

TE AUTE TRUST BOARD

ANNUAL REPORT

For the year ended 31 December 2014

1. INTRODUCTION

1.1 On behalf of Trustees, it is our pleasure to present the Annual Report of the Te Aute Trust Board (the "Trust") for the year ended 31 December 2014.

1.2 This report summarises the activities of the first year since new Trustees were appointed by Te Pihopatanga to assume the proprietorship of both the Te Aute and Hukarere schools.

2. NEW GOVERNANCE STRUCTURES

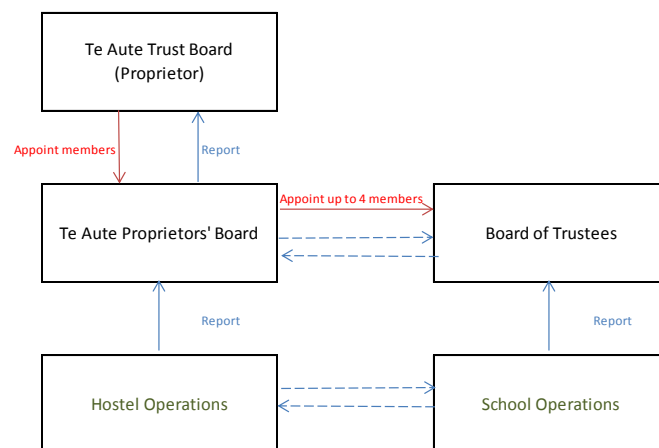
2.1 Prior to their appointment Trustees identified that there were significant commercial and legal issues facing the Trust that needed to be resolved in addition to the Trust's role as Proprietor.

2.2 Trustees therefore recognised that, to ensure good governance, there was a need to introduce persons who were experienced and able to focus on the role of the Proprietor of a schools as a function separate from the need for sound commercial skill to resolve the wider issues facing the Trust.

2.3 To this end, the Te Aute Trust Board has established the Te Aute Proprietors' Board. This Board has delegated authority to act the Proprietor of the Integrated schools, on behalf of Te Haahi Mihinare, to be the operator of the hostels and to ensure and the schools special character, as unambiguously Maori and Anglican, is maintained.

2.4 Separately the Boards of Trustees of Hukarere and Te Aute, which remain responsible for educational achievement at the schools, have a close working relationship with the Proprietors' Board with the Chairs of both Boards of Trustees and Principals of both schools attending all meetings of the Proprietors' Board.

2.5 The new governance structure of the Te Aute Trust Board can be summarised as follows:



2.6 The Te Aute Trust Board has also welcomed and benefited from the attendance of Dr James Graham and Mr Robin Hape at its meetings as Honorary Mana Whenua Advisors. James and Robin are also members of the Proprietors' Board and we thank them for their continuing service to the Boards and schools.

3. REMOVAL OF DEBT BURDEN

3.1 One of the first actions of the new Trustees was to establish a new source of funding as an alternative to the punitive Bank of New Zealand debt facilities under which the Trust previously operated. A new funding facility was established with the St John's College Trust Board. This facility is interest free and only repayable in 2024.

3.2 As at 31 December 2014 this facility had provided the Trust with funding of \$10.9 million. Of this funding, \$9.4 million was utilised to extinguish the BNZ debt, eliminating high interest charges, and allowing Trustees to govern and manage the assets of the Trust as they see fit.

3.3 The balance of the funding has been expended on eliminating other long-term liabilities, completing much needed improvements and maintenance at both schools and hostels and investing in the Trust's farming operations.

4. FARMING OPERATIONS

4.1 The removal of the debt within each farming operation along with the investment in additional stock and other improvements has significantly increased the productivity of each farm.

4.2 The funding of deferred maintenance and investment to allow a new business plan to be adopted, along with a strong beef price, has seen the Te Aute farm at Pukehou rebound into profitability. While a significant component of the surpluses forecast over the next 2 – 3 years will be retained for reinvestment in the farm, we are very hopeful that this farming enterprise is now poised to deliver long-term sustainable surpluses for the benefit of the schools.

4.3 Similarly the Ngawapurua Dairy Farm has experienced continued productivity improvements also benefiting from the elimination of debt and the investment in additional stock. While the dairy price has been falling during the current year, the farm is now generating sufficient surpluses to pay a distribution and reinvest in its operations.

4.4 As reader of this report may be aware, the Trust has been involved in a protracted dispute in respect to seeking clear title to the Ngawapurua Farm.

4.5 At the time of writing, and now that all appeals have been heard and dismissed, we are hopeful that the orders of the Maori Land Court will soon be sealed and we will shortly see the Ngawapurua farm vested in the joint ownership of the Trust ($\frac{4}{5}$ th share) and the Waiapu Board of Diocesan Trustees ($\frac{1}{5}$ th share) in accordance with the wishes of Mr Hohepa "Doc" Tatere who originally bequeathed the farm.

4.6 While the Trust, together with and Waiapu Board of Diocesan Trustees, has been unsuccessful in its attempts to also secure the ownership of a second farming enterprise, also bequeathed by Mr Taterere, the Trust continues to work to ensure significant amounts owing to the Ngawapurua farm are recovered from its previous operators.

4.7 The thanks of Trustees go to the members of the Farm Committees who are responsible for the careful management of each farm:

Te Aute Farm

Mr Ray Falcon

Mr Mike Petersen

Mr Robin Hape

Mt Peter Fraser

Ngawapurua Farm

Mr Robin Hapi

Mr Andrew Hardie

Mr Martin Boyle

5. HOSTELS

5.1 The 2014-year saw significant focus on the condition of the Te Aute and Hukarere hostel properties. In general terms Trustees are pleased to advise that the properties are structurally sound and, while in need of significant maintenance and refurbishment, they are fit for purpose.

5.2 Plans for the refurbishment and longer-term redevelopment of the sites are now being completed and cost estimates gathered. The construction of a chapel at Hukarere remains a priority of the Trust and as soon as the location of the chapel is finalised construction planning will commence.

5.3 In addition to a number of health and safety matters being rectified the Trust has expended funds to make the lives of rangatahi more comfortable purchasing items such as new mattresses, new computer equipment and installing insulation and improving heating in the hostels.

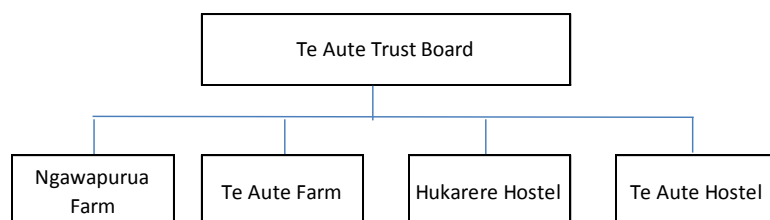
5.4 Once planning is finalised, the major maintenance, refurbishment and redevelopment of the schools and hostels will be completed over the coming years. This work will of course only be able to be completed with the continued support of the St John's College Trust Board and Te Haahi Mihinare.

6. SPECIAL CHARACTER

- 6.1 The Trust and Proprietors' Board have taken a keen interest to ensure that the special character of both Hukarere and Te Aute, being unambiguously Māori and unambiguously Anglican, is reinforced and stimulated.
- 6.2 To this end the Trust has resolved to increase the special character budgets allowed for each school. This will ensure sufficient funding is available to ensure the Chaplains of each school have the resources necessary to them as well as allowing for the employment of a Te Reo teacher at each school.
- 6.3 The planned construction of a chapel at Hukarere will also aid in reinforcing the special character aspects of the school.

7. FINANCIAL PERFORMANCE AND POSITION

- 7.1 The Trust has applied significant resources to resolve issues with the ability of the Trust to provide financial statements. While further work is required to resolve some historical issues, financial statements for the 2014-year have been prepared and are summarised below.
- 7.2 These financial statements report the consolidated position of all the Trust's activities as follows:



- 7.3 The financial performance of the Trust can be summarised as follows:

Income	
Student Fees	1,098,822
Ground leases	229,062
Net income from farming activities	785,625
Other income	142,860
Total income	2,256,369
Expenditure	
Student provisions and laundry	307,517
Interest	92,842
Legal expenses	259,936
Professional fees	299,833
Property maintenance	185,515
Proprietors' and special character costs	170,983
Staff related expenses	643,556
Other hostel expenses	246,183
Total Expenses	2,206,365
Surplus	50,004

- 7.4 The Trust's financial position as at 31 December 2014 can be summarised as follows:

Current assets	
Bank accounts	1,366,996
Accounts receivable	249,263
Livestock on hand	1,927,495
Other assets	11,376
	3,555,130
Investments	
Fonterra shares	890,734
Te Aute Farm	6,828,000
Ngawapurua Farm	4,409,680
Lessors' interest in ground leases	5,185,000
	17,313,414
Total Assets	20,868,544
Liabilities	
Accounts payable	229,946
Unspent attendance dues	242,909
Unspent Policy One funding	129,583
	602,438
Loan from St John's College Trust Board	10,856,198
Total Liabilities	11,458,636
TRUST CAPITAL	9,409,908

- 7.5 As readers will note, the Trust generated a small surplus for the year largely due to the significantly improved performance of the Te Aute and Ngawapurua farms. The surpluses generated by the farms offset the operating losses of the hostels and the Trust.
- 7.6 The St John's College Trust Board provided funding of \$10.9 million during the 2014 year by the provision of a loan. The terms of this loan are that it is interest free and repayable in 2024.
- 7.7 As at 31 December 2014 the Trust had equity of \$9.4 million. This equity is principally represented by the value of the Te Aute and Ngawapurua farms, the Trust's leasehold lands and value of livestock stock at year-end. Independent Valuers assessed the value of all Trust lands during 2014.
- 7.8 This value of equity does not include any amounts for any student fees owing from previous financial periods or any value being ascribed to the land and buildings occupied by the schools and hostels.
- 7.9 As readers may be aware the Trust had been deregistered as a charity in 2011 for failure to file financial statements with the Charities Commission. During 2014 the Trust was successful in its application to the Department of Internal Affairs to have the Trust reregistered. Registration was granted on the 20th of February 2014 and the financial statements prepared by the Trust will be used for the purposes of filing with the Registrar of Charities.

8. THE FUTURE

- 8.1 There remains a significant amount of work ahead of the Trust to finally resolve some of the legacy issues that have plagued the Te Aute and Hukarere schools for many years.
- 8.2 However, during 2015 the Trust will continue to progress its plans to improve the facilities of each hostel to ensure there is a continuation in the growth of boarders at the schools, expected to be 135 in 2015 and hoped to be in excess of 175 in 2016.
- 8.3 It is hoped that in addition to beginning an extensive refurbishment programme, Hukarere will soon benefit from the construction of a chapel.
- 8.4 The Trust will also continue to invest a proportion of the surpluses it is anticipated the farms will generate, to ensure these commercial activities become sustainable and are able to deliver stable income flows over the long term.
- 8.5 Trustees will also finalise a review, initiated late in 2014, of Lessees' compliance with the terms of the ground leases to identify where rectification and/or reimbursement is required.

9. CLOSING

- 9.1 The Te Aute Trustees are grateful for work of all those associated with the school, especially the Boards of Trustees, Tumuaki Lelie Pearcey and Shane Hiha and their staff and the members of the Proprietor's Board.
- 9.2 We congratulate all students for their hard work in 2014 and for their commitment to tikanga and whakapono, which make up these iconic schools special character. We also thank whanau for their trust in us and for sending their rangatahi to Hukarere and Te Aute.

Stephen Jacobi
Chair of Trustees

Maui Tangohau
Chair of Proprietors' Board

As at 31 December 2014 Members of the Te Aute Trust Board were: Mr Stephen Jacobi Mr Maui Tangohau The Most Rev. Brown Turei The Most Rev. Philip Richardson The Rt. Rev John Gray Mr Joseph Halapua Ms Mele Tuiilotolava Mr Kevin Wearne Mana Whenua Advisors Dr James Graham Mr Robin Hape	As at 31 December 2014 Members of the Proprietors' Board were: Mr Maui Tangohau Mr Stephen Jacobi Mr Benard Te Paa Mrs Heke Huata Dr James Graham Mr Robin Hape Ex-officio Mr Moana Jackson Evelyn Taumaunu Mr Shane Hiha Mrs Lelie Pearcey
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