

# WIRI TRUST

WIRI LICENSING TRUST

## CHAIRPERSON'S ANNUAL REPORT 2011

The 2010/11 annual report for the Wiri Licensing Trust covers a period of some change for the organisation in terms of leadership. At the local government elections in October 2010 voters had a record number of 16 candidates to choose from and three new Trustees Daniel Newman, Angela Dalton and Ken Penney were elected. In February 2010 former Trust chairwoman Waina Emery resigned so that her and her husband could migrate to Australia thus requiring the Trust to hold a by-election. The vacancy created by Mrs Emery's resignation was filled by Phil Kingsley-Jones who was elected unopposed in April 2010. From a year ago there are just two trustees remaining, my colleague and friend Rangi McLean and me. I am honoured to have been chosen by my fellow trustees to chair the Trust once again and I truly appreciate their good hearted support as I serve in this position.

The new faces around the Trust's table have brought a fresh approach to the way we do business. This fresh approach is in my view proving valuable in part because we have a number of what might be called legacy issues to address and in part because a period of significant change in the Trust's investment portfolio lies just ahead.

The Trust operates businesses in two quite different sectors - bars and commercial property. The general pattern of these operations is that our commercial property investments return stable and reliable profits while the bars generate losses. The current Trustees have of course been anxious to minimize such losses but this has not always been easy in an environment which is dominated by fierce competition from off-license sales through supermarkets and neighbourhood liquor stores. The Trust's recent efforts at re-branding its bar in Station Road Manurewa to become the Trusty Fullback, is such an attempt to minimize these losses. The Trust by law must however remain in the liquor business so we have few options for an immediate exit from unprofitable liquor related businesses.

The commercial property side of the Trust's business generates almost \$1 million per year in rents and has very low debt levels. Several of our leases conclude over the next year which presents the Trustees with both an opportunity to begin redevelopment of our property portfolio and a risk of some loss of cashflow while we go through this redevelopment phase. The Trustees have recently engaged the services of professional property advisors to assist us to prepare a business strategy for this redevelopment phase. However, in the current recession and with a fairly poor outlook for the commercial property sector there remains considerable risk that the Trust may need to delay any new development until tenant demand recovers. We expect to have a clearer view of our redevelopment prospects in twelve months time.

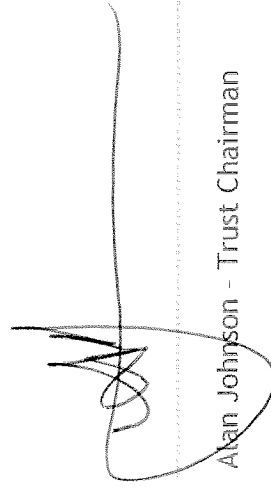
Financially the Trust has had a fairly poor year with a loss before tax of \$274,474. This loss is mainly attributable to a \$320,000 write down in the value of our properties. On 31<sup>st</sup> March 2011 the value of the Trust's debt stood at \$1.32 million compared with \$1.45 million a year earlier. Against a total net equity of \$15.2 million this debt is very modest and it is being managed prudently especially since a restructuring of our mortgages in late 2010.

During 2010/11 the Trust distributed \$162,500 in grants and sponsorships into the local community. This figure compares with \$123,200 for the previous year. While it is always good to distribute grants and sponsorships for community projects and programmes, the total value of these needs be within limits which the Trust can afford given its obligations to also maintain its properties and to pay taxes and repay mortgages.

To the present Trustees it does not seem wise to be spending excessively on sponsorships and grants when the Trust is perpetually in overdraft as it has been in recent years. For this reason we have decided to place a moratorium on further grants and sponsorships at least until October 2011 in order to recover our cash position. We have however continued to meet our obligations to pay out grants and sponsorships already promised and we are making progress in paying down debt. The Trustees still expect to contribute over \$120,000 in local grants during 2011/12.

For me this is a great time to be a Trustee of the Wiri Licensing Trust because of the challenges presented to us right now. As group we are committed to building up the assets of the Trust so that it can remain a viable and profitable community owned business for decades to come. The property re-development that we hopefully will be undertaking over the next two years gives us an opportunity to build up this asset base.

In the short time that the new Trust has been elected I believe that we have made credible progress in meeting this challenge and I thank the Trustees and the Trust's operations manager for their generous and unreserved support to make this possible.



Alan Johnson - Trust Chairman