WELLINGTON TENTHS TRUST

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2023

WELLINGTON TENTHS TRUST
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CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 $	2022 $
Income			
Gross Rental Income	10	3,691,366	3,347,919
Other Income		31,725	13,375
Total Income		3,723,091	3,361,294
Expenses			
Direct Property Expenses	10	(734,924)	(643,504)
Administration Expenses	12	(1,187,384)	(982,288)
Depreciation		(42,275)	(34,678)
Total Expenses		(1,964,583)	(1,660,470)
Operating Profit Before Net Financing Costs		1,758,508	1,700,824
Finance Costs			
Finance Income	11	767,084	250,460
Finance Expenses	11	(601,401)	(302,085)
Net Finance Income		165,683	(51,625)
Operating Profit After Net Financing Costs		1,924,191	1,649,198
Other Movements			
Share of Equity Accounted Investees Investment Property Revaluation for the Year	4	950,211	6,459,215
Share of Equity Accounted Investees Trading Profit for the Year	4	1,356,096	2,646,563
Investment Property Revaluation	3	(5,187,000)	9,994,400
Financial Instrument Fair Value Gain	14	32,126	-
Donation to Ngahuru Charitable Trust	15	-	(71,132)
Amount Received in Excess of KSX Loan Carrying Value	6	996,545	-
Profit/(Loss) Before Income Tax		72,169	20,678,245
Income Tax Expense	13	(684,482)	(322,560)
Profit/(Loss) for the Year		(612,314)	20,355,685
Total Comprehensive Profit/(Loss) for the Year		**$(612,314)**	**$20,355,685**

WELLINGTON TENTHS TRUST
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2023

	Note	Retained Earnings and Total Equity $
Balance as at 1 April 2021		114,550,588
Profit for the Year		20,355,685
Total Comprehensive Income for the Year		20,355,685
Transactions With Owners of the Trust in their Capacity as Owners		
Distributions Declared	8	(731,676)
Balance as at 31 March 2022		134,174,597
Loss for the Year		(612,314)
Total Comprehensive Income for the Year		(612,314)
Transactions With Owners of the Trust in their Capacity as Owners		
Distributions Declared	8	(914,598)
Balance as at 31 March 2023		**$ 132,647,686**

WELLINGTON TENTHS TRUST
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2023

	Note	2023 $	2022 $
EQUITY			
Retained Earnings		132,647,686	134,174,597
Total Equity		**$132,647,686**	**$134,174,597**
ASSETS			
Current Assets			
Trade and Other Receivables		43,810	43,562
Prepayments		211,400	177,924
Cash and Cash Equivalents	5	13,276,567	8,375,568
Total Current Assets		13,531,777	8,597,054
Non - Current Assets			
Property, Plant and Equipment		506,889	508,068
Investment Properties	3	70,075,000	75,262,000
Investment in Equity Accounted Investees	4	60,257,122	60,483,538
Fonterra Shares	14	184,800	-
Related Party Receivables	6	3,662,108	5,632,849
Total Non - Current Assets		134,685,919	141,886,455
TOTAL ASSETS		148,217,696	150,483,509
LIABILITIES			
Current Liabilities			
Trade Payables and Other Current Liabilities	9	602,700	397,705
Payable for Gilbert Road Leasehold Interest		-	1,260,000
Income Tax Payable	13	352,467	211,409
Unclaimed Distributions	8	4,003,842	3,716,375
Interest-Bearing Loans and Borrowings	7	8,889,080	1,855,120
Total Current Liabilities		13,848,089	7,440,609
Non - Current Liabilities			
Deferred Tax Liability	13	603,081	253,303
Interest-Bearing Loans and Borrowings	7	1,118,840	8,615,000
Total Non - Current Liabilities		1,721,921	8,868,303
TOTAL LIABILITIES		15,570,010	16,308,912
NET ASSETS		**$132,647,686**	**$134,174,597**

Approved for and on behalf of the Trustees on 26 July 2023.

Trustee

Trustee

WELLINGTON TENTHS TRUST
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2023

	Note	2023 $	2022 $
Cash Flows From Operating Activities			
Cash Receipts from Tenants		3,877,132	3,294,530
Cash Paid to Suppliers and Employees		(1,929,008)	(1,692,064)
Interest Received		264,699	123,212
Interest Paid		(601,401)	(311,323)
Income Taxes Paid	13	(193,646)	(103,916)
Net GST		24,567	5,015
Net Cash Inflow From Operating Activities		1,442,343	1,315,451
Cash Flows From Investing Activities			
Purchase of Property, Plant and Equipment		(41,733)	(50,034)
Purchase of Investment Property		(1,260,000)	(140,000)
Purchase of Fonterra Shares	14	(152,674)	-
Related Party (Advances)/Receipts	6	22,557	(99,324)
Funds Received from KSX	6	3,447,114	-
Distributions Received From Equity Accounted Investees	4	2,532,723	3,225,466
Net Cash Inflow From Investing Activities		4,547,987	2,936,109
Cash Flows From Financing Activities			
Repayment of Borrowings		(462,200)	(515,460)
Net Cash (Outflow) From Financing Activities		(462,200)	(515,460)
Cash Distributions to Owners			
Distributions Paid to Owners	8	(627,131)	(448,823)
Net Increase in Cash and Cash Equivalents		**4,900,999**	**3,287,281**
Cash and Cash Equivalents at Beginning of Year		8,375,568	5,088,287
Cash and Cash Equivalents at End of Year	5	**$ 13,276,567**	**$ 8,375,568**

1. REPORTING ENTITY

The consolidated financial statements of Wellington Tenths Trust ("the Trust"), which is domiciled in New Zealand, as at and for the year ended 31 March 2023 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 Tenths Trust is an Ahu Whenua Trust constituted by the New Zealand Māori Land Court Order of December 16, 2003 pursuant to Sec 244 of the Te Ture Whenua Māori 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.

For the purposes of complying with generally accepted accounting practice in New Zealand ("NZ GAAP"), the Group is a for-profit entity.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime ("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 entity.

These financial statements were authorised for issue by the Trustees on 26 July 2023.

(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.

(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.

The determination of the fair value of investment properties requires the use of key estimates. Information on those estimates is provided in Note 3.

(e) 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.

2. BASIS OF PREPARATION (cont.)

Investments in Equity Accounted Investees

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.

(f) Impairment for 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 less costs of disposal. 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.

Impairment losses are the difference between carrying amount and recoverable amount and are recognised in profit and loss. 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.

(g) Good and Services Tax (GST)

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 trade and other receivables or trade payables and other current liabilities respectively in the Statement of Financial Position.

3. 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 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.

Beneficial owner approval is needed prior to the disposal of investment property classified as Māori 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.

The Group's accounting policies for investment properties require the determination of fair value. Fair values have been determined for measurement based on the following method. When applicable, further information about the assumptions made in determining fair values is disclosed in this note.

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:

An external, independent valuation companies (Colliers International (Wellington Valuation) Limited and Truebridge Partners 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.

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 revisionary 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 constructions fair value cannot be reliably measured, the investment property under construction will be carried at cost until the fair value becomes reliably measurable.

3. INVESTMENT PROPERTIES (cont.)

	2023	2022
	$	$
Balance at 1 April	75,262,000	63,867,600
Change in fair value	(5,187,000)	9,994,400
Acquisition of Gilbert Road leasehold interest	-	1,400,000
Balance at 31 March	**$ 70,075,000**	**$ 75,262,000**

Carrying Value of Individual Properties:	2023	Change in Fair Value	2022
	$	$	$
Taranaki 217 - 213-217 Taranaki Street, Wgtn	12,000,000	150,000	11,850,000
Capital Hill (Dominion Museum) - 38 Buckle Street, Wgtn	9,450,000	(950,000)	10,400,000
South Wellington Intermediate School - 28-32 Russell Terrace, Wgtn	14,100,000	(1,800,000)	15,900,000
Granville Flats - 557-567 Adelaide Road, Wgtn	8,000,000	(1,800,000)	9,800,000
	43,550,000	(4,400,000)	47,950,000
Other			
383-387 Adelaide Road, Wgtn	12,400,000	(600,000)	13,000,000
429-437 Adelaide Road, Wgtn	6,375,000	(275,000)	6,650,000
40 Te Wharepouri Street, Wgtn	720,000	(130,000)	850,000
42 Te Wharepouri Street, Wgtn	860,000	(190,000)	1,050,000
64 Te Wharepouri Street, Wgtn	800,000	(145,000)	945,000
64A Te Wharepouri Street, Wgtn	800,000	(145,000)	945,000
44 Te Wharepouri Street, Wgtn	670,000	(147,000)	817,000
Gilbert Road, Upper Hutt	3,900,000	845,000	3,055,000
	26,525,000	(787,000)	27,312,000
	$ 70,075,000	**$ (5,187,000)**	**$ 75,262,000**

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 2023 and 31 March 2022. Gilbert Road was valued by Truebridge Partners Limited at 31 March 2023 and 31 March 2022.

4. 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.

Investee	Balance Date	Place of Business/Country of Incorporation	Ownership Percentage	
			2023	2022
Hīkoikoi Management Limited	31-Mar	NZ	50%	50%
Pipitea Street Joint Venture	31-Mar	NZ	50%	50%
Village at the Park Group	31-Mar	NZ	50%	50%
Kate Shepherd Exchange Joint Venture	31-Mar	NZ	25%	25%
The Park Early Learning Centre Limited	31-Mar	NZ	40%	40%

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.

During the 2023 year the land owned by the Kate Shepherd Exchange Joint Venture was sold and the Trust received a repayment of some of the loans made to the joint venture from these funds, details of these loan repayments are included in note 6. The Group continues to hold a 25% interest in the joint venture until it is formally wound up.

The Group has no commitments and no contingencies in relation to its investments in associates (2022: nil).

Non-current Investment in Associate	Hīkoikoi Management Limited	The Park Early Learning Centre Limited	Village at the Park Group	Pipitea Street Joint Venture	Total
	$	$	$	$	$
Balance at 1 April 2021	-	1,208,443	29,281,961	24,112,823	54,603,229
Share of trading profit	-	172,857	353,980	2,119,726	2,646,563
Share of investment property revaluation profit	-	-	6,459,215	-	6,459,215
Distributions received	-	(225,466)	(1,200,000)	(1,800,000)	(3,225,466)
Balance at 31 March 2022	-	1,155,834	34,895,156	24,432,549	60,483,538
Share of trading profit	-	134,894	(57,078)	1,278,280	1,356,096
Share of investment property revaluation profit	-	-	950,211	-	950,211
Distributions received	-	(129,600)	(900,000)	(1,503,123)	(2,532,723)
Balance at 31 March 2023	-	**$1,161,128**	**$34,888,289**	**$24,207,706**	**$60,257,122**

Hīkoikoi Management Limited has no profit/(loss) for the year ended 31 March 2022 and 31 March 2023.

Assets and Liabilities of Associates	2023					
	KS Exchange Joint Venture	Hīkoikoi Management Limited	The Park Early Learning Centre Limited	Village at the Park Group	Pipitea Street Joint Venture	Total
	$	$	$	$	$	$
Assets:						
Current	8,062	116,779	782,371	7,518,964	1,944,916	10,371,092
Non-current	-	1,103,918	169,414	179,303,124	108,920,330	289,496,786
Total Assets	8,062	1,220,697	951,785	186,822,088	110,865,246	299,867,878
Liabilities:						
Current	8,062	203,722	728,179	97,572,674	2,565,742	101,078,379
Non-current		1,016,975	-	17,376,234	59,888,250	78,281,459
Total Liabilities	8,062	1,220,697	728,179	114,948,908	62,453,992	179,359,838
Net Assets	-	-	**$223,606**	**$71,873,180**	**$48,411,254**	**$120,508,040**

Assets and Liabilities of Associates	2022					
	KS Exchange Joint Venture	Hīkoikoi Management Limited	The Park Early Learning Centre Limited	Village at the Park Group	Pipitea Street Joint Venture	Total
	$	$	$	$	$	
Assets:						
Current	1,862	49,064	724,301	6,672,589	4,026,721	11,474,537 $
Non-current	7,161,544	1,133,035	188,450	171,381,881	108,920,330	288,785,240
Total Assets	7,163,407	1,182,099	912,751	178,054,470	112,947,051	300,259,777
Liabilities:						
Current	2,952,323	114,125	702,379	93,733,458	2,107,689	99,609,974
Non-current	14,114,917	1,067,974	-	12,434,099	61,889,250	89,506,240
Total Liabilities	17,067,241	1,182,099	702,379	106,167,557	63,996,939	189,116,214
Net Assets	**$(9,903,834)**	-	**$210,372**	**$71,886,913**	**$48,950,112**	**$111,143,563**

Liabilities of Associates displayed above include loans from owners.

5. 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.

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.

	2023	2022
	$	$
Bank balances	13,276,567	8,375,568
Total Cash and Cash Equivalents	**$13,276,567**	**$8,375,568**

Interest rate charged on overdrawn bank balances and interest received on call deposits were 13.30% and 2.10% respectively (2022: 9.75% and 0.15%). Bank balances are on call. Total overdraft available at reporting date is $450,000 (2022: $450,000) which is undrawn.

6. RELATED PARTY BALANCES

Related party relationships are detailed in note 15. The balances below have arisen from a combination of trading activities and loans, the details of these transactions are included in note 15. Transactions with related parties are to be settled in cash.

Related Party (refer to note 15) Balances at year end included:	Interest Rate	2023	2022
	%	$	$
Receivable from Loans - Wharewaka o Pōneke Charitable Trust	3.5%	3,061,986	3,061,607
Receivable from Loans and Trading Activities - Hīkoikoi Management Limited	6.71%	544,191	567,726
Receivable from Loans and Trading Activities - The Park Early Learning Centre	6.71%	55,931	55,331
Receivable from Loans - Kate Shepherd Exchange	10.0%	-	1,948,185
		$3,662,108	**$5,632,849**
Related Party Balances			
Non-Current Related Party Receivables		3,662,108	5,632,849
		$3,662,108	**$5,632,849**
Reconciliation			
Balance at Beginning of Year		5,632,849	5,452,657
Other Payments/(Receipts)		(22,557)	99,324
Donation to Ngahuru Charitable Trust		-	(71,132)
KSX Interest Accrued		502,385	152,000
KSX Funds Received		(3,447,114)	-
Amount Received in Excess of KSX Loan Carrying Value		996,545	-
Balance at End of the Year		**$3,662,108**	**$5,632,849**

On 17 August 2022 the land owned by the Kate Shepherd Exchange Joint Venture was sold and funds were used to repay the loans to third parties and the joint venture partners (including the Trust). The Trust received $3.45m from the Kate Shepherd Exchange Joint Venture which is broken down as follows:

Breakdown of Funds Allocated from KS Exchange Joint Venture:	2023
	$
Repayment of Funds Advanced	2,519,545
Receipt of Interest Charged on Funds Advanced	927,569
Total Funds Received	**$3,447,114**

7. INTEREST-BEARING LOANS AND BORROWINGS

Cost	Bank of New Zealand 06 Loan $	Westpac Banking Corporation 95 Loan $	Total $
Balance at 1 April 2021	1,986,580	8,999,000	10,985,580
Payments	(390,517)	(425,574)	(816,091)
Interest	67,057	233,574	300,631
Balance at 31 March 2022	1,663,120	8,807,000	10,470,120
Payments	(368,893)	(690,875)	(1,059,768)
Interest	98,693	498,875	597,568
Balance at 31 March 2023	**$1,392,920**	**$8,615,000**	**$10,007,920**

	2023 $	2022 $
Current	8,889,080	1,855,120
Non-current	1,118,840	8,615,000
	$10,007,920	**$10,470,120**

Description	Maturity Date	Interest Rate
Bank of New Zealand (06)	03/08/2027	7.91%
Westpac Banking Corporation (95)	31/12/2023	7.30%

The bank loans are secured over certain land and buildings with a carrying amount of $52,875,000 (2022: $55,650,000).

8. UNCLAIMED DISTRIBUTIONS

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.

	2023 $	2022 $
Balance at Beginning of Year	3,716,375	3,433,522
Distribution Declared	914,598	731,676
Net Distributions Claimed	(627,131)	(448,823)
Balance at End of the Year	**$4,003,842**	**$3,716,375**

9. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2023	2022
	$	$
Trade Payables	101,904	90,055
Bonds Payable	659	990
Accrued Expenses	30,633	16,012
GST Payable	81,368	56,801
Income Received in Advance	388,136	233,847
	$ 602,700	$ 397,705

Trade payables are initially recognised at fair value net of transaction costs and subsequently carried at amortised cost. Trade payables generally have terms of 30 days and are interest free. Trade payables of a short-term duration are not discounted.

10. RENTAL INCOME

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

Rental income from investment property (net of incentives provided to lessees) is recognised in profit or loss on a straight-line basis over the term of the lease.

		2023	
	Gross Rental Income	Direct Property Expenses	Net Rental Income
	$	$	$
Taranaki 217	1,137,605	(385,923)	751,682
Capital Hill (Dominion Museum)	641,324	(8,725)	632,599
South Wellington Intermediate School	802,917	-	802,917
Granville Flats	229,500	-	229,500
Adelaide Road	641,768	(64,823)	576,945
Other	238,252	(275,453)	(37,201)
	$ 3,691,366	$ (734,924)	$ 2,956,442

		2022	
	Gross Rental Income	Direct Property Expenses	Net Rental Income
	$	$	$
Taranaki 217	1,161,579	(390,557)	771,022
Capital Hill (Dominion Museum)	710,607	(6,480)	704,127
South Wellington Intermediate School	415,000	-	415,000
Granville Flats	229,500	-	229,500
Adelaide Road	632,796	(90,198)	542,597
Other	198,437	(156,269)	42,168
	$ 3,347,919	$ (643,504)	$ 2,704,414

11. NET 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 which is recognised using the effective interest method and impairment losses recognised on financial assets (other than trade receivables).

	2023	2022
Financial Assets at Amortised Cost	$	$
Interest Income - Wharewaka o Pōneke Charitable Trust (refer note 15)	114,375	60,375
Interest Income - Hīkoikoi Management Limited (refer note 15)	33,719	28,839
Interest Income - KS Exchange JV (refer note 15)	502,385	152,000
Interest Income - The Park Early Learning Centre Limited (refer note 15)	-	4,545
Interest Income - Westpac	116,605	4,701
	767,084	250,460
Financial Liabilities at Amortised Cost		
Interest Expense - Westpac	(498,875)	(233,574)
Interest Expense - BNZ	(98,693)	(67,057)
Interest Expense - Other	(3,833)	(1,453)
	(601,401)	(302,085)
Net Finance Income/(Expense)	**$165,683**	**$(51,625)**

12. ADMINISTRATION EXPENSES

	2023	2022
	$	$
Accountancy Fees	80,536	61,570
Audit Fees	41,372	44,257
Bank Charges	8,769	5,017
Consultancy Fees	11,158	17,013
Executive Office (refer to note 15)	566,838	480,048
General Expenses	13,464	6,657
Insurance	34,431	32,357
Koha	2,200	-
Legal Fees	120,805	74,630
Newsletter	24,688	-
Owners' Meetings	30,969	29,361
Postage, Printing & Stationery	8,831	19,425
Memberships & Subscriptions	5,750	5,692
Tangi Contributions	1,400	1,600
Travel & Accommodation	28,987	18,038
Trustees' Remuneration (refer note 15)	204,000	184,500
Trustees' Expenses	3,186	2,122
	$1,187,384	**$982,288**

13. INCOME 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, when it will be recognised in equity or other comprehensive income respectively.

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, 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.

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 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.

	2023	2022
a) Income tax recognised in profit or loss	$	$
Current tax	472,414	312,226
Prior period adjustment	52,064	-
Deferred tax expense	160,004	10,334
Total income tax expense	**$ 684,482**	**$ 322,560**

13. INCOME TAX (cont.)

	2023 $	2022 $
b) Reconciliation of income tax expense		
Profit before income tax expense	72,169	20,678,245
Tax expense at 17.5%	12,629	3,618,693
Adjustment for Entities Taxed at Rates Different to Māori Authority Rate	197,135	132,680
Assessable Dividend from Subsidiary	-	76,695
Imputation Credits Attached to Dividends Received	8,820	45,170
Adjustment for Equity Accounted Earnings	111,877	52,181
Deductible Depreciation	(10,158)	(5,771)
Non-Assessible Reversal of Kate Shepherd Exchange Impairment	(174,395)	-
Deductible Leasehold Purchase	(115,809)	-
Non-Deductible Expenses	38,792	16,963
Non-Deductible Investment Property Revaluation	741,438	(2,879,383)
Non-Deductible Investment Share Revaluation	(5,622)	-
Income/(Loss) from Kate Shepherd Exchange	3,976	(8,302)
Prior period adjustment	52,064	-
Utilisation of Imputation Credits Received	(50,400)	(225,233)
Utilisation of Losses	(125,865)	(501,134)
Total income tax expense	**$ 684,482**	**$ 322,560**
c) Current tax		
Liability at 1 April	211,409	3,099
Current Year Tax Expense	472,414	312,226
Prior period adjustment	(137,710)	-
(Payments)/Refunds	(193,646)	(103,916)
(Asset)/Liability at 31 March	**$ 352,467**	**$ 211,409**
d) Deferred tax		
Liability at the beginning of the year	253,303	242,969
Prior period adjustment	189,774	-
Current year movement	160,004	10,334
(Asset)/Liability at 31 March	**$ 603,081**	**$ 253,303**
Deferred tax (assets)/liabilities are attributable to the following:		
Accrued expenses	(6,913)	(4,813)
Investment Properties	1,559,898	258,116
Tax losses	(949,904)	-
	$ 603,081	**$ 253,303**
e) Unrecognised deferred tax assets		
Deferred tax assets have not been recognised in respect of the following items:		
Tax losses	-	87,681
	-	**$ 87,681**
f) Māori Authority Tax Credit Account		
Balance at the beginning of the year	2,266,524	2,096,090
Current year movement	-	170,434
	$ 2,266,524	**$ 2,266,524**

14. FINANCIAL INSTRUMENTS

Financial Assets

The Group classifies its financial assets as amortised cost or at fair value through other comprehensive income, the Group 's accounting policy is as follows:

These financial assets measured as amortised cost 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 (note 6), and cash and cash equivalents (note 5) in the consolidated statement of financial position.

The Group 's financial assets measured at fair value through other comprehensive income include the Group's equity investments not held for trading. The Group has made the election to classify the equity investments at fair value through other comprehensive income rather than through profit or loss because this is considered to be more appropriate for these strategic investments.

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 and related party payables.

Financial liabilities are initially recognised at fair value net of transaction costs and 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.

Impairment for 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 in profit and loss. 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 confirmation that the trade receivable will not be collectable, the gross carrying value impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

	2023 $	2022 $
Financial Assets at Amortised Cost		
Trade and Other Receivables	43,810	43,562
Cash and Cash Equivalents	13,276,567	8,375,568
Related Party Receivables	3,662,108	5,632,849
	$16,982,485	**$14,051,979**
Financial Liabilities at Amortised Cost		
Trade and Other Payables	133,196	107,057
Unclaimed Distributions	4,003,842	3,716,375
Interest bearing loans and borrowings	10,007,920	10,470,120
	$14,144,958	**$14,293,552**

14. FINANCIAL INSTRUMENTS (cont.)

	2023 $	2022 $
Equity Investments at Fair Value through Other Comprehensive Income		
Acquisition - Fonterra Co-Op (New Zealand)	152,674	-
Change in Fair Value	32,126	-
Market Value of Shares	**$184,800**	**-**

The Wellington Tenths Trust acquired 60,000 shares in Fonterra Co Op in three instalments on 29 November 2022, 16 December 2022 and 21 December 2022.

The fair value is determined using Level 1 inputs, being quoted prices in active markets, as at 31 March 2023 Fonterra Co Op shares had a market value of $3.08 per share.

15. RELATED PARTIES

The ultimate Parent of the Group is Wellington Tenths Trust. All Related Party loans are shown in note 6.

Subsidiaries

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

	Principal Activity	Balance Date	Place of Business/ Country of Incorporation	Ownership Percentage 2023	Ownership Percentage 2022
Taranaki 217 Limited	Hostel Accommodation	March	NZ	100%	100%
Capital Hill Limited	Commercial Rental	March	NZ	100%	100%
Village at the Park Limited	Investment Company	March	NZ	100%	100%

Other Related Parties

In addition to the above, and the associates listed in note 4, Wellington Tenths Trust is related to the following entities:

Entity	*Relationship*
Wharewaka o Pōneke Charitable Trust	Wellington Tenths Trust has the right to appoint two of seven trustees
Wharewaka o Pōneke Enterprises Limited	Common Trusteeship/Directorship
Palmerston North Māori Reserve Trust	Common Trusteeships
Te Aro Pa Limited	Common Trusteeship/Directorship
Ngahuru Charitable Trust	Common Trusteeships

Transactions with related parties

Related Party Transactions included:	2023 $	2022 $
Interest received from Wharewaka o Pōneke Charitable Trust (refer to note 11)	114,375	60,375
Interest received from Hīkoikoi Management Limited (refer to note 11)	33,719	28,839
Interest received from KS Exchange JV (refer to note 11)	502,385	152,000
Executive office fees charged by Hīkoikoi Management Limited (refer to note 12)	(566,838)	(480,048)
Donation to Ngahuru Charitable Trust	-	(71,132)
	$ 83,641	**$ (309,966)**

Balances of Related Party Loans are shown in note 6 and are required to be settled in cash.

Executive office fees are charged by Hīkoikoi Management Limited covering expenses incurred in the management and administration of the Palmerston North Māori Reserve Trust and Wellington Tenths Trust.

15. RELATED PARTIES (cont.)

Trustee Remuneration

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

	2023	2022
	$	$
Anaru Smiler (Chairman)	60,000	60,000
Venessa Ede	18,000	18,000
Jeanie Hughes	18,000	18,000
Matthew Love-Parata	18,000	18,000
Richard Te One (Term ended on 30 April 2021)	-	1,500
Hon Mahara Okeroa	18,000	18,000
Hannah Buchanan (Term ended on 30 September 2021)	-	9,000
Peter Jackson	18,000	18,000
Richard Te One Jnr	18,000	18,000
Jennifer Dittmer (Elected September 2021, approved by Māori Land Court January 2022)	18,000	3,000
Thomas Buchanan (Elected September 2021, approved by Māori Land Court January 2022)	18,000	3,000
	$204,000	**$184,500**

16. COMMITMENTS

There are no commitments as at 31 March 2023 (2022: nil).

17. CONTINGENT LIABILITIES

There are no contingent liabilities as at 31 March 2023 (2022: nil).

18. EVENTS OCCURRING AFTER THE REPORTING DATE

There are no other events subsequent to balance date that would affect the financial statements.

Crowe New Zealand Audit Partnership
Level 1, Findex House
57 Willis St, Wellington 6011
Main +64 4 471 0006
www.crowe.nz

INDEPENDENT AUDITOR'S REPORT

To the Beneficial Owners of Wellington Tenths Trust

Opinion

We have audited the consolidated financial statements of Wellington Tenths Trust (the Trust) and its controlled entities (the Group) on pages 5 to 18, which comprise the consolidated statement of financial position as at 31 March 2023, and the consolidated statement of 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 2023, 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 Reduced Disclosure Regime (NZ IFRS RDR).

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 International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand) 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 Tenths Trust or any of its controlled entities.

Information Other Than the Consolidated Financial Statements and Auditor's Report

The Trustees are responsible for the other information. Our opinion on the financial statements does not cover the other information included in the annual report and we do not and will not express any form of assurance conclusion on the other information. At the time of our audit, there was no other information available to us.

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 financial statements, if other information is included in the annual report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Trustees’ Responsibilities for the Consolidated Financial Statements

The Trustees are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS, 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.

Restriction on Use

This report is made solely to the Group's Beneficial Owners, as a body. Our audit has been undertaken so that we might state to the Group's Beneficial Owners those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's Beneficial Owners as a body, for our audit work, for this report, or for the opinions we have formed.

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

Crowe

Crowe New Zealand Audit Partnership
CHARTERED ACCOUNTANTS
27 July 2023