |
| Deferred Tax Liability | 8 | 230,028 | 231,078 |
| Interest-Bearing Loans and Borrowings | 17 | 5,794,320 | 5,237,550 |
| TOTAL NON-CURRENT LIABILITIES | | \$6,024,348 | \$5,468,628 |
| | | | |
| TOTAL LIABILITIES | | \$10,685,517 | \$9,263,453 |
| | | | |
| NET ASSETS | | \$76,155,007 | \$69,002,463 |

Approved for and on behalf of the Trustees on 4 July 2019:



Anaru Smiler (Chairman)



Mark Te One (Trustee)

The above statements should be read in conjunction with the notes to and forming part of the financial statements

Wellington Tenths Trust
Consolidated Statement of Cash Flows
For the year ended 31 March 2019

| CASH FLOWS FROM OPERATING ACTIVITIES | Note | 2019 (\$) | 2018 (\$) |
|---|-----------|--------------------|--------------------|
| Cash Receipts from Customers | | 2,526,881 | 2,676,448 |
| Cash Paid to Suppliers and Employees | | (1,001,784) | (2,579,183) |
| Interest Received | | 187,703 | 154,405 |
| Interest Paid | | (249,946) | (376,905) |
| Income Taxes Paid | | (96,886) | (164,038) |
| Net GST | | 28,189 | 44,520 |
| NET CASH INFLOW FROM OPERATING ACTIVITIES | | 1,394,157 | (244,753) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of Property, Plant and Equipment | 10 | (145,131) | (64,216) |
| Development of Adelaide Road | 23 | (4,535,045) | (480,427) |
| Investment in Term Deposit | | - | 500,000 |
| Investment in The Park Early Learning Centre Limited | 13 | - | (1,048,300) |
| Receipt from Sale of McAlister Heights | | - | 2,000,000 |
| Receipt from Sale of Investee | 13 | 1,375,878 | - |
| Related Party Advances | 22 | (81,673) | (132,761) |
| Distributions Received From Equity Accounted Investee | 13 | 2,363,383 | 3,228,661 |
| NET CASH INFLOW FROM INVESTING ACTIVITIES | | (1,022,588) | 4,002,957 |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | |
| Repayment of Borrowings | 17 | (465,490) | (4,331,561) |
| Drawdown of Borrowings | 17 | 1,037,500 | - |
| Distributions Paid | 16 | (451,821) | (717,984) |
| NET CASH OUTFLOW FROM FINANCING ACTIVITIES | | 120,189 | (5,049,545) |
| NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS | | 491,758 | (1,291,341) |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR | | 862,787 | 2,154,128 |
| CASH AND CASH EQUIVALENTS AT END OF YEAR | 15 | \$1,354,545 | \$862,787 |

The above statements should be read in conjunction with the notes to and forming part of the financial statements

Wellington Tenth Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2019

1. Reporting Entity

The consolidated financial statements of Wellington Tenth Trust as at and for the year ended 31 March 2019 comprise the Trust and its subsidiaries (together referred to as the “Group”) and individually as “Group entities” and the Group’s equity accounted interests in associates.

Wellington Tenth Trust is an Ahu Whenua Trust constituted by the Maori Land Court Order of December 16, 2003 pursuant to Sec 244 of the Te Ture Whenua Maori Act 1993 which varied the original Trust Deed of 1977, and the subsequent variation of Deed made on July 17, 1996. These financial statements have been prepared in accordance with the Financial Reporting Act 2013. The Trust is eligible for, and has elected to, report in accordance with Tier 2 New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime (“NZ IFRS (RDR)”). The Trust has taken advantage of a number of disclosure concessions.

2. Basis of Preparation

(a) Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”) and comply with NZ IFRS (RDR). The Group is eligible to report in accordance with NZ IFRS RDR on the basis that it does not have public accountability and is not a large for-profit public sector entity.

These financial statements were authorised for issue by the Trustees on 4 July 2019.

(b) Basis of Measurement

The financial statements have been prepared on the historical cost basis except for investment properties which are carried at fair value. The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.

(c) Functional and Presentation Currency

The financial statements are presented in New Zealand dollars (\$) which is the Trust’s functional and Group’s presentation currency.

(d) Use of Estimates and Judgements

The preparation of the financial statements in conformity with NZ IFRS (RDR) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Key significant estimates and judgements used have been disclosed in note 3.

Wellington Tenth Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2019

3. Summary of Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by Group entities, with the exception of financial instruments as the exemption to not restate prior periods has been used.

(a) Basis of Consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method and are recognised initially at cost. The cost of the investment includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of the investment, including any long-term investments that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Revenue

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease.

Wellington Tenth Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

3. Summary of Significant Accounting Policies (cont.)

Other income arises mainly from other hireage income at the hostels the Group operates.

Since this is not considered to be part of the main revenue generating activity, the group presents this income separately from revenue, this is recognised as revenue is received.

Leases are classified as an operating lease when the Group substantially maintains all the risks and rewards incidental to ownership of the investment property.

(c) Finance Income and Finance Costs

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs comprise interest expense on borrowings and impairment losses recognised on financial assets (other than trade receivables).

(d) Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- Temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss.
- Temporary differences related to investments in subsidiaries and associates, except where the reversal of the difference is controlled by the Group and it is probable the temporary difference will not reverse in the near future.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Wellington Tenths Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2019

3. Summary of Significant Accounting Policies (cont.)

(d) Tax (cont.)

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Any deferred tax assets or liabilities are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(e) Property, Plant and Equipment

Property, Plant and Equipment consists of:

Furniture, Fittings and Chattels

Office Equipment

Estimated Useful Life

5 - 20 Years

3 - 15.5 Years

Recognition and Measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Depreciation

For items of property, plant and equipment, depreciation is based on the cost of an asset less its residual value. Where significant components of individual assets have different useful lives from the remainder of those assets, those components are depreciated separately.

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each component of an item of property, plant and equipment.

The residual value, depreciation method and useful life of property, plant and equipment is reassessed annually.

Wellington Tenth Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

3. Summary of Significant Accounting Policies (cont.)

(f) Investment Properties

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value (current market value) with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, and any other costs directly attributable to bringing the investment property to a working condition for their intended use.

When the use of investment property changes such that it is reclassified as property, plant and equipment, its fair value at the date of reclassification becomes its cost for subsequent accounting.

Beneficial owner approval is needed prior to the disposal of investment property classified as Maori Land. Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(g) Financial Instruments

Financial assets

The Group classifies its financial assets as amortised cost, the Group's accounting policy is as follows:

These assets arise principally from the provision of services to customers (e.g. trade receivables), but also incorporates other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

The Group's financial assets measured as amortised cost comprise trade and other receivables, related party loans and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents

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

Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Wellington Tenths Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2019

3. Summary of Significant Accounting Policies (cont.)

(g) Financial Instruments (cont.)

Financial liabilities

The Group classifies its financial liabilities as amortised cost, the Group's accounting policy is as follows:

The Group's financial liabilities comprise of borrowings, trade and other payables, unclaimed distributions and related party payables.

Such interest bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Unclaimed Distributions

Unclaimed distributions are distributions to beneficial owners that have yet to be claimed. These amounts are carried at cost until claimed by the beneficial owner.

(h) Impairment

Financial assets measured at amortised cost

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within NZ IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within cost of sales in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

Wellington Tenth Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

3. Summary of Significant Accounting Policies (cont.)

(h) Impairment (cont.)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Goods and Services Tax

Revenue, expenses, assets and liabilities are recognised net of the amount of goods and services tax ("GST") except for receivables and payables which are recognised inclusive of GST. The net amount of GST recoverable from or payable to the IRD is included as part of other current liabilities in the Statement of Financial Position.

(j) Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period.

The estimated useful lives for the current and comparative years of significant items of intangible assets are as follows:

| | |
|----------|--------------|
| Database | 5–20 Years |
| Website | 3–15.5 Years |

Wellington Tenths Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2019

3. Summary of Significant Accounting Policies (cont.)

(k) Determination of fair values

The Group's accounting policies and disclosures for investment properties require the determination of fair value. Fair values have been determined for measurement and/or disclosure purposes based on the following method. When applicable, further information about the assumptions made in determining fair values is disclosed in the specific notes.

Highest and best use has been determined as each of the non-financial asset's current use and therefore fair value has been determined as follows:

Investment Properties

An external, independent valuation company (Colliers International (Wellington Valuation) Limited), having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's investment property portfolio every year. The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably.

In the absence of current prices in an active market, the valuations are prepared by considering the estimated rental value of the property. A market yield is applied to the estimated rental value to arrive at the gross property valuation. When actual rents differ materially from the estimated rental value, adjustments are made to reflect actual rents.

Valuations reflect, when appropriate, the type of tenants actually in occupation or responsible for meeting lease commitments or likely to be in occupation after letting vacant accommodation, the allocation of maintenance and insurance responsibilities between the Group and the lessee, and the remaining economic life of the property. When rent reviews or lease renewals are pending with anticipated reversionary increases, it is assumed that all notices, and when appropriate counter-notices, have been served validly and within the appropriate time.

Investment property under construction is valued by estimating the fair value of the completed investment property and then deducting from that amount the estimated costs to complete construction, financing costs and a reasonable profit margin. If the investment property under construction's fair value cannot be reliably measured, the investment property under construction will be carried at cost until the fair value becomes reliably measurable.

Wellington Tenths Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2019

3. Summary of Significant Accounting Policies (cont.)

(I) Changes in Accounting Policies

The accounting policies set out above have been applied consistently to all periods presented in these financial statements, with the exception of NZ IFRS 9 as the exemption to not restate prior periods has been used.

NZ IFRS 9 Financial Instruments and NZ IFRS 15 Revenue from Contracts with Customers have come into effect during the 2019 financial year.

NZ IFRS 9 replaces NZ IAS 39 with the key changes relating to the classification and measurement of financial instruments and impairment. The adoption of this Standard does not have a material impact on the balances in the financial statements. The recognition and measurement of financial instruments are unaffected given the nature of the balances.

Financial instruments that are measured as amortised cost include trade and other receivables, related party loans and cash and cash equivalents. These instruments meet the solely payments of principal and interest criterion and are held in a held-to- collect business model. Borrowings, trade and other payables, related party payables and unclaimed distributions are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. Accordingly these financial instruments are still measured as amortised cost under NZ IFRS 9.

Previously the provision for impairment of financial assets was based on an incurred loss model. Under NZ IFRS 9 a provision for impairment is established using a forward-looking expected credit loss model which requires expected credit losses to be returned on a 12 month or life time basis. Changes to the impairment model do not have a material impact on the Group's financial assets.

The Group's revenue sources are outside the scope of NZ IFRS 15 changes and therefore there is no material impact to the financial statements of the Group.

4. Rental Income

| | Gross Rental Income (\$) | | Direct Property Expenses (\$) | | Net Rental Income (\$) | |
|--------------------------------------|--------------------------|--------------------|-------------------------------|----------------------|------------------------|--------------------|
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Taranaki 217 | 1,049,199 | 1,094,636 | (260,930) | (856,776) | 788,269 | 237,860 |
| Capital Hill (Dominion Museum) | 620,673 | 620,673 | (16,027) | (6,020) | 604,646 | 614,653 |
| South Wellington Intermediate School | 415,000 | 415,000 | - | - | 415,000 | 415,000 |
| McAlister Heights | 61,000 | 61,000 | - | - | 61,000 | 61,000 |
| Granville Flats | 229,500 | 229,500 | - | - | 229,500 | 229,500 |
| Other | 133,323 | 208,902 | (120,987) | (147,367) | 12,336 | 61,535 |
| | \$2,508,695 | \$2,629,711 | \$(397,944) | \$(1,010,163) | \$2,110,751 | \$1,619,548 |

Wellington Tenths Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

| 5. Other Income | 2019 (\$) | 2018 (\$) |
|---|--------------------|--------------------|
| Ancillary Hireage at Hostel Accommodation | 8,847 | 44,147 |
| Sundry Income | 20,296 | 2,252 |
| TOTAL OTHER INCOME | \$29,143 | \$46,399 |
| 6. Administration Expenses | 2019 (\$) | 2018 (\$) |
| Accountancy Fees | 63,470 | 72,652 |
| Audit Fees | 48,067 | 47,961 |
| Bad Debt | 116 | - |
| Bank Charges | 6,525 | 14,709 |
| Consultancy Fees | 4,520 | 22,460 |
| Executive Office (refer to note 22) | 500,621 | 458,166 |
| General Expenses | 1,413 | 1,330 |
| Insurance | 27,981 | 24,935 |
| Legal Fees | 189,426 | 229,179 |
| Loan Fees | 2,500 | - |
| Owners' Meetings | 49,152 | 54,077 |
| Postage, Printing and Stationary | 1,542 | 3,092 |
| Memberships and Subscriptions | 10,125 | 2,850 |
| Tangi Contributions | 2,800 | 800 |
| Telephone and Internet | 5,541 | 4,696 |
| Travel and Accommodation | 16,377 | 19,207 |
| Trustees' Fees (refer note 22) | 240,000 | 221,250 |
| Trustees' Expenses | 17,868 | 11,783 |
| TOTAL ADMINISTRATION EXPENSES | \$1,188,044 | \$1,189,147 |

Wellington Tenth Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

7. Net Finance Costs

| FINANCE INCOME | 2019 (\$) | 2018 (\$) |
|--|-------------------|--------------------|
| Interest Income – Wharewaka o Pōneke Charitable Trust (refer note 22) | 141,594 | 111,250 |
| Interest Income – Hkoikoi Management Limited (refer note 22) | 42,615 | 39,457 |
| Interest Income – Palmerston North Maori Reserve Trust (refer note 22) | 1,137 | 719 |
| Interest Income – Westpac | 930 | 1,631 |
| Interest Income – Other | 1,427 | 1,348 |
| TOTAL FINANCE INCOME | 187,703 | 154,405 |
| FINANCE EXPENSE | | |
| Interest Expense – Westpac | (113,596) | (219,115) |
| Interest Expense – BNZ | (136,406) | (148,097) |
| Interest Expense – Other | (123) | (5,727) |
| TOTAL FINANCE EXPENSE | (250,125) | (372,939) |
| NET FINANCE INCOME/(EXPENSE) | \$(62,422) | \$(218,534) |

8. Income Tax

| | | |
|--|------------------|------------------|
| a) INCOME TAX RECOGNISED IN PROFIT OR LOSS | 2019 (\$) | 2018 (\$) |
| Current tax | 192,325 | 182,814 |
| Deferred tax expense | (1,050) | 41,917 |
| TOTAL INCOME TAX EXPENSE | \$191,275 | \$224,731 |
| b) RECONCILIATION OF INCOME TAX EXPENSE | | |
| Profit before income tax expense | 7,984,037 | 12,135,038 |
| Tax expense at 17.5% | 1,397,206 | 2,123,632 |
| Adjustment for Entities Taxed at Rates Different to Maori Authority Rate | 72,122 | 68,555 |
| Non-Taxable Income | 18,600 | - |
| Non-Assessable Equity Accounted Earnings | (940,769) | (1,667,852) |
| Non-Deductible Expenses | 860 | 7,932 |
| Non-Deductible Investment Property Revaluation | (316,750) | (595,000) |
| Non-Deductible Impairment of Kate Shepherd Exchange Development Costs | 11,808 | 151,667 |
| Imputation Credits Attached to Dividends Received | - | 54,548 |
| Dividend Received from Equity Accounted Investee | - | 140,268 |
| Tax Losses Not Recognised | - | 135,557 |
| Prior Year Losses Utilised | (51,802) | (194,576) |
| TOTAL INCOME TAX EXPENSE | \$191,275 | \$224,731 |

Wellington Tenth Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

| 8. Income Tax (cont.) | 2019 (\$) | 2018 (\$) |
|---|--------------------|--------------------|
| c) CURRENT TAX | | |
| Liability at 1 April | (43,486) | (62,262) |
| Current Year Tax Expense | 192,325 | 182,814 |
| (Payments)/Refunds | (96,886) | (164,038) |
| (ASSET)/LIABILITY AT 31 MARCH | \$51,953 | \$(43,486) |
| d) DEFERRED TAX | | |
| Balance at the beginning of the year | (231,078) | (189,161) |
| Current year movement | 1,050 | (41,917) |
| DEFERRED TAX ASSET/(LIABILITY) | \$(230,028) | \$(231,078) |
| Deferred tax assets/(liabilities) are attributable to the following: | | |
| Accrued expenses | 7,385 | 6,335 |
| Investment properties | (237,413) | (237,413) |
| | \$(230,028) | \$(231,078) |
| e) UNRECOGNISED DEFERRED TAX ASSETS | | |
| Deferred tax assets have not been recognised in respect of the following items: | | |
| Tax Losses | \$1,800,980 | \$1,461,586 |
| | \$1,800,980 | \$1,461,586 |
| f) MAORI AUTHORITY TAX CREDIT ACCOUNT | | |
| Closing Balance of Maori Authority Tax Credit Account | 663,031 | 663,031 |
| | \$663,031 | \$663,031 |

9. Leases

The Group has a number of operating leases for both commercial and residential property related to its investment properties. Where possible the Group always endeavours to sublease vacant spaces on short-term lets. Rental income recognised under non-cancellable operating leases during the year was \$2,508,695 (2018: \$2,629,711).

Wellington Tenths Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

10. Property, Plant and Equipment

| COST | Office Equipment (\$) | Furniture, Fittings and Chattels (\$) | Total (\$) |
|---------------------------------|--------------------------|--|------------------|
| BALANCE AT 1 APRIL 2017 | 115,752 | 290,065 | 405,817 |
| Additions | - | 64,216 | 64,216 |
| Disposals | - | (1,444) | (1,444) |
| BALANCE AT 31 MARCH 2018 | 115,752 | 352,837 | 468,589 |
| ADDITIONS | - | 145,131 | 145,131 |
| BALANCE AT 31 MARCH 2019 | 115,752 | 497,968 | 613,720 |
| ACCUMULATED DEPRECIATION | | | |
| BALANCE AT 1 APRIL 2017 | 110,134 | 143,352 | 253,486 |
| Depreciation | 2,014 | 15,278 | 17,292 |
| Disposals | - | (268) | (268) |
| BALANCE AT 31 MARCH 2018 | 112,148 | 158,362 | 270,510 |
| DEPRECIATION | 1,166 | 23,745 | 24,911 |
| BALANCE AT 31 MARCH 2019 | 113,314 | 182,107 | 295,421 |
| NET BOOK VALUE | | | |
| AT 31 MARCH 2018 | 3,604 | 194,475 | 198,079 |
| AT 31 MARCH 2019 | \$2,438 | \$315,861 | \$318,299 |

11. Intangible Assets

| COST | Database (\$) | Website (\$) | Total (\$) |
|---------------------------------|----------------|---------------|----------------|
| BALANCE AT 1 APRIL 2017 | 206,571 | 15,456 | 222,027 |
| BALANCE AT 31 MARCH 2018 | 206,571 | 15,456 | 222,027 |
| BALANCE AT 31 MARCH 2019 | 206,571 | 15,456 | 222,027 |
| ACCUMULATED AMORTISATION | | | |
| BALANCE AT 1 APRIL 2017 | 206,474 | 15,447 | 221,921 |
| Amortisation | 67 | 5 | 72 |
| BALANCE AT 31 MARCH 2018 | 206,541 | 15,452 | 221,993 |
| Amortisation | 30 | 4 | 34 |
| BALANCE AT 31 MARCH 2019 | 206,571 | 15,456 | 222,027 |
| NET BOOK VALUE | | | |
| AT 31 MARCH 2018 | 30 | 4 | 34 |
| AT 31 MARCH 2019 | \$- | \$- | \$- |

Wellington Tenths Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

| 12. Investment Properties | 2019 (\$) | 2018 (\$) |
|--|---------------------|---------------------|
| Balance at 1 April | 38,225,000 | 36,925,000 |
| Change in fair value | 1,810,000 | 3,400,000 |
| Net Proceeds from the Sale of McAlister Heights | - | (1,994,600) |
| Loss on Sale of McAlister Heights | - | (105,400) |
| BALANCE AT 31 MARCH | \$40,035,000 | \$38,225,000 |
| CARRYING VALUE OF INDIVIDUAL PROPERTIES | | |
| Taranaki 217 – 213-217 Taranaki Street, Wellington | 10,200,000 | 9,810,000 |
| Capital Hill (Dominion Museum) – 38 Buckle Street, Wellington | 7,400,000 | 7,030,000 |
| South Wellington Intermediate School – 28-32 Russell Terrace, Wellington | 7,000,000 | 6,650,000 |
| Granville Flats – 557-567 Adelaide Road, Wellington | 3,900,000 | 3,700,000 |
| SUBTOTAL | 28,500,000 | 27,190,000 |
| OTHER | | |
| 383-387 Adelaide Road, Wellington | 3,400,000 | 3,000,000 |
| 429-437 Adelaide Road, Wellington | 3,600,000 | 3,600,000 |
| 40 Waripori Street, Wellington | 540,000 | 490,000 |
| 42 Waripori Street, Wellington | 760,000 | 690,000 |
| 64 Waripori Street, Wellington | 660,000 | 625,000 |
| 64A Waripori Street, Wellington | 660,000 | 625,000 |
| 44 Waripori Street, Wellington | 350,000 | 350,000 |
| Gilbert Road, Upper Hutt | 1,565,000 | 1,655,000 |
| SUBTOTAL | 11,535,000 | 11,035,000 |
| TOTAL | \$40,035,000 | \$38,225,000 |

Investment property comprises a number of commercial and residential properties that are leased to third parties, and a number of bare development properties. For residential properties the lease terms range from six months to 12 months. For leasehold commercial properties the leases are perpetual ground leases with seven year rent reviews.

Colliers International (Wellington Valuation) Limited have valued all properties for financial reporting purposes at 31 March 2019 and 31 March 2018, except for Gilbert Road. Gilbert Road was valued by Truebridge Partners Limited at 31 March 2019 and 31 March 2018.

Wellington Tenths Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2019

13. Investment In Equity Accounted Associates

Wellington Tenths Trust holds the following voting interests in the following entities and as such has significant influence but not control of the entities. The Group has classified the investments listed as associates and it is accounting for them using the equity method.

| INVESTEES | Balance Date | Place of Business/ Country of Incorporation | 2019 | Ownership Percentage 2018 |
|--------------------------------------|--------------|---|------|---------------------------------|
| Hikoikoi Management Limited | 31 March | New Zealand | 50% | 50% |
| Haukawakawa Limited Partnership | 31 March | New Zealand | 0% | 50% |
| Pipitea Street Joint Venture | 31 March | New Zealand | 50% | 50% |
| Village at the Park Group | 31 March | New Zealand | 50% | 50% |
| Kate Shepherd Exchange Joint Venture | 31 March | New Zealand | 25% | 25% |

Village at the Park Group is made up of the Group's 50% ownership in Village at the Park Lifecare Limited and Village at the Park Care Limited.

The Trust has a 25% interest in the Kate Shepherd Exchange Joint Venture. This equity investment has a carrying value of nil (2018: nil). The Joint Venture is in a negative equity position, so the Trust's equity position is nil. The Trust has impaired funds lent to the joint venture and this is disclosed within note 22.

The Group has no commitments and no contingencies in relation to its investments in associates (2018: nil).

| NON-CURRENT INVESTMENT IN ASSOCIATE | Hikoikoi Management Limited (\$) | Haukawakawa Limited Partnership(\$) | The Park Early Learning Centre Limited (\$) | Village at the Park Group (\$) | Pipitea Street Joint Venture (\$) | Total (\$) |
|--|--|---|---|--------------------------------------|---|-------------------|
| Balance at 1 April 2017 | - | 1,167,320 | - | 14,953,551 | 10,960,011 | 27,080,882 |
| Re-allocation of shares during restructure | - | - | 1,048,300 | - | - | 1,048,300 |
| Share of profit/(loss) | - | 207,348 | 57,027 | 6,732,105 | 2,534,096 | 9,530,576 |
| Distributions received | - | - | - | (1,848,661) | (1,380,000) | (3,228,661) |
| Balance at 31 March 2018 | - | 1,374,668 | 1,105,327 | 19,836,995 | 12,114,107 | 34,431,097 |
| Share of profit/(loss) | - | 1,210 | 174,558 | 3,553,487 | 1,647,782 | 5,377,037 |
| Distributions received | - | - | (107,463) | (875,920) | (1,380,000) | (2,363,383) |
| Proceeds from sale of investee | - | (1,375,878) | - | - | - | (1,375,878) |
| Balance at 31 March 2019 | - | - | 1,172,422 | 22,514,562 | 12,381,889 | 36,068,873 |

During the year ended 31 March 2019 Palmerston North Maori Reserve Trust acquired Wellington Tenths Trust's 50% share in Haukawakawa Limited Partnership for \$1,375,878.

RESTRUCTURE OF THE PARK EARLY LEARNING CENTRE LIMITED OWNERSHIP

During the 2018 year the ownership of The Park Early Learning Centre Limited (previously Little Wonders (Childcare) At The Park Limited) was restructured from a part of the Village at the Park Group to direct ownership by a subsidiary of the Trust. As a part of the restructure the Village at the Park Group paid a distribution of \$1,155,661 and that distribution was used to fund the acquisition of shares in The Park Early Learning Centre Limited.

Wellington Tenths Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2019

13. Investment In Equity Accounted Associates (cont.)

CHANGE IN ESTIMATE FOR PIPITEA STREET JOINT VENTURE

During the 2018 year the prior year estimate of share of profit from the Pipitea Street Joint Venture had a change in estimate.

The reported profit of the Pipitea Street Joint Venture was \$868,558 higher than what was reported in the 2017 financial statements for the Group.

This was treated as a change in estimate in the 2018 financial statements and as a result the 2018 share of profit from the joint venture was increased to reflect the prior year under-estimate.

The 2018 share of profit of the joint venture was \$1,665,538 before the adjustment for the change in estimate.

| 2019 | | | | | | | |
|---|--|---|---|---|---|---|--------------|
| ASSETS AND LIABILITIES OF ASSOCIATES | Hikoikoi Manage- ment Limited (\$) | The Park Early Learning Centre Limited (\$) | Village at the Park Group (\$) | KS Exchange Joint Venture (\$) | Pipitea Street Joint Venture (\$) | Total (\$) | |
| ASSETS | | | | | | | |
| Current | 95,117 | 708,036 | 12,639,784 | 2,078 | 724,516 | 14,169,531 | |
| Non-current | 1,180,293 | 123,036 | 113,281,014 | 7,161,544 | 88,000,000 | 209,745,887 | |
| TOTAL ASSETS | 1,275,410 | 831,072 | 125,920,798 | 7,163,622 | 88,724,516 | 223,915,418 | |
| LIABILITIES | | | | | | | |
| Current | 91,749 | 580,936 | 60,835,854 | 1,099,277 | 572,646 | 63,180,462 | |
| Non-current | 1,183,661 | - | 17,959,218 | 14,818,929 | 63,392,250 | 97,354,058 | |
| TOTAL LIABILITIES | 1,275,410 | 580,936 | 78,795,072 | 15,918,206 | 63,964,896 | 160,534,520 | |
| NET ASSETS | \$- | \$250,136 | \$47,125,726 | \$(8,754,584) | \$24,759,620 | \$63,380,898 | |
| 2018 | | | | | | | |
| ASSETS AND LIABILITIES OF ASSOCIATES | Haukawa- kawa Limited Partner- ship (\$) | Hikoikoi Manage- ment Limited (\$) | The Park Early Learning Centre Limited (\$) | Village at the Park Group (\$) | KS Exchange Joint Venture (\$) | Pipitea Street Joint Venture (\$) | Total (\$) |
| ASSETS | | | | | | | |
| Current | 48,343 | 86,186 | 565,861 | 5,275,261 | 5,085 | 484,984 | 6,465,720 |
| Non-current | 2,709,620 | 1,225,879 | 130,250 | 107,054,235 | 7,148,962 | 88,000,000 | 206,268,946 |
| Total Assets | 2,757,963 | 1,312,065 | 696,111 | 112,329,496 | 7,154,047 | 88,484,984 | 212,734,666 |
| LIABILITIES | | | | | | | |
| Current | 3,589 | 82,949 | 574,196 | 59,594,486 | 844,754 | 868,678 | 61,968,652 |
| Non-current | 5,038 | 1,229,116 | - | 12,116,199 | 14,553,822 | 63,392,250 | 91,296,425 |
| Total Liabilities | 8,627 | 1,312,065 | 574,196 | 71,710,685 | 15,398,576 | 64,260,928 | 153,265,077 |
| NET ASSETS | \$2,749,336 | \$- | \$121,915 | \$40,618,811 | \$(8,244,529) | \$24,224,056 | \$59,469,589 |

Liabilities of Associates displayed above include loans from owners.

Wellington Tenths Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

| 14. Trade And Other Receivables | 2019 (\$) | 2018 (\$) |
|--|-----------------|-----------------|
| Trade Receivables | 36,974 | 20,811 |
| Accrued Income | - | 3,562 |
| TOTAL TRADE AND OTHER RECEIVABLES | \$36,974 | \$24,373 |

Trade receivables generally have terms of 30 days and are interest free. Trade receivables of a short-term duration are not discounted.

| 15. Cash And Cash Equivalents | 2019 (\$) | 2018 (\$) |
|--|--------------------|------------------|
| Bank balances | 1,354,545 | 862,787 |
| TOTAL CASH AND CASH EQUIVALENTS | \$1,354,545 | \$862,787 |

Interest rate charged on overdrawn bank balances and interest received on call deposits were 10.35% and 0.1% respectively (2018: 10.35% and 0.1%). Bank balances are on call. Total overdraft available at balance date is \$450,000 (2018: \$450,000).

| 16. Unclaimed Distributions | 2019 (\$) | 2018 (\$) |
|------------------------------------|--------------------|--------------------|
| Balance at Beginning of Year | 2,651,767 | 2,546,615 |
| Distribution Declared | 640,218 | 823,136 |
| Net Distributions Claimed | (451,821) | (717,984) |
| BALANCE AT END OF THE YEAR | \$2,840,164 | \$2,651,767 |

Unclaimed distributions represent distributions declared by Wellington Tenths Trust but that have not been claimed by the respective beneficial owner. Unclaimed distributions are held on demand for the rightful beneficial owner. Wellington Tenths Trust has sufficient access to capital to pay all unclaimed distributions if they were called.

Wellington Tenth Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

17. Interest-Bearing Loans and Borrowings

| COST | Bank of New Zealand 04 Loan (\$) | Bank of New Zealand 05 Loan (\$) | Westpac Banking Corporation 91 Loan (\$) | Westpac Banking Corporation 92 Loan (\$) | Westpac Banking Corporation 95 Loan (\$) | Total (\$) |
|-------------------------------------|--|---|--|--|--|--------------------|
| Balance at 1 April 2017 | 2,094,711 | 1,000,000 | - | - | 6,931,000 | 10,025,711 |
| Payments | (239,561) | - | - | - | (4,092,000) | (4,331,561) |
| Balance at 31 March 2018 | 1,855,150 | 1,000,000 | - | - | 2,839,000 | 5,694,150 |
| Drawdown | - | - | 1,000,000 | 37,500 | - | 1,037,500 |
| Payments | (273,490) | - | - | - | (192,000) | (465,490) |
| BALANCE AT 31 MARCH 2019 | \$1,581,660 | \$1,000,000 | \$1,000,000 | \$37,500 | \$2,647,000 | \$6,266,160 |

| | 2019 (\$) | 2018 (\$) |
|-------------|--------------------|--------------------|
| Current | 471,840 | 456,600 |
| Non-current | 5,794,320 | 5,237,550 |
| | \$6,266,160 | \$5,694,150 |

| DESCRIPTION | Maturity Date | Interest Rate |
|----------------------------------|---------------|---------------|
| Bank of New Zealand (04) | 03/08/2022 | 4.99% |
| Bank of New Zealand (05) | 03/08/2022 | 4.99% |
| Westpac Banking Corporation (91) | 31/12/2021 | 4.00% |
| Westpac Banking Corporation (92) | 31/12/2021 | 4.00% |
| Westpac Banking Corporation (95) | 31/12/2021 | 4.00% |

The bank loans are secured over certain land and buildings with a carrying amount of \$26,000,000 (2018: \$24,660,000).

Wellington Tenths Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

| 18. Trade and Other Payables | 2019 (\$) | 2018 (\$) |
|---------------------------------------|------------------|------------------|
| Trade Payables | 959,923 | 321,558 |
| Accrued Expenses | 16,832 | 16,531 |
| TOTAL TRADE AND OTHER PAYABLES | \$976,755 | \$338,089 |

Trade payables generally have terms of 30 days and are interest free. Trade payables of a short-term duration are not discounted.

| 19. Other Current Liabilities | 2019 (\$) | 2018 (\$) |
|--|------------------|------------------|
| GST Payable | 61,105 | 75,689 |
| Income Received in Advance | 259,352 | 263,060 |
| TOTAL OTHER CURRENT LIABILITIES | \$320,457 | \$338,749 |

20. Capital Management

The Group's capital (net assets) relates to retained earnings.

The Group manages its capital through the use of budgets and business cases to determine future capital requirements. There are no externally imposed capital requirements at the end of the year or during each reporting period.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Trustees.

There have been no material changes in the Group's management of capital during the year.

21. Financial Instruments

The carrying amount of financial assets and liabilities as shown in the Statement of Financial Position, are as follows. All financial assets are classified as loans and receivables. All financial liabilities are classified as Financial Liabilities at Amortised Cost.

| FINANCIAL ASSETS | 2019 (\$) | 2018 (\$) |
|---------------------------------------|--------------------|--------------------|
| Trade and Other Receivables | 36,974 | 24,373 |
| Cash and Cash Equivalents | 1,354,545 | 862,787 |
| Related Party Receivables | 3,768,519 | 3,763,949 |
| TOTAL FINANCIAL ASSETS | \$5,160,038 | \$4,651,109 |
| FINANCIAL LIABILITIES | | |
| Trade and Other Payables | 976,755 | 338,089 |
| Related Party Payables | - | 9,620 |
| Interest bearing loans and borrowings | 6,266,160 | 5,694,150 |
| TOTAL FINANCIAL LIABILITIES | \$7,242,915 | \$6,041,859 |

Wellington Tenths Trust

Notes to and Forming Part of the Consolidated Financial Statements

For the year ended 31 March 2019

22. Related Parties

The ultimate Parent of the Group is Wellington Tenths Trust.

Subsidiaries

Set out below is a list of the significant subsidiaries of the Group:

| | Principal Activity | Business/ Country of Incorporation | Ownership Percentage 2019 | 2018 |
|-----------------------------|-------------------------|--|---------------------------------|------|
| Taranaki 217 Limited | Hostel Accommodation | NZ | 100% | 100% |
| Capital Hill Limited | Commercial Rental | NZ | 100% | 100% |
| Village at the Park Limited | Investment Company | NZ | 100% | 100% |

OTHER RELATED PARTIES

In addition to the above, and the associates listed in note 13, Wellington Tenths Trust is related to the following entities:

| ENTITY | RELATIONSHIP |
|--|---|
| Wharewaka o Poneke Charitable Trust | Wellington Tenths Trust has the right to appoint two of five trustees |
| Wharewaka o Poneke Enterprises Limited | Common Trusteeship/Directorship |
| Palmerston North Maori Reserve Trust | Common Trusteeships |
| Te Aro Pa Limited | Common Trusteeship/Directorship |
| Ngahuru Charitable Trust | Common Trusteeships |
| R Te One & Associates Limited | Related Director/Trustee |

TRANSACTIONS WITH RELATED PARTIES

Transactions with related parties are to be settled in cash. Security over balances ranges from no security to first ranking mortgages.

During the year the loan to the KS Exchange JV was impaired by \$67,483 (2018: \$866,670). The carrying value is \$nil (2018: \$nil). There have been no other impairments of related party balances during the year (2018: \$nil) and there have been no write-offs of related party balances during the year (2018: \$nil).

Wellington Tenths Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

22. Related Parties (cont.)

| RELATED PARTY TRANSACTIONS INCLUDED: | 2019 (\$) | 2018 (\$) |
|--|--------------------|----------------------|
| Interest received from Wharewaka o Poneke Charitable Trust (refer to note 7) | 141,594 | 111,250 |
| Interest received from Palmerston North Maori Reserve Trust refer to note 7) | 1,137 | 719 |
| Interest received from Hikoikoi Management Limited (refer to note 7) | 42,615 | 39,457 |
| Executive office fees charged by Hikoikoi Management Limited (refer to note 6) | (500,621) | (458,166) |
| Impairment of KS Exchange JV Loan | (67,483) | (866,670) |
| Consulting fees paid to R. Te One & Associates Limited | - | (2,077) |
| | \$(382,758) | \$(1,175,487) |
| | | |
| RELATED PARTY BALANCES AT YEAR END INCLUDED: | | |
| Receivable from Palmerston North Maori Reserve Trust | 2,203 | 17,520 |
| Receivable from Wharewaka o Poneke Charitable Trust | 3,061,607 | 2,995,532 |
| Receivable from Hikoikoi Management Limited | 615,833 | 623,514 |
| (Payable) to Haukawa Limited Partnership | - | (9,620) |
| Receivable from Ngahuru Charitable Trust | 87,383 | 87,383 |
| Receivable from The Park Early Learning Centre | 1,493 | 40,000 |
| | \$3,768,519 | 3,754,329 |
| | | |
| Current Related Party Receivables | 2,203 | 17,520 |
| Non-Current Related Party Receivables | 3,766,316 | 3,746,429 |
| Current Related Party Payables | - | (9,620) |
| | \$3,768,519 | \$3,754,329 |
| | | |
| RECONCILIATION TO CASH FLOW | | |
| Balance at Beginning of Year | 3,754,329 | 4,488,238 |
| Payments | 81,673 | 132,761 |
| Impairment of KS Exchange Advance | (67,483) | (866,670) |
| BALANCE AT END OF THE YEAR | \$3,768,519 | \$3,754,329 |

Wellington Tenth's Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

22. Related Parties (cont.)

TRUSTEE REMUNERATION

Trustee fees are determined by way of resolution at the Trust's annual general meeting. Trustee remuneration by trustee is as follows:

| | 2019 (\$) | 2018 (\$) |
|---------------------------------|------------------|------------------|
| Morris Te Whiti Love (Chairman) | 60,000 | 53,750 |
| Venessa Ede | 18,000 | 16,750 |
| Jeanie Hughes | 18,000 | 16,750 |
| Lennox Love | 18,000 | 16,750 |
| Matthew Love-Parata | 18,000 | 16,750 |
| Mark Te One | 18,000 | 16,750 |
| Richard Te One | 18,000 | 16,750 |
| Hon Mahara Okeroa | 18,000 | 16,750 |
| Hannah Buchanan | 18,000 | 16,750 |
| Anaru Smiler | 18,000 | 16,750 |
| Peter Jackson | 18,000 | 16,750 |
| | \$240,000 | \$221,250 |

Wellington Tenths Trust
Notes to and Forming Part of the Consolidated Financial Statements
For the year ended 31 March 2019

23. Adelaide Road Development Costs

| | 2019 (\$) | 2018 (\$) |
|--|--------------------|------------------|
| Balance at Beginning of Year | 629,324 | 148,897 |
| Development Costs incurred during the Year | 4,535,045 | 480,427 |
| Balance at End of the Year | \$5,164,369 | \$629,324 |

The Trust has undertaken a development at 383-387 Adelaide Road to build sixteen high quality townhouses on land that is part of the original Wellington Tenths Reserve. The project is expected to be completed during the next financial year when it will begin to derive rental revenue for the Trust.

Further anticipated development costs to completion are \$3,502,334.

24. Commitments

There are no commitments as at 31 March 2019 other than those disclosed in Note 23 (2018: nil).

25. Contingent Liabilities

There are no contingent liabilities as at 31 March 2019 (2018: nil).

26. Events Occuring After The Reporting Date

On 7 June 2019, Trustees resolved to advance \$1.52m as a second mortgage over the Kate Sheppard Exchange property at a return of 10% (2018: nil).

There were no other events subsequent to reporting date that would affect the financial statements (2018: nil).



Mt Taranaki

INDEPENDENT AUDITOR'S REPORT

To the Beneficial Owners of Wellington Tenth Trust

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Wellington Tenth Trust and its controlled entities (the Group) on pages 18 to 45, which comprise the consolidated statement of financial position as at 31 March 2019, and the consolidated statement of profit and loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 31 March 2019, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards with Reduced Disclosure Regime.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Wellington Tenth Trust or any of its controlled entities.

Information other than the financial statements and auditor's report

The Trustees are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Crowe Horwath New Zealand Audit Partnership is a member of Crowe Horwath International, a Swiss Verein. Each member of Crowe Horwath is a separate and independent legal entity.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Trustees' Responsibilities for the Consolidated Financial Statements

The Trustees are responsible on behalf of the entity for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards with Reduced Disclosure Regime, for maintaining the Owner's Register and for such internal control as the Trustees determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Trustees are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The Owners' Register conforms and has been properly kept in accordance with the requirements of the Trust Deed.

The engagement partner on the audit resulting in this independent auditor's report is Les Foy.

For and on behalf of:



Crowe Horwath New Zealand Audit Partnership
CHARTERED ACCOUNTANTS
5 July 2019



Section Three / Appendices



Appendix

One/ Minutes

Annual General Meeting
held on Saturday
1 September 2018 at 10am
at Te Raukura,
Te Wharewaka, Wellington

Trustees Present

Anaru Smiler, Hannah Buchanan, Jeanie Hughes, Lennox Love, Mark Te One, Matthew Love-Parata, Morrie Love (Chairman), Peter Jackson, Richard Te One, Venessa Ede

Advisers Present

Aaron Titter, Theodore Tocker, Katherine Stempa, Lucy Fisher (BDO), Callum Reid (Harbour Chambers) and Nigel Moody (Gibson Sheat), Ben Westerman (Westerman Property Solutions)

Hikoikoi Management Staff

Cherie Douglas, Christine Fox, Kathleen Thompson, Keith Hindle, Tracey Betham, Tracey Heffernan, and Vicki Hollywell

Attendance

Alamaine McGregor, Alexander Watson, Allan Brown, Amiria Mullen, Ane Parata, Ann Reweti, Anne Somerville, Annie Te One, Aroha King, Betty Te Rautau Anderson, Brendon Te Tiwha Puketaku, Catherine Love, Charmaine Mason, Charmaine H Puru, Christina Mokio Thomas, Christine Sullivan, Daniel Love, Dee-Anne Winterburn, Dolly Horo, Edwina Love-Hanson, Eileen Conroy, Emily Maru, Erini Shepherd, Geoffrey Clark, George Broughton, George Love, Gina Rangiwhetu, Graham & Monica King Whanau Trust, Grant Knuckey, Heni O'Hare, Hera Hailwood, Hera Hawera, Herapiko Takarangi, Honiana Love, Jack Rikihana, Jacqui Brown, James Makowharemahih, James Taumanu, John Rei, Josephine Coffey, June Jackson, Kamira Mullen, Karena Efaraimo, Karen-Lee Winterburn, Kieran Taylor, Leah Hartley, Lisa Takarangi, Liz Mellish, Lois MacDonald, Lois McNaught, Lorna Kanavatoa, Love-Wetere Whanau Trust, Luana Carroll, Mahia Toki, Maikara Tapuke, Malia Efaraimo-Leafe, Mana Huntley, Marama Cock, Mary Mere Coombs, Mataaria Priest, Matene Love, Maurice Walden,

Melvyn Cock, Mike Ede, Mini Carlson, Miriama Te One, Mohi Te One, Monty Manu, Nareta Love Whanau Trust, Natasha Tassell-Matamua, Ngaire Robinson, Pamela Haua, Pauline Owen, Peggy Anderson Whanau Trust, Peter Love, Piki Carroll, Pirihira Te Paki, Poiria Love Erskine, Rachael Leafe, Reena Huntley, Richard Owen, Ropata Rangikauwhata, Rosemary Love, Ross Nunn, Russell Cook, Sarah H T W Hemara, Skye Hailwood, Sydney Wipaki, Tahurangi Ruru, Tamanohomai Robinson, Te Amo Edwina Hanson, Te Punga Samuel & Horo Queenie Whanau Trust, Te Tiwha Puketapu, Thomas Taumanu, Tohia Love, Tracey Wairau, Tuhi McGregor, Tuparahuia Pita, Venus Te Huriwai Hori, Wayne Peters, Whareahuru Gilbert, Wiki Gear, William Peacock, William Owen, Witerina Cooper

Apologies

Aidan Daly, Anthony Manu, Atamira Te Paki, Beverly Horo, Camelia Lenden, Caroline Komene, Caroline Rauhina, Dinah King, Dione King, Erini Shepherd, Frances Kingi-Katene, Georgina Taiaki, Heni O'Hare, Hon Mahara Okeroa, Ina Rangiwhetu, James Taumanu, Jean Cameron, Jean Sylvia Soffee Whanau Trust, Joseph Horo, Josephine Matekino Love, Judith Ann Evans, June Hagan, Karena Efaraimo, Kereana Leith, Kevan Gooch, Kura Moeahu, Leslie Brown, Lester Rogers, Linda Pegg, Lisa Takarangi, Maraea Hardgreaves, Marama Shona Mako, Marlene Dawson-Love, Matene Ralph Love, Matthew Reweti, Maurice Walden, Maz Williams, Michael Horo Jenkins, Michelle Priscilla McNaught, Mohi (Jnr) Love, Ngawai King, Pamela Audrey Workman, Paula King, Petal Merilee Mcnaught, Peter Reweti, Peter Walden, Rerewah Pita, Richard Manu, Richard Owen, Rosemarie Eujenie McNaught, Sandra Bishop, Stella Malcolm, Tahu Ruru, Tangi Tiautiau, Terri Manu, Thomas Richard Bishop, Thomas Taumanu, Tio Taiaki, Vaughan Gooch, Warrick Lance McNaught, Wayne Mulligan, Wiki Michalanney, Wikitoria Love, William Arthur Peacock, Yvonne Westeman

Mihi Whakatau and Karakia

Mark Te One opened the meeting with a karakia and mihi and acknowledgement of those that had passed. This was followed by the waiata E Nga Iwi O Te Motu Nei.

Agenda and Housekeeping

The Chairman warmly welcomed everyone to the meeting. The agenda was noted, and housekeeping information was conveyed. Owners were invited to attend a sod turning/ground breaking ceremony that is being held today at 383-387 Adelaide Road at 2.30pm.

Election of Managing Trustees

The Chairman advised that the voting for the election of managing trustees is open, and that the voting will close at 12noon. There are two ballot boxes for lodging voting papers at the meeting that BDO representatives are bringing around. It is expected that the election result will be known by the end of lunch.

There were eight nominations received for the six vacant positions on the board. The nominations received were from Hannah Buchanan, Jeanie Hughes, Peter Jackson, Grant Knuckey, Mark Te One, Richard Te One, Brendon Te Tiwha James Puketapu, and Morris Te Whiti Love. Nigel Moody was introduced to the meeting and each of the candidates was given 3 minutes to speak. The Chairman advised that he is standing for election for a term of one year to lower the number of Trustees on the rotation, currently 6 nominations to 5 nominations in three years' time.

Minutes of 2017 AGM

The Chairman advised that Trustees had reviewed the Minutes of the last Annual General Meeting (AGM) held on 2 September 2017 and recommended that they be accepted as a correct record of proceedings.

Resolution

It is hereby resolved that *beneficial owners accept the Minutes of the 2017 AGM Meeting as a correct record of proceedings*

Moved - Jack Rikihana

Seconded – Piri Te Paki

Carried Unanimously

Matters Arising

Trustees have considered the previous Minutes and believe that any matters arising for discussion will be covered during the meeting. There were no matters arising raised by owners at the meeting for discussion.

Report from the Chairman and Trustees

The Chairman gave an outline of the significant actions that have occurred for the Trust since 1977. Initially the Trust was run by the Māori Trustee. In 1985 the Māori Land Court appointed 9 Management Trustees. In 1989 there was the move from the Māori Trustee to the Guardian Trust. In 2008 the Guardian Trust handed over its guardianship to Wellington Tenths Trust to control its own affairs. The Trust beneficial owners have grown from approximately 1000 beneficial owners to nearly 7000 beneficial owners. The assets have also grown over that time from around \$3m to \$78m.

383 Adelaide Road

The Chairman advised that this site is one of the original tenth of Wellington's allocated one hundred and ten town acres. The construction of 16 townhouses will provide high quality rental accommodation in two and three bedroomed townhouses. Some visuals of the development were displayed on the screen at the meeting. The total build cost will be around \$11m on a site valued at \$3m in Newtown/ Berhampore next to Village at the Park. Construction is about to start, and the build time is around 15 months so will nearly be completed by the next AGM. The ceremonial action of groundbreaking will take place this afternoon at 2.30pm.

Village at the Park

Apartment Block E will be completed in April 2019 and when opened will be named.

The Chairman advised that the transition to the new joint venture partner, the Arvida Group, has been very smooth and effective with the new management transitioning staff and residents to the new arrangements. In the new arrangement the Trust maintains its 50% shareholding and there is a good relationship with the joint venture partner. Overall the financial performance of the Village remains excellent and is now providing a good return on shareholder capital.

South Wellington Intermediate School

A slide depicting where the South Wellington Intermediate School (SWIS) is located was displayed on screen. Currently the lease is with Ministry of Education for South Wellington Intermediate School. The Chairman indicated the expectation that at some point the Trust will have an opportunity to resume the lease and redevelop it into another use.

Wakefield Hospital

On the same slide the Chairman acknowledged the relationship with its neighbour, Wakefield Hospital.

Village at the Park Development Consideration

The Chairman presented a slide which showed another piece of land adjoining Village at the Park that may also be considered for development in the future.

2-8 Lambton Quay-Kate Sheppard Place

The proposal to build a mix of apartments and hotel apartments on the land at Lambton Quay-Kate Sheppard Place with joint venture partner, the Equinox Group. The project would involve the pre-selling of apartments when the project has resource consent and building consent. The previous resource consent was overturned in the High Court. This has meant that the joint venture has gone back to the drawing board and resource consents will be required again for the new proposal. There is considerable debt on the site owned by Equinox on the property. It is a large project of approximately \$100m.

James Makowharemahihi raised the need for whanau accommodation in Wellington and he asked that there be the opportunity for whanau to purchase. The Chairman advised that any housing built in Wellington will help alleviate the housing shortage that exists here. Peter Love appreciated that the commercial ventures benefit the Trust. He noted that the apartments being built are not affordable by our own whanau and he would like to see economic access to housing. Amiria Mullen asked if the Trust is going to develop kaumatua housing. She also suggested that the dividend be raised. The Chairman addressed the housing questions raised to note that the debt on this property is \$9m and the development is necessary to recoup monies invested in the purchase of the land. He also advised that the work that this Trust does, it does on its own, without government subsidy. He suggested that the Trust could work with the Port Nicholson Block Settlement Trust who are doing that type of housing. He also suggested that owners could attend a meeting tomorrow at Wainuiomata on that project.

Natasha Tassell-Matamua asked what consideration has been given to environmental sustainability and enhancement of the mauri of the whenua where the buildings have been developed. The Chairman provided examples of the environmental ratings such as the Wharewaka which has a green star rating of 5 and the development at Adelaide Road will have a rating of 6.

The Park Early Learning Centre

The completion of the next extension provides accommodation for 140 pre-schoolers in two buildings with 50 older children in the newer building. A short video of the centre was screened.

Taranaki 217

The student accommodation in Taranaki Street has 148 studio units in two blocks. The buildings are now 12 years old and a repair of a leaky building issue to the rear block's northern wall was undertaken. This was accompanied by a revamp of the bathrooms in each of the units adjacent to the repaired wall. A second tranche of repairs were completed in late 2017 to enable Taranaki 217 to be leased for three years to Massey University. Massey have branded the building as Massey's with the name Kainga Rua.

81-87 Thorndon Quay

The Chairman advised that this property was purchased from Port Nicholson Block Settlement Trust in conjunction with the Palmerston North Māori Reserve Trust (PNMRT). In the rationalizing of the Trust's portfolio the share in the property has been sold to PNMRT. This improves the Trust's ability to fund projects by focusing on the development in Adelaide Road.

Burrell Farm and Granville Flats

The Trust owns a farm in Kaitoke which has been leased to the Burrell family who run a dairy farm which continues to provide a good rental.

Wellington City Council owns the Granville Flats located at 559 Adelaide Road, and the Trust owns the land. These flats are social housing and are managed by the Council.

Capital Hill – Massey University

Capital Hill is a wholly-owned subsidiary company of the Trust. The Old Dominion Building and lands are leased to Massey University as a joint venture with Massey University. The Trust has been in a process of finalising a lease to better understand ownership and liabilities in the building. Four years ago Massey University sublet parts of the building to the Ministry of Culture and Heritage for the Great War Exhibition. That exhibition was to run to the centenary of WWI Armistice Day 11 September 2018. Massey however have indicated a strong desire to purchase the land and building outright. The Trust will look carefully at the Trust's future in the building noting that there are considerable issues with the maintenance of the building. Trustees will bring back any offer to purchase the Trusts interests in the property to an AGM or SGM before a final decision is made.

Lois Macdonald asked what safeguards the Trust has taken to safeguard its developments. The Chairman advised that as part of due diligence for each of the projects the legal team will prepare legal

documentation and guarantees for each project to minimize the risk to the Trust.

Grant Knuckey asked if the Trust still has joint administration with PNMRT and if owners receive a report on that organisation. The Chairman advised that in the financials the costs of the administration are included in the Annual Report. Grant noted that he would like to see that in the annual report in future, and this was noted.

Geoffrey Clark asked whether land was sold with the apartments at Village at the Park and the Chairman explained that the ownership is retained. The client purchases a licence to occupy and when the licence comes to the end the estate receives a return and the property comes back to the joint venture. Each time that occurs the villa/apartment is then refurbished for the next licensee.

Aroha King asked if the Trust would be open to building a relationship with Massey so that a grant or scholarship for Wellington Tenth Trust descendants. The Chairman advised that this is certainly something that Trustees can look at as to what we can do. Hannah Buchanan said that she could korero with Aroha at lunch.

Resolution

It is hereby resolved that the beneficial owners receive the Chairman and Trustees Report as presented.

Moved - Peter Love

Seconded – Grant Knuckey

Carried unanimously

Financial Report

Aaron Titter introduced himself and thanked Trustees for the opportunity to present the financial report for the Wellington Tenth Trust for the year ended 31 March 2018. The key highlights for you for the 2018 financial year were:

- The Trust generated a \$11.9 million surplus after tax compared to \$12.08 million in 2017
- The Trust equity increased from \$57.9 million last year to \$69 million this year.
- The property portfolio increased by \$3.4 million from the carrying values in 2017.
- The Trust has total assets of \$78.3 million.

Each year the Trust's Assets are depicted in a pie chart in the annual report which can be seen on page 13 of the annual report.

This year, the largest individual asset for the Trust continues to be the investment in Village at the Park. This includes the village, the hospital and The Park Early Learning Centre (previously known as Little Wonders).

This is now carried at \$20.9 million.

This is followed by the equity investment in the Pipitea Joint Venture which is carried at \$12.1 million.

Taranaki 217 is valued at \$9.80 million, and Capital Hill, is worth \$7.03 million.

In terms of the trust's debt to total asset ratio, it continues to decrease which is a good thing. Again, this graph can be seen on page 13 of your annual report.

As at 31 March 2018 the amount owing by your trust totalled 11.84% of total assets, this is down from 19.15% in 2017.

This is a result of total assets increasing and a substantial repayment of the Westpac term debt.

The next slide summarized the statement of profit and loss shown on page 14 of the annual report. The Total revenue from the properties decreased by approximately \$80,000. This is primarily attributable to Taranaki 217 and MacAlister Heights following its sale. This detail can be seen on page 25 of your annual report.

At the same time the direct property expenses increased by approximately \$247,000 which primarily relates to Taranaki 217.

Administration expenses decreased year on year. The detail for what comprises the administration expenses is in note 6 on page 25 of the annual report.

The net financing costs of the Trust, which comprises of your interest income earned less the interest paid is detailed in note 8 on page 26 of the annual report. This leaves the Trust with an operating profit of nearly \$241,000 for 2018 versus \$450,000 for 2017. The Trusts share of the after-tax profit of Village at the Park, Little Wonders, and Pipitea Street Joint Venture was also indicated and is followed by the impairment of the loan made to the Kate Shephard Exchange joint venture, which Trustees have decided to do as a prudent measure awaiting the next evolution of the project. The revaluation of properties slide was presented. After deducting income tax on the profits generated we end up at a net surplus after tax of \$11.9 million versus \$12.08 million for 2017.

Aaron Titter asked if there were any questions from the profit and loss. Monty Manu asked how much it cost to hold an AGM and was advised that it costs \$54,000, which he thought was quite expensive. Aaron Titter advised that is the direct costs of what is incurred.

Brendon Te Tiwha James Puketapu commented that the Trust has been able to keep the debt to equity ratio fairly low and that is impressive. He asked if the Trust has a threshold as to the level of debt that it is prepared to have. Aaron Titter advised that the Trust doesn't have a level however within that there are substantial investments where we own 50% of the buildings that the Trust can't borrow against. 54% of the investments are with joint ventures.

Peter Love noted that the unclaimed dividends is very high at \$2.65 million. Aaron Titter advised that in 2017 the distribution that was paid was \$640k and of that \$382k made its way to owners. In 2018 the book distribution was \$823k and \$717k made its way to owners. There has been a substantial increase in distribution monies getting to owners.

Aaron Titter returned to the presentation to focus on the net surplus after tax. He commented that it is interesting to split this between what is trading earnings, and non-cash earnings, ie earnings from revaluations. Of the \$11.9 million net surplus after tax, approximately \$3.1 million is a result of trading earnings, and approximately \$8.8 million from revaluations of properties and deferred income tax. Village at the Park generated further significant revaluation gains this year, of which 50% was accounted for in the financial statements. The largest individual movements this year were the increases Taranaki 217 and South Wellington Intermediate School.

Aaron Titter then moved on to the statement of financial position - what the Trust owns less what the Trust owes. Total current assets are nearly \$1.8 million lower for 2018. This has decreased due to the reduction in cash balances following debt repayments. The Trust has approximately \$1.37 million invested in the property in Thorndon Quay, known as Haukawakawa. As outlined by the Chairman earlier, this has been divested to PNMRT since balance date. The loans to Hikoikoi, the Wharewaka, KS Exchange, and Ngahuru Charitable Trust are approximately \$3.75 million. The Trust has equity investments in Pipitea Joint Venture and Village at the Park, combined they are carried at a book value of \$33.1 million. The movements in the investment properties directly owned by the Trust are outlined in note 13 on page 28 of the annual report. Current liabilities have decreased as a result of using the provision in respect of the repairs required to Taranaki 217. Finally, the term liabilities of the Trust have decreased by approximately \$4.3m following repayment of a large portion of the Westpac mortgage.

Deducting total liabilities from the total assets shows a net asset value for the Trust of \$69 million for 2018 versus \$57.9 million for 2017.

The last statement that Aaron Titter spoke to is the statement of cash flows on page 17 of the annual report. The Trust had cash out flows of \$245,000 from its operations, which includes rents less expenses, including interest. A net \$4 million was received from investing activities, which includes distributions from Pipitea Joint Venture and Village at the Park, less the purchase of assets and funds invested on term deposit. The \$4.33 million line represented funds repaid to Westpac. \$718,000 was distributed to owners either for last year's dividend, or for historic amounts where owners have been identified and funds distributed.

Aaron Titter thanked owners and congratulated them on another great year. Aaron then put the resolution to owners on behalf of the Trustees.

Resolution

It is hereby resolved that the beneficial owners accept the audited Financial Statements for the year ended 31 March 2018 as a true record of the Trust's financial position.

Moved – Brendon Te Tiwha James Puketapu

Seconded – Lois Macdonald

Carried Unanimously

Appointment of Auditors

Aaron Titter advised that Trustees have asked him to undertake the annual requirement to appoint the auditor for the following financial year. The auditor for the 2018 was Crowe Horwath, who have been the Trust's auditors for a number of years. They are a reputable audit firm who management and BDO have worked very well with over the years.

Resolution

It is hereby resolved that Crowe Horwath New Zealand Audit Partnership be appointed the independent auditors for the Wellington Tenth Trust for the year ended 31 March 2019.

Moved – Mere Humes

Seconded – James Makowharemahihi

Carried Unanimously

Share value

As discussed in previous years this is not a true valuation, rather it is the net assets of the Trust divided by the number of shares held by owners. As a result in the increase in the Trusts net assets, the value per share has increased to \$377.23 per share.

A final call was made for votes to be placed in the voting boxes. Aaron Titter and the BDO

team then left the room to count the votes. There was a short intermission before the meeting resumed at 12.25pm.

Distribution

The Chairman advised that last year there was a distribution of \$3.50 per share as an ordinary distribution and an additional \$1.00 as an extraordinary distribution.

The Chairman advised that there are two developments, Adelaide Road, and KS Exchange which will require investment. Trustees are proposing an ordinary distribution of \$3.50 which is a total commitment of \$640k, the distribution is not taxable.

Amiria Mullen commented that she would like to see that increased. The Chairman advised that next year Trustees will review this and come back to owners.

Resolution

It is hereby resolved that a capital distribution of \$3.50 per share as an ordinary distribution be made, being a total commitment of \$640,219.

Moved - Lois McNaught

Seconded – Poiria Erskine

Carried Unanimously

The Trust is holding monies as unclaimed dividends and the Chairman encouraged owners to come forward.

Trustee Remuneration

Trustees last increase in remuneration was at the 2017 AGM. It is recommended by the Board's financial advisors that the remuneration for Trustees remains the same.

Resolution

It is hereby resolved that beneficial owners approve that Trustee remuneration for the Chairman remain at \$60,000 and that the remuneration for Trustees remain at \$18,000.

Moved - Morrie Love

Seconded – Jack Rikihana

Carried Unanimously

Legal Report

Callum Reid was invited to provide an update on the legal matters that have occurred in the past twelve months. Callum advised that he would speak on the current matters in the courts, how the Trustees are managing the costs, and the future strategy.

A resolution was passed last year (page 48 of the annual report) that the Trust continue to pursue the legal options available for recovery. This was in regard to the \$3 million of lease premium for the Pipitea Street property payable to the Trust, which didn't reach the Trust and was diverted. \$1.6 million

was diverted to the property at Moana Road owned by Trusts of Skiffington, and Ngatata Love. Callum Reid advised that Lorraine Skiffington passed away on the night of the AGM held last year, 3 September. Her son, Hayden Skiffington is the sole executor and sole beneficiary of the Will and that he is following the same approach as his mother of opposition and delay.

The Moana Road property was sold in February through the control of the Official Assignee that has the responsibility under the relevant legislation (Criminal Proceeds Recovery Act), by public auction and Westpac were paid out and the surplus is held by the Official Assignee. The Police have taken a cooperative approach and an agreement that once the Official Assignee and the Police costs have been paid the balance is to be paid to the Trust as compensation for some of the loss suffered in not having the lease premium. The agreement can't be implemented without the approval of the High Court. A memorandum has been signed between the Police and the Trust and there is every reason to believe the Court will be supportive of the agreement reached. It won't be an immediate payment as the legislation allows for delayed payments for appeal from parties that have an interest in the matter. The other parties such as Ngatata and Skiffington's estate haven't indicated that they are interested, and the Port Nicholson Block Settlement Trust who had indicated an interest, are no longer interested, and have left the way clear for the Wellington Tenth Trust to claim.

After 10 months a summary judgment from the High Court for the \$1.6m that was diverted to Moana Road was received and the High Court held that there was a liability for that diversion - that the Skiffington Estate is liable to account to the Trust. The amount was not resolved and that requires a further hearing and further evidence from the Trust as to its losses in respect of the breach of duty that has occurred. Some work has been done on this by the legal team and there is reason to think that the Trust has a good credible case that the losses are no less than \$3.5m. It is a substantial claim and there is no reason not to think that the High Court will consider the claim favourably.

Callum Reid outlined the steps taken in relation to the estate. Firstly, the estate refused to recognise the existing claim for costs. There was a costs award in favour of the Trust of \$17,500 which related to the freezing orders against the estates assets. Those orders remain in place and the assets remain frozen until the summary judgement matter is fully concluded. Costs were not

paid so there was a need to go through a lengthy and expensive process and this is handled through insolvency procedures. Because Skiffington had not complied with a bankruptcy notice before she died, the Trust was able to recover that from her estate. This was first ignored and the Trust started a fresh proceeding to recover \$18,000 which was then paid. This then connected to another maneuver on behalf of the estate, an application for leave to appeal the summary judgement out of time. The estate did not appeal within the time and is trying to appeal out of time. The estate has made a special application to the Court of Appeal which the Trust has opposed. A short hearing is likely to be held before the end of the year. Callum Reid could not say with any confidence that the Trust will win that part of the argument, because the Court of Appeal are more likely to extend time so that the estate has the ability to advise why in their opinion the summary judgment was wrong.

The positive is that the insolvency proceeding remains and that puts pressure on the estate. A requirement that the estate file a verifiable account of its assets and liabilities was requested and received and that account shows that Skiffington had a lot of property most of which is subject to the freezing orders and when you value that and allow for the borrowing there is a net asset surplus of \$1.9 million. It does not show cash to fight in the courts. The Trust claims that at least \$3.5 million is owing, and the estate's net asset is \$1.9 million. Callum Reid commented that, as is often the case in litigation, these things are best resolved by agreement by the parties. By continuing the pressure the estate will eventually want to settle with the Trust and obtain certainty that the litigation will end where some of the estate's assets are paid to the Trust as compensation for loss. The pressure points are the appeal proceeding and also the claim that the Trust will make in the High Court to prove loss.

Callum Reid then advised that the Trust is paying the legal costs along the way through revenue generated by the Trust, and once the net proceeds from Moana Road are received the position should be a cost-neutral position. This goes back to 2012 when the fraud was first discovered until now. Several hundreds of thousands of dollars in legal costs over that period should be offset by what is received from Moana Road. Grant Knuckey asked what offset means, and Callum advised that it refers to the legal and accounting costs. Future costs would be met from payment received from the estate. The estate is facing a requirement from the Court to provide an amended account and potentially there is more than \$1.9 million in the estate than first advised.

Grant Knuckey noted that these legal matters are heading away from the Trust's core business and wanted an indication of how much longer it might take. The Chairman advised that Trustees will re-look at this after the Court of Appeal, and that it is likely that these matters will go into the middle of next year. Hannah Buchanan advised that Trustees discussed the cost versus return and agreed that the potential to recover is worth pursuing, and that Trustees will continue to watch this carefully. Trustees recommended the following resolution.

Resolution

It is hereby resolved that to reaffirm that the Wellington Tenth Trust continue to pursue the legal options available for recovery.

Moved – Amiria Mullen

Seconded – Edwina Love-Hanson

Carried Unanimously

Wharewaka o Pōneke

The Chairman advised that the loans provided by the Wellington Tenth Trust and PNMRT amount to approximately \$2.9 million each. Peter Love asked whether it was time to rationalise the ownership of the building. The Chairman advised that the ownership



Trustees from Wellington Tenth Trust and Palmerston North Māori Reserve Trust,

is in the Wharewaka. The building provides both Trusts with a very good income. The current model works well, is clear, and the Trusts are beneficiaries not just in a cash sense, but particularly in a cultural sense in Wellington. Liz Mellish commented that from a PNMRT perspective the investment provides for a return every month so using the word loan is probably the wrong terminology. In terms of the operation we have a company that runs a tourism venture here and NZ Tourism sees this place as an advertisement for NZ on a world stage. This can only grow and as a functions space it is extremely well utilized. Mark Te One advised that the Wharewaka has been nominated in the NZ Tourism awards as one of the top Māori tourist attractions alongside Whalewatch in Kaikoura and Kaitiaki Tours in Rotorua. The Chairman noted that it was fitting that when the City Council shifted their fireworks to Matariki that our tupuna arrived in the form of a tohorā. This is the place for the Waka Odyssey, for Waitangi Day, for Matariki and so forth. The building and its operations here are at the heart of many things, and owners are always welcome here.

General Business

Alex Watson commented that the Trust has been generous in providing transport for the people of Waitara to the meetings here however the past couple of years they have missed out altogether and the transport comes from New Plymouth to Hawera to here. The Chairman advised that this can be reviewed and if there is demand then the route can be considered.

A question was posed on the reason that some owners did not receive their annual reports. The Chairman advised that they are complex reports to put together however they were posted out in their usual timeframe and there shouldn't have been any issue in people receiving the reports. Keith Hindle advised that owners can call the freephone

number should they need to update their address, and or check that details are correct with staff.

The PNMRT Rangatahi Leadership Wānanga that is being held in the second week of the school holidays is open to whanau that whakapapa into the Wellington Tenth Trust. Application forms were available at the meeting. The closing date is 7 September.

Acknowledgements

The Chairman gave a vote of thanks to the legal team for the huge amount of work done. It has been a busy year for Trustees and there have been lots of challenges. The Chairman acknowledged the staff who deal with the inquiries and the financials at Hikoikoi, overseen by Keith Hindle, and Tracey Betham as the Trust Secretary who is based here at the Wharewaka.

Betty Anderson thanked whanau for their love and support on behalf of the Buchanan and Wallace whanau since the passing of Leo Buchanan.

Karakia Whakamutunga

There being no further business, Mark Te One closed the meeting at 1.15pm with the hymn Tama Ngakau Marie sung.

Post Meeting

Lunch was held upstairs in Matiu and Mokopuna rooms. Nigel Moody announced the results of the election to advise that Hannah Buchanan, Jeanie Hughes, Peter Jackson, Mark Te One, Richard Te One, and Morris Te Whiti Love were successful in being re-elected for a 3 year term, with the exception of Morris Te Whiti Love who was re-elected for a one year term. Grant Knuckey and Brendon Te Tiwha James Puketapu were unsuccessful.

Trustees and owners departed for the Sod Turning/Ground Breaking at 383-387 Adelaide Road which was held at 2.30pm.



Councillors, Kaihoe, and Visitors at Te Wharewaka on Waitangi 2019

Appendix Two / Register of Interests

Morris Te Whiti Love

Ātiawa Nui Tonu Fisheries Limited, Director
 Nicholson Fisheries Holdings Limited, Director
 Port Nicholson Block Settlement Trust, Trustee
 Te Ātiawa o Te Upoko o Te Ika Pōtiki Trust, Trustee
 Te Tatau o Te Pō Marae, Trustee

Wakme Holdings Limited, Director

Morris Te Whiti Love retired from the following roles as at 30 June 2019

Hīkoikoi Sports and Culture Club, Chair
 Ngahuru Charitable Trust, Trustee
 Parkville Limited, Director
 Pipitea JV Limited, Director
 Te Wharewaka o Pōneke Charitable Trust, Chair
 Tenth Village Limited, Director
 Tenth Hospital Limited, Director
 The Park Early Learning Centre Limited, Director
 Village At The Park Limited, Director
 Village At The Park Care Limited, Director
 Village At The Park Lifecare Limited, Director
 Wellington Tenth Trust, Chairman

Anaru Smiler

CCDHB Māori Partnership Board (interim)
 Haukawa General Partner Limited, Director
 Hīkoikoi Management Limited, Director
 Pipitea Marae Charitable Trust, Co-Chairman
 Te Puni Kōkiri, Employee
 Wairarapa Moana Trust, Deputy Chairman
 Wellington Tenth Trust Assurance and Risk Committee, Member
 Wellington Tenth Trust, appointed Chairman, 1 July 2019

Hannah Buchanan

Capital Hill, Director
 Te Aro Consulting, Consultant
 Wellington Tenth Trust, Trustee

Venessa Ede

Moutere Love Family Trust, Trustee
 NZ Institute of Chartered Accountants, Associate Chartered Accountant

Te Ātiawa-o-Te-Waka-a-Māui Trust, Trustee
 Te Ātiawa Manawhenua ki Te Tau Ihu Trust, Trustee
 Wakatu Incorporation, Employee
 Wellington Tenth Trust Assurance and Risk Committee, Member
 Wellington Tenth Trust, Trustee
 Whānau Services Trust, Trustee

Jeanie Hughes

Haukawakawa General Partner Limited, Director
 Hīkoikoi Management Limited, Director
 Metlifecare Palmerston North Limited, Director
 Ngahuru Charitable Trust, Trustee
 Palmerston North Māori Reserve Trust, Trustee
 Wellington Tenth Trust, Trustee
 Wellington Tenth Trust Corporate Trustee Limited, Director

Peter Jackson

Capital and Coast District Health Māori Partnership Board, Board Member
 Early Childhood New Zealand, Council Member
 Wellington Tenth Lambton Quay Limited, Director
 Wellington Tenth LQGP Limited, Director
 Wellington Tenth Trust, Trustee
 Wellington Tenth Trust Corporate Trustee Limited, Director

Lennox Love

A+ Accountancy Services Limited, Director
 Capital Hill Limited, Director
 Deloitte New Zealand, Employee
 Institute of Directors NZ, Member
 LHQ Homes Limited, Director
 NZ Institute of Chartered Accountants, CA
 Pipitea JV Limited, Director
 Port Nicholson Block Settlement Trust Finance, Audit and Risk Committee, Committee Member
 Wellington Tenth Trust, Trustee
 Wellington Tenth Trust Corporate Trustee Limited, Director

Matthew Love-Parata

Ati Awa Mai i Kukutauaki Ki Whareroa Charitable Trust, Trustee
 Haukawakawa General Partner Limited, Director
 Ngahina Trust (Paraparaumu)
 Palmerston North Māori Reserve Trust, Trustee
 Renata Te Munu me Epiha Karoro Ahu Whenua Trust, Trustee
 Te Whanau A Te Ngarara Incorporated (Paraparaumu Airport)
 Wellington Tenth Trust, Trustee
 Whirinaki Rainforest Experiences, Development Advisor

Hon Mahara Okeroa

Capital Hill, Director
 Crown Law Office Waitangi Tribunal Hearings, Consultant
 Mahara Okeroa and Associates, Director
 NZ Transport Agency, Consultant
 Taranaki Iwi claims, Negotiator
 Te Wharewaka o Pōneke Charitable Trust, Trustee
 Wellington Tenth Trust, Trustee

Mark Te One

Capital Hill Limited, Director
 Greater Wellington Aratahi Inter-Iwi Committee, Member
 Haukawa Kawa General Partner Limited, Director
 Hikoikoi Management Limited, Director
 Hutt Minoh House Friendship Charitable Trust
 Matiu/Somes Island Charitable Trust, Trustee
 National Archives Te Pae Whakawairua Committee, Member
 Ngahuru Charitable Trust, Chair
 Palmerston North Māori Reserve Corporate Trustee Limited, Director
 Palmerston North Māori Reserve Trust, Trustee
 Pipitea Marae Charitable Trust, Trustee
 Roopu Tiaki, Board Member
 Taranaki 217 Limited, Director
 Te Puni Kōkiri, Employee
 Te Wharewaka o Pōneke Charitable Trust, Trustee
 Te Wharewaka o Pōneke Enterprises Limited, Director
 Wellington Tenth Trust, appointed Deputy Chairman, 1 July 2019

Richard Te One

Designers Institute of New Zealand, Professional Member (PMDINZ)
 Ministry of Business Innovation and Employment, Design License Assessor
 NZ Institute of Building, Fellow (FNZIOB)
 Parkville Limited, Director
 R. Te One & Associates Limited, Director
 Taranaki 217 Limited, Director
 Tenth Village Limited, Director
 Tenth Hospital Limited, Director
 Village At The Park Care Limited, Director
 Village At The Park Lifecare Limited, Director
 Village At The Park Limited, Director
 Wellington Tenth Trust, Trustee

Appendix Three / Proxy Form 2019



Hikoikoi, 24d Marine Parade, Petone
PO Box 39294, Lower Hutt 5045

I _____

of (address) _____

being an owner in the Wellington Tenth's Trust

(shareholder number _____)

do hereby appoint _____

or failing him/her _____ to act as my proxy
to attend and vote on all matters at the Annual General Meeting of beneficial owners to be
held on Saturday 7 September 2019, and at any adjournment thereof.

Dated this _____ day of _____ 2019.

Signature of Owner: _____

In the presence of Witness _____

Occupation _____

Address _____

Notes:

The proxy form when completed must either be handed in at the meeting or lodged with the
secretary or the executive office of the Trust before 10.00am on the working day before the meeting
(see 11.26 of the attached Proxy Voting Rules)

A proxy must be an owner or a descendant of an owner

(see 11.23 of the attached Proxy Voting Rules)

PROXY VOTING RULES

The rules are contained at clause 11 of the Trust Deed and are set out as follows:

Proxy

- 11.23 A proxy must be an owner or a descendant of an owner.
- 11.24 If an owner giving the proxy is opposed to:
- a any exchange;
 - b any lease;
 - c any other proposed resolution;
- he or she is entitled to direct his or her proxy to vote against any of these. For that purpose he or she must write in the space provided on the proxy such directions as he or she requires, namely:
- d I direct my proxy to vote against any exchange; or
 - e I direct my proxy to vote against any lease of the land; or
 - f I direct my proxy to vote against the proposed resolution.
- 11.25 The persons following are qualified to act as witness to a signature on a proxy form:
- Kaumatua
 - Solicitor of the High Court
 - Justice of the Peace
 - Officer of the Māori Land Court
 - Licensed Interpreter of the Māori language
 - Registered Medical Practitioner
 - Officiating Minister
 - Registered Nurse
 - Registered School Teacher
 - Officer of the Department of Justice
 - Chartered Accountant.
- 11.26 The proxy form when completed must either be handed in at the meeting or lodged with the Trust Secretary or the Executive Office of the Trust before 10.00am on the working day before the meeting.

Instrument of Appointment

- 11.27 No person shall be entitled to vote as proxy at a meeting unless the chairperson of the meeting is satisfied that the instrument containing his or her appointment is prima facie in order.
- 11.28 If any instrument of appointment is ruled by the chairperson to be out of order, the reason for the ruling shall be certified on the instrument.
- 11.29 The chairperson of the meeting shall, on request, give to any person entitled to vote at the meeting an opportunity to inspect any instrument of appointment which has been lodged and to raise any objection to the instrument.

Cancellation and Lapse of Appointment

- 11.30 An appointment as proxy may be cancelled by the person who has given the proxy by writing by him or her and either lodged at the notified office of the Trust before 10.00 am on the last working day before the day of the meeting or lodged with the chairperson of the meeting.
- 11.31 An appointment as proxy shall lapse on the death of the person giving the proxy or on the cancellation of the appointment as provided in the immediately preceding subclause.
- 11.32 If a person who has appointed a proxy attends the meeting personally and notifies the chairperson that he or she is present and the chairperson notifies the meeting accordingly the proxy shall not vote for him or her after the chairperson's notification, but the validity of voting which has already been completed prior to that notification to the meeting shall not be affected thereby.

Phone: 04 473 2502 | Freephone: 0508 445 645
Email: info@tekau.Māori.nz

Contact Us

Executive Office

24d Marine Parade
Hīkoikoi
Petone
PO Box 39294
Lower Hutt 5045
Tel 04 473 2502
Tollfree in NZ 0508 445 645
Email info@tekau.maori.nz

Executive Office Staff

Keith Hindle, Business Manager
Vicki Hollywell, Operations Manager
Kathleen Thompson, Database Administrator
Tracey Heffernan, Finance
Helen Lloyd, Administrator

Nga Tekau Alcohol and Drug Service Staff

Gilbert Douglas, Senior Clinician
Lena Leatherby, Senior Clinician
Cherie Douglas, Administrator

Wellington Office

Level 1, Te Raukura (Te Wharewaka)
2 Taranaki Street
Wellington
PO Box 24599
Wellington 6146
Tel 04 901 3332
Tel 04 901 3333 (Wharewaka Tours)

Wellington Office Staff

Tracey Betham, Trust Secretary

Wharewaka o Poneke Tours Staff

Christine Fox, Tourism Manager
Matt Ammunson-Fyall, Business Liaison
Ariki Brightwell, Tour Guide



Hīkoikoi, 24d Marine Parade, Petone. View from Manaia building looking at Raumati building



www.wtt.maori.nz
Freephone: 0508 445 645