

Māori Trustee

Annual Report

2020

OUR VISION

Ensuring Māori land
is protected and enhanced, now
and for generations to come

OUR PURPOSE

Dedicated professional
trustee service for Māori

This illustration by young Māori artist Tuatini Arahanga brings together all of the values of Te Tumu Paeroa in one visual story. It speaks of the straight path we move forward on, upright, true – tōtika. People, iwi, the land woven together to build strength – kotahitanga. Pupuri, keeping the knowledge for future generations and reaching to the peaks of excellence – manaakitanga. Upholding mana – you might see a taurapa, the stern of the waka that points the way.





OUR VALUES

Tōtika | Professionalism

Te tika o te tū

Kotahitanga | Unity

Te raranga i te tira

Manaakitanga | Respect

Te akiaki i te mana

Mana | Integrity

Te ihi, te wehi, te wana

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Foreword

Ki te Minita Whanaketanga Māori

He hōnore ki ahau te tuku atu i te pūrongo ā tau o Te Kaitiaki Māori mō te tau i mutu i te 31 o Māehe 2020.



To the Minister for Māori Development

I am honoured to present the Annual Report for the Māori Trustee for the year ended 31 March 2020.

A handwritten signature in black ink, reading 'Charlotte Severne'.

Dr Charlotte Severne
Māori Trustee
4 May 2021

This report has been prepared to meet the requirements of section 150 of the Crown Entities Act 2004.

Kotahitanga | Unity & Respect ►
Weaving together the people,
uphold the mana of each other



From the Māori Trustee

As I look back on what has been a significant year of change for Te Tumu Paeroa, I am immensely proud of our role in enhancing and protecting whenua Māori.

We began this year by setting up Project Kotahitanga to look at how we do our business, our impact on both the whenua and our clients, and what needed to change to improve our services.

Following consultation with our kaimahi, we delivered the first phase of the project and stood up a new operating model in January, which is regional and client focused and is supported with changes to our core systems and processes.

The sustainability of our IT infrastructure has also been assessed alongside the future needs of our clients and our business. This has been used to construct a two-year IT Roadmap, with prioritised projects for 2020/21.

The second phase of Project Kotahitanga looks at gaining efficiencies by aligning the underpinning services that support the new operating model.

This year, we welcomed Te Hāmua Nikora as our Pou Tikanga. This appointment marks the importance of tikanga and te reo to our mahi. Te Hāmua is supported by a Kāhui of kaimahi representatives. The Kāhui is tasked with assisting Te Hāmua in his role, making sure the voice of whānau, hapū and iwi of the whole motu are shared in his mahi.

He maimai aroha ki a Peter Nilsen - our kaimahi at Te Tumu Paeroa are our whānau, and it is important that I acknowledge the passing this year of our beloved colleague Peter Nilsen in October. During this sad time, kaimahi rallied together to support each other and Peter's whānau.

Developing and Growing Māori Assets

Our farming and horticulture enterprises have continued to perform well this year, and it was pleasing to see a number of planting and optimisation projects completed, ensuring ongoing sustainability for these blocks.

This year, we partnered with Te Tumu Kāinga and invested \$2 million to ensure more housing repairs were completed for Māori whānau. We also committed a further \$1 million towards the identified housing repairs for the Kaingaroa township refurbishment. Through Te Tumu Kāinga, we continue to partner with organisations to improve housing outcomes for Māori whānau.

We are continually working to raise awareness and engage with whānau through online channels to ensure their records are up-to-date so funds can

be released from the Māori Trustee Common Fund. This year, we have paid \$5.4 million to individual clients.

Developing Future Capability

Growing the capability of future leaders in whenua Māori administration has been a key focus for us this year, both within our organisation and through supporting current and future owners of whenua Māori. We have provided ongoing training for our kaimahi through a new online platform. The purpose of this platform is to ensure our staff are confident with the systems we use and continue to improve their administrative capabilities.

In addition, we are exploring qualifications in Whenua Māori Administration with other organisations. This year we launch Taupae Pia, our new graduate programme that will provide a career pathway for those with a passion in whenua Māori administration.

One highlight for me this year has been our engagement and collaboration with organisations and agencies who share a similar vision to ours.

In particular, as part of the government's Whenua Māori Programme, two Te Tumu Paeroa kaimahi

contributed to the development of tools and resources for Māori, including Tupu.nz, a website combining knowledge, intellectual property and expertise from across agencies.

Responding to Change

As the financial year came to a close, no one could have predicted the enormous challenge facing Aotearoa and the rest of the world from the COVID-19 pandemic. The full impact of this will continue to be felt for some time. Our kaimahi responded well to the changes imposed through lockdown and quickly adapted to continue our mahi through greater use of our digital technology infrastructure.

As I look ahead, I know our kaupapa is built on strong foundations that will enable us to achieve our mahi, ensuring whenua Māori is protected and enhanced now and for generations to come.



Māori Trustee Outcomes Framework



Vision



Ensuring Māori land is protected and enhanced, now and for generations to come



Supporting government priorities



Assisting Māori land owners in making decisions and acting on them

Achieving fuller and more effective utilisation of Māori land

◀ **Tōtika | Professionalism**
Reaching for the summit,
striving for excellence

Impact statements



Engagement with owners to build:

- » Connection with the land
- » Participation in decision making
- » Governance capability
- » Management capability



Modelling governance that:

- » Strengthens formal governance arrangements
- » Protects Māori land for future generations



Growth in returns through:

- » Owner-led improvements in land utilisation
- » Achieving social, cultural, economic and environmental returns
- » Increasing the number of enterprises on the land
- » Providing enablement funding



Services



- » Trust Services
- » Registry
- » Governance Development
- » Business Support
- » Property Management
- » Common Fund Management
- » Land Development
- » Enablement Funding



Benefits



- » Lifting owner capability for governance roles
- » Improved confidence and satisfaction with governance arrangements and asset utilisation
- » Land shifting from passive leasing to active enterprises
- » Increased owner-free cash flow



Measurement

- » Number of owners as active trustees
- » Number of owners certified in governance
- » Customer satisfaction
- » Number of successful projects
- » Growth in Common Fund revenue
- » EBITDA¹ from Common Funds
- » Value of General Purposes Fund invested in Māori land

¹ EBITDA = Earnings before interest, tax, depreciation and amortisation

* This framework has been replaced from 1 April 2020 with a new outcomes framework under the Crown Funding Agreement 2020-2024.

TE TUMU PAEROA AT A **GLANCE**

\$129.7 million

Client funds under management (market value)

\$171.5 million

Māori Trustee equity

21,547

Enquiries in 2019/20

62%

Of beneficial owners for whom contact details are held (excludes deceased owners)

303,166

Visits to Te Tumu Paeroa website

9,906

Number of My Whenua users





1,777

Number of trusts and other entities under administration

247,439

Number of ownership interests

99,427

Number of owner accounts maintained

Pou Tāhū
North

Pou Tuarongo
South West

Pou Tokomanawa
East

106

Number of staff

3

Regions

87,955

Number of hectares under management

\$5.28 million

Distributions on behalf of trusts this financial year

11

Number of enterprises under Māori Trustee administration



Tōtika | Professionalism ►

Te tika o te tū – being great at our job
is how we make the most difference
for whenua and whānau.

Meeting the needs of our clients

- Connecting owners and whānau to their whenua
- Redesigning to enhance client experience – Project Kotahitanga
- Using technology to support whenua Māori



My Whenua helps owners, trustees and whānau stay connected to their whenua.

Connecting owners and whānau to their whenua

At Te Tumu Paeroa, we manage the extensive trust and trust ownership records of almost 100,000 owners, as well as 250,000 owner interests and 1,800 entities.

Maintaining these records with up-to-date information is critical to connecting owners and whānau to their whenua.

“We work hard to verify the information we receive from the Māori Land Court to ensure we connect

the right person with the order,” says Kaitohutohu Whakatapoko (Registry Advisor) Meikura Williams.

These are checked against historic records before we send out the relevant forms to owners to complete. Connecting people with their whenua through their whakapapa is key. That way, we can link parents, grandparents and siblings together.

Last year, Ratonga Whakatapoko (Registry) created over 1,300 new owner accounts and updated over 33,000 client records.

“It’s important we have the most up-to-date contact details for owners and trustees so they can stay

informed about their whenua.” We currently have the contact details for approximately 62 percent of owners and are identifying ways to increase this, including advertising, working with other agencies and attending events.

In December, kaimahi from Ratonga Whakatapoko travelled to Whanganui to run a stall at a local trust’s AGM. There was an estimated 550 people at the AGM and the feedback from those attending was overwhelmingly positive.

“We were able to check the owners’ records on our database and provide those who needed them with forms so they could update their information and receive any funds owing to them.”

Along with maintaining these records and transferring shares to owners, the team also work with Ratonga Tahua Pūtea (Finance) to process distributions to owners in accordance with their respective trust orders.

Last year, the Māori Trustee made payments totalling more than \$5 million to over 14,000 clients.

“There’s a lot of history behind Māori land, and for some people, their experience of trying to get information has not been a positive one. Our role is to tautoko them to ensure they can connect with their whenua and receive information and funds they are entitled to.”

Redesigning to enhance client experience – Project Kotahitanga

Everything we do at Te Tumu Paeroa is focused on protecting and enhancing whenua Māori and developing the capability of whenua Māori owners.

To ensure we have the right support and resources for our owners and trustees that is based on where the whenua is, we identified that we needed to deliver our services in a way that improved client experience and enhanced our productivity.

Project Kotahitanga was initiated this year to develop a new operating model that would help us achieve this and support our strategic objectives. The project involved working with our kaimahi to understand how we could improve our mahi to better tautoko our clients.

The first phase of Project Kotahitanga was implemented in January, after feedback from our kaimahi to develop three regionally focused teams, supported by our corporate services based in Te Whanganui-a-Tara.

The regional Trust and Property teams are also supported by Ratonga Tuarā Poutama (Enterprise and Engagement), Ratonga Pakihi Tuarā Taonga (Trust and Property Business) and Ratonga Whakamaru Rawa (Asset Management), who work across all regions assisting trusts and entities that require specific support.

The next stage of the project is focused on

ensuring our systems and processes continue to support the functions, duties and responsibilities of the Māori Trustee. This includes enhancing our IT systems and capability, as well as developing both internal and external capability in Māori land administration and governance.

We have a responsibility to ensure that we deliver a professional trustee service for whenua Māori owners that is consistent and delivers meaningful outcomes for Māori. This is about continually improving to meet the needs of whenua Māori owners, trustees and their whānau so we can make a positive impact for them and their whenua.

Using technology to support whenua Māori

Faith Northover has seen a lot of changes in her 30 years with the Māori Trustee and Te Tumu Paeroa, but one of the most significant has been the use of technology to support the organisation's mahi.

According to Faith, the way we work and the focus of putting our clients at the centre of what we do has not changed, but having better tools and IT systems to support our mahi has made it easier and ultimately provides a better service to our owners and trustees.

Faith is a Mātanga Tuarā Taonga (Property Specialist) in Pou Tokomanawa (East region). The region has 599 leased properties, over 90 percent of which the Māori Trustee is the Responsible Trustee. This means administering the leases and

ensuring the information about leases and the whenua is kept up to date.

Over the past few years, we have invested in developing our technology to assist with managing client information and supporting the management of property we help administer.

My Whenua, the secure online platform for owners, trustees and whānau of whenua Māori has also provided greater opportunities for whenua Māori owners and trustees to access information about the land, including maps, drone footage, photos and reports.

My Whenua now has over 9,900 users, and this year, further upgrades were released making it easier for clients and whānau to register.

In a recent satisfaction survey, 78 percent of clients said they would recommend My Whenua, and 73 percent said they found it easy to use.

Over the next two years, we will be developing our technology further to support how we engage with whenua Māori owners, trustees and their whānau, as well as ensuring the security and integrity of the data and information continues to be protected.

Despite the technology, Faith says that for her it is the people she works with and the people she works for who keep her enjoying her mahi. “Technology will never replace the kanohi ki te kanohi (face to face), but it means we can deliver more consistent and up-to-date information for owners and trustees, resulting in better decisions for their whenua and ultimately their whānau.”

- Restoring whenua reconnects community
- Understanding the barriers to succession
- Ahuwhenua Alumni – Developing future leaders

Developing capability

▲
Kotahitanga | Unity
The weaving together
of the people



Restoring whenua reconnects community

As a professional trustee organisation for Māori, we have the responsibility for ensuring the best interests and outcomes for whenua Māori owners and trustees.

The transformation at Papahikahawai 1 and 2, located at the mouth of the Kaituna River in the Bay of Plenty was part of a wider restoration project to return the whenua to its original native haven.

“A decision made over 50 years ago to divert the river had huge repercussions for the natural ecosystem,” said Te Tumu Paeroa Kaihautū Tuarā

Poutama (Enterprise and Engagement Manager) Olive Jonas.

The Māori Trustee, as Custodian Trustee for the block, has been supporting the Responsible Trustees through the process of restoring the island and surrounding estuary to its original form.

There was no “quick fix” and it has taken years of consultation and negotiation with hapū, iwi, Bay of Plenty Regional Council and Ngā Whenua Rahui to restore this block and the surrounding estuary so the natural cycles that existed for the wetland habitat could be renewed.

Work on the island was completed in 2018, which included over 20,000 seedlings being planted with the support of the community and regional council, protecting historic sites and breathing life into the environment, with native breeding grounds now starting to flourish. Plans for pest and weed control are managed by the regional council and local community.

The past 2-3 years have seen land previously used for dairy grazing replanted into saltwater wetlands, returning bird and fish life in abundance. Contouring and flood protection work has also been undertaken to manage the water flow, and an access bridge has been constructed to connect the island to the main Maketu Spit.

In February this year, iwi and the Bay of Plenty Regional Council held a celebration to mark the opening of the Kaituna River re-diversion control gates and the partial return of freshwater flows into Te Awa o Ngātoroirangi/Maketu Estuary.

This whenua has ancestral significance for Te Arawa iwi, so ensuring its protection was critical, said Olive, who has been one of several Te Tumu Paeroa kaimahi involved in the project. “This has been a significant piece of work for the Māori Trustee whose vision to support and enhance Māori land is clearly reflected in this project.

“The Responsible Trustees have worked tirelessly to ensure good governance in their decision making to realise these outcomes, and it has been Te Tumu Paeroa’s pleasure to be able to support them through that process.”



Over 20,000 seedlings were planted on Papahikahawai 1 and 2.

Photo: Courtesy of Bay of Plenty Regional Council



Papahikahawai Island and Maketu Spit with adjoining footbridge where the causeway was removed.

Understanding the barriers to succession

It is estimated that between 400,000 and 1.5 million ownership interests in Māori land have not been succeeded to. The succession process begins at the Māori Land Court, and for some whenua Māori owners, it is a journey that may bring them to Te Tumu Paeroa.

In 2018, Te Tumu Paeroa began a project to understand what we could do to make this journey easier. We commissioned an independent evaluation to understand and identify the barriers and drivers for succession.

As part of the project, we also delivered workshops on succession to approximately 50 participants

and provided information about the succession process. We also spoke with staff at the Māori Land Court, the Ministry of Justice and Te Puni Kōkiri.

We heard from owners, trustees and rangatahi about their whakaaro and experience of succession and surveyed over 300 people from around the country.

Twenty-five percent of respondents to the survey said it took over five years to get ready to approach the Māori Land Court to begin their succession application. The reasons for this included wanting to take time to grieve, raruraru within the whānau and having to appear at a Māori Land Court hearing.

From this, we identified practical small-scale projects that focused on addressing some of the

barriers and increasing the drivers to succession. Five trusts, with the support of Te Tumu Paeroa trust consultants, began initiatives to help whānau make succession easier in their trusts.

Projects ranged from developing a planning tool whānau could use to prepare for succession, to developing resources with staff at the Māori Land Court aimed at encouraging people to make contact with the Māori Land Court.

One trust, Kōpūtara Trust recently undertook a programme of work to re-establish the lake, restore wetlands and reconnect the people to their whenua.

Recognising that succession through the Māori Land Court is an important part of the process for protecting their whenua for future generations, they organised events on the whenua, including running education workshops around Tangaroa – Tuna and hosting planting days to reunite people with their lands and give them a reason to return.

In May last year, the five trusts came together in Wellington to share the outcomes of their grassroots projects.

The group shared their experiences with representatives from Te Puni Kōkiri, who were working on the Whenua Māori Programme to assist with creating fit-for-purpose services for whenua Māori owners.

The culmination of this mahi has provided a number of insights for everyone involved about the information needed to tautoko Māori and their

whānau to succeed to land, and work is continuing to support the development of resources to guide them through this process.

“This is all about reconnection for our people to their whenua and giving them a reason to return.”

Pat Seymour – Trustee of Kōpūtara Trust

Ahuwhenua Alumni – Developing future leaders

The Māori Trustee and Te Tumu Paeroa are proud to sponsor the Ahuwhenua Trophy and the Young Māori Farmer Award.

In May 2019, together with Te Puni Kōkiri, we established the Ahuwhenua Alumni Network to support the winners of the Young Māori Farmer competition. The aim being to engage and foster Māori farming talent and create pathways in the food and fibre sectors in Aotearoa New Zealand.

The Alumni believed that a thriving professional network would enable the best young Māori farmers to share their expertise and develop their capability through a broader set of skills.

In November, we hosted five of the eight winners for a strategic planning day, bringing their ideas together for how they wanted to shape the future of Māori farming in Aotearoa New Zealand.

They were introduced to governance concepts and were supported to develop a strategic vision and mission along with values for the group. A panel

discussion was also held with representatives from industry focusing on workforce, the future of farming and climate change.

The group have continued to meet via kanohi ki te kanohi, and they teleconference throughout the year. Over the past few months, they have been engaging stakeholders such as Fonterra to identify ways the organisation can support Māori farming in the future.

We also helped develop priorities, processes and policies aligned to their values to help guide the group, and we are providing training resources and mentoring to help bring their ideas to life.

In 2020, the Ahuwhenua Trophy was extended to acknowledge Māori horticulturalists and will now be competed for on a three-year rotational basis by Māori farmers in the sheep and beef, horticulture and dairy sectors.



Te Tumu Paeroa hosted five of the eight Young Māori Farmer award winners for a strategy planning day.

◀ **Manaakitanga | Respect**

To uphold the mana
of each other, people,
whenua and all

- Working together to enhance
and protect the whenua
- Providing a voice for whenua
Māori owners
- Te Tumu Kāinga – making
housing accessible for Māori
whānau

**Investing to protect
and enhance for
future generations**



Dave Whalley, Te Tumu Paeroa Mātanga
Ahuone (Horticulture Specialist)

Working together to enhance and protect the whenua

Te Tumu Paeroa provides support or oversight for 111 hectares of kiwifruit orchard canopy (including all Huakiwi orchards' 63 hectares). These orchards are located in the greater Bay of Plenty region from Matakana Island (Tauranga) to Te Kaha (East Cape).

Mātanga Ahuone (Horticulture Specialist) Dave Whalley and other Te Tumu Paeroa kaimahi work closely with many of the 15 orchards in this region, where we administer trust land, helping to mentor and tautoko orchard managers. "Our support includes working with the orchard managers or Advisory Trustees on a long-term strategic plan for

each orchard, monitoring orchard management and reporting."

Recently Ratima, an orchard that has been subject to climatic changes and struggled in extreme weather conditions for the past 30 years, installed a new irrigation system.

Following trial-and-error test plots to identify a supply of water that could deliver adequate flow to sustain an irrigation system, a suitable bore was commissioned in September last year and consent was received from the local council to take water.

"The orchard has a very high water table in winter, restricting root growth and resulting in stressed plants and low, or no, crop yield in the summer," says Dave.

The installation of the irrigation system, even with intermittent rain experienced during an average year, will boost production of kiwifruit by around 2,000 trays per hectare. Without it, the orchard could have been facing crop losses of over \$200,000 per annum.

It's an incredibly positive outcome for the orchard and its owners, where drought and other challenges have resulted in fluctuating cycles over the past few years.

Providing a voice for whenua Māori owners

Legislative changes made to policies and regulations affecting whenua Māori can have significant impact on our ability to support, protect, utilise and grow these assets for owners. Over the past 12 months, Te Tumu Paeroa ensured that whenua Māori owners had a voice through the submission process.

In October, we made a submission to Action for Healthy Waterways to outline the effects proposed reforms would have on the whenua. Water is a precious resource, and our vision requires a careful balance between protection of the whenua and the taiao (environment) while also trying to enhance and develop the land.

Farm Environment and Asset Management Plans developed for whenua where we are Responsible Trustee have an increasing focus on how trusts are meeting their environmental obligations.

Submissions were also made on the National Policy Statement for Indigenous Biodiversity and Significant Natural Areas under the Resource Management Act. In each of these submissions, we outlined the need to ensure whenua Māori blocks were appropriately considered in any proposed policy changes and highlighted the need for ongoing engagement with owners as a critical element to understanding the potential impacts from proposed amendments.

Of the 72 percent of leases we administer for rural whenua, 65 percent of these have waterways, so we believe it is vital that we highlight ways any reforms would potentially impact these blocks.

Te Tumu Kāinga – making housing accessible for Māori whānau

Te Tumu Kāinga is an independent charitable trust committed to help Māori access healthy, affordable housing. The trust is administered by the Māori Trustee and is involved in a number of new projects to help Māori whānau.

In September 2019, Te Tumu Kāinga and Te Puni Kōkiri signed an MOU to lay the foundations of a joint programme aimed at repairing homes for Māori in two regions of New Zealand. The areas of Te Tai Tokerau (Northland) and Te Tai Rāwhiti (East Coast) were chosen as having the greatest need to improve living conditions for Māori.

Te Tumu Kāinga and the Māori Trustee committed \$2 million towards the programme, split evenly between the two regions.

Paetutu, a new housing development in Petone, was officially opened in February 2020. Te Tumu Kāinga was a 50 percent partner, together with The Wellington Company in the development.

Local Taranaki Whānui iwi were offered a pre-release discounted opportunity to acquire units in the development, with 14 whānau going on to purchase units.

Other projects underway this year include the Puhinui Park housing development. A 200-unit development, Te Tumu Kāinga has committed

to acquiring a minimum of 50 houses to offer to whānau under its housing programmes.

In Taranaki, Te Tumu Kāinga is working with Ka Uruora Housing to provide funding support to an iwi-led affordable housing project to develop 30 homes for Māori whānau to be offered under a pathway to ownership programme. This also includes supporting Māori through participation in targeted financial education programmes.

By working with its partners and investing in key housing projects, Te Tumu Kāinga has been able to deliver positive outcomes for Māori whānau seeking access to healthy, affordable housing.

Visit tetumukainga.co.nz for more details.



Our Organisation

The Māori Trustee is appointed by the Minister for Māori Development under the Māori Trustee Act 1953.

The current Māori Trustee, Dr Charlotte Severne, was appointed for a three-year term in September 2018.

Te Tumu Paeroa is the organisation that supports the Māori Trustee to carry out her duties, functions and responsibilities.

Senior Leadership Team

Te Tumu Paeroa is led by the Senior Leadership Team. The members are:



**Kaitiaki Māori
Māori Trustee**
Dr Charlotte Severne



**Poutiriwā
Deputy Māori Trustee/
Pou Ngārahu
General Counsel**
Greg Shaw



**Pou Arahi Tuarā Taonga
Trust & Property Director**
Brae Watkins



**Pou Arahi Rangatōpu
Corporate Services Director**
Martin Eadie
(acting from February 2020)



**Kaihautū Pūmanawa Tangata
HR Manager**
Peter Nilsen
(until October 2019)

The Senior Leadership Team is supported by:



Pou Tikanga
Te Hāmua Nikora
(from October 2019)



Pou Arahi Kōpura
Senior Investments Manager
Chris Rich

Mana | Integrity
From now into the past
and into the future
▼

Investment Committee

During the first quarter, the Terms of Reference of the Investment Committee were reviewed and a new Investment Committee was appointed at the beginning of the second quarter (July 2019). The members of the Committee are:

Independent Chair – John Rae

Independent Member – Pip Dunphy

Senior Investments Manager – Chris Rich

Deputy Māori Trustee – Greg Shaw

Audit and Risk Committee

Independent Chair – Pat Waite

Independent Member – Tracey Hook

Independent Member – Kirsten Patterson (until August 2020)

Our People

At Te Tumu Paeroa, we employ 106 kaimahi across five offices throughout Aotearoa New Zealand, with our main base in Te Whanganui-a-Tara (Wellington). Our team includes specialists in land development, trust and property management, legal and finance, registry and owner services. Our employees are passionate and driven to ensure whenua Māori is enhanced and protected.

Our Performance

- Statement of Responsibility
- Independent Auditor's Report
- Statement of Service Performance

Kotahitanga | Unity ►
Te raranga i te tira –
The weaving together
of the people

Statement of Responsibility

For the year ended 31 March 2020

In terms of the Crown Entities Act 2004, the Māori Trustee is responsible for the preparation of financial statements, the Statement of Service Performance and the Statement of Trust Monies and for the judgments made in them.

The Māori Trustee is responsible for any end-of-year performance information provided under section 19A of the Public Finance Act 1989.

The Māori Trustee is responsible for the establishment and maintenance of internal control systems to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Māori Trustee's opinion, these financial statements, the Statement of Service Performance and the Statement of Trust Monies for the year ended 31 March 2020, set out on pages 50 to 94, fairly reflect the financial position and operations of the Māori Trustee.



Dr Charlotte Severne
Māori Trustee

4 May 2021

Independent Auditor's Report

To the readers of the Māori Trustee and the Group's financial statements and performance information for the year ended 31 March 2020

The Auditor-General is the auditor of the Māori Trustee (the Trustee) and Group. The Auditor-General has appointed me, Clint Ramoo, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and the performance information for an appropriation, consisting of the Māori Trustee and its subsidiaries and other controlled entities (collectively referred to as 'the Group') on his behalf.

Opinion

We have audited:

- » the financial statements of the Trustee and Group on pages 50 to 94, that comprises of the statement of financial position as at 31 March 2020, the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- » the performance information of the Trustee and the Group on pages 28 to 48.

In our opinion:

- » the financial statements of the Trustee and the Group on pages 50 to 94:
 - › present fairly, in all material respects:
 - its financial position as at 31 March 2020; and
 - its financial performance and cash flows for the year then ended; and
 - › comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- » the performance information on pages 32 to 50:
 - › presents fairly, in all material respects, the Trustee and the Trustee and the Group's performance for the year ended 31 March 2020, including:

- for each class of reportable outputs:
 - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
 - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year; and
- what has been achieved with the appropriation; and
- › complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 4 May 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Māori Trustee and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Emphasis of matter – Covid-19 pandemic

Without modifying our opinion, we draw attention to Note 30 on pages 92 to 94 to the financial statements, which explains the impact of the Covid-19 pandemic on the Trustee and Group.

Basis for our opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of the Māori Trustee for the financial statements and the performance information

The Māori Trustee is responsible on behalf of the Trustee and the Group for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand. The Māori Trustee is responsible for such internal control as it determines is necessary to enable it to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Māori Trustee is responsible on behalf of the Trustee and the Group for assessing the Trustee and the Trustee and the Group's ability to continue as a going concern. The Māori Trustee is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Trustee and the Group, or there is no realistic alternative but to do so.

The Māori Trustee's responsibilities arise from the Crown Entities Act 2004, the Public Finance Act 1989 and the Māori Trustee Act 1953.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are

differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers, taken on the basis of these financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Trustee and the Group's statement of performance expectations.

We did not evaluate the security and controls over the electronic publication of the financial statements and the performance information.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- » We identify and assess the risks of material misstatement of the financial statements and the performance information, 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.
- » We 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 Trustee and the Group's internal control.
- » We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Māori Trustee.
- » We evaluate the appropriateness of the reported performance information within the Trustee and the Group's framework for reporting its performance.
- » We conclude on the appropriateness of the use of the going concern basis of accounting by the Māori Trustee and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trustee and 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 financial statements and the performance information 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 Trustee and the Group to cease to continue as a going concern.

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

We communicate with the Māori Trustee 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.

Our responsibilities arise from the Public Audit Act 2001.

Other information

The Māori Trustee is responsible for the other information. The other information comprises the information included on pages 1 to 31, but does not include the financial statements and the performance information, and our auditor's report thereon.

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

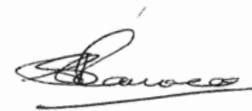
In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we

consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, 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.

Independence

We are independent of the Trustee and the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with the Trustee or interests in the Trustee and the Group.



Clint Ramoo

Audit New Zealand
On behalf of the Auditor-General
Wellington, New Zealand

Statement of Service Performance

The Māori Trustee is listed in schedule 4 of the Public Finance Act 1989 as requiring the preparation of a Statement of Service Performance in compliance with the requirements of the Crown Entities Act 2004.

In a letter dated 5 August 2009, the Minister of Finance, as empowered by section 45N (2) of the Public Finance Act, granted the Māori Trustee the following exemptions from the provisions of the Crown Entities Act:

» An exemption from providing “an assessment against the intentions, measures and standards set out in a statement of intent prepared at the beginning of the financial year”. This exemption recognises that the Māori Trustee is not required, under schedule 4 of the Public Finance Act, to prepare a statement of intent. However, the Annual Report must provide the information that is necessary to enable an informed assessment to be made of the operations and performance for the financial year.

» An exemption from preparing a Statement of Service Performance “in respect of any class of outputs that is not funded (in whole or in part) by the Crown”. This exemption addresses outputs not directly funded in whole or part by the Crown.

This Statement of Service Performance reports against the outputs stated in the funding agreement between the Minister for Māori Development (on behalf of the Crown) and the Māori Trustee.

The total cost of outputs for the year ended 31 March 2020 is summarised below.

	2020	
	Actual \$000	Budget \$000
Crown appropriation	11,261	11,261
Trust Services	7,570	8,535
Registry Services	3,478	4,179
Governance Development	292	-
Property Management	3,882	3,638
Common Fund Management	1,218	1,002
Land Development	-	-
Business Support	1,243	1,140
Enablement Funding	-	-
Total cost allocated	17,683	18,495
Shortfall in Crown Appropriation	(6,422)	(7,234)

The shortfall between the Crown's contribution to Crown-funded outputs is met by fees and commissions or reserves.

Scope of appropriation

This appropriation is a contribution to services provided in the eight output areas.

What's intended to be achieved with this appropriation?

The appropriation is intended to assist the Māori Trustee to carry out her statutory and other legal responsibilities with respect to whenua Māori.

Performance measures for the Māori Trustee functions*

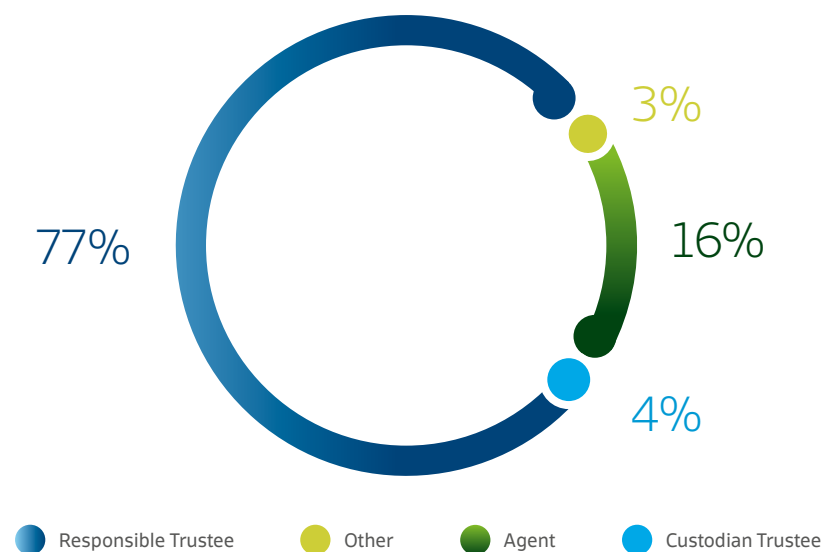
Assessment of performance	2019/20	
	Budgeted standard	Actual
Meet the performance expectations agreed in the funding agreement between the Minister for Māori Development and the Māori Trustee against the following outputs: » Management of the Common Fund » Management of client interests » Land management » Supporting sustainable development of assets » Capability and capacity of the organisation	95%	Refer Relevant outputs
Reported progress in the achievement of outputs specified is provided within agreed timeframes and within agreed budgets.	100%	100%

*A new performance measures framework has been agreed with the Crown and came into effect on 1 April 2020.

Trust services

Appointment types

Trusts under administration

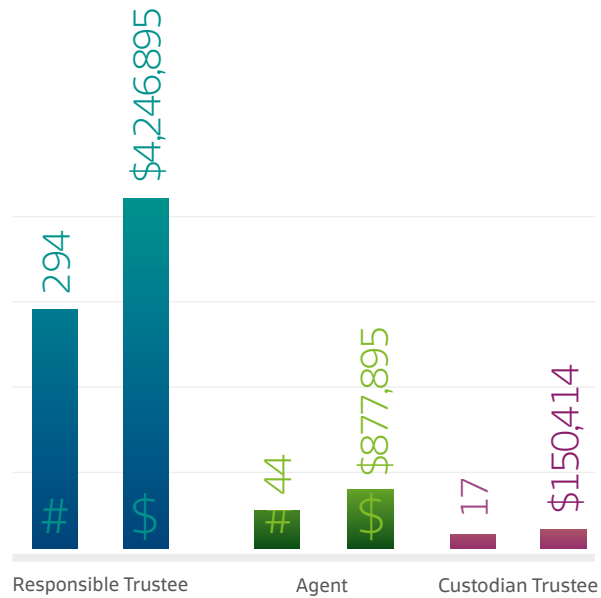


Te Tumu Paeroa supports the Māori Trustee to manage land and assets for whenua Māori owners throughout Aotearoa New Zealand and ensures accountability and oversight for 1,777 trusts and entities (2019 1,805). This year, we administered the distribution of \$5.28 million on behalf of 355

of these entities (2019 \$8.14 million on behalf of 479 entities).

The level of distributions can vary year to year due to a number of factors, including the impact of additional costs and planned activities, such as capital projects.

Number and value of distributions made by appointment types



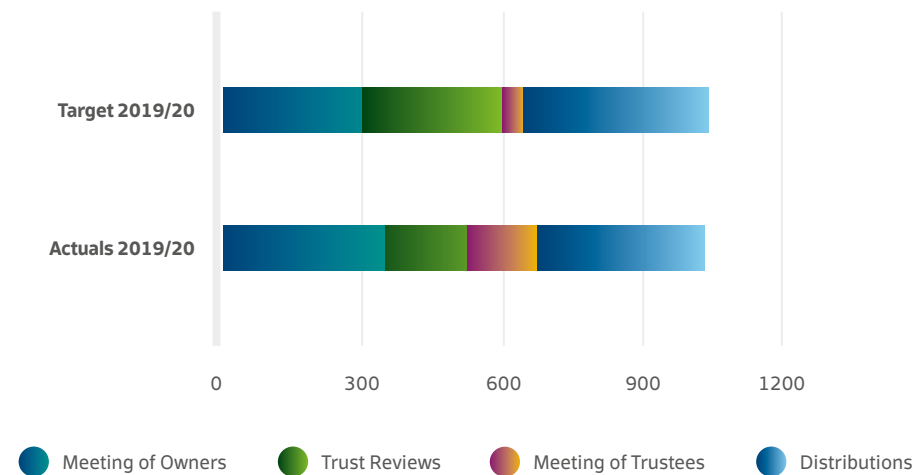
Te Tumu Paeroa makes payments to owners where the Responsible Trustee(s) have decided to distribute funds to owners rather than keeping monies for future investment in trust assets. This year, we made 14,781 (2019 17,333) individual payments totalling \$5.4 million (2019 \$6.34 million), either directly to the individual accounts of owners or by transfer to pūtea accounts. Trust distribution payments to owners are normally made in the middle two quarters of the year, but some trusts also distribute at other times.

In 2019/20, fewer approvals for distributions were received from external trustees as a number of trusts experienced increased compliance and maintenance costs or undertook to hold funds to support future development of the whenua.

In 2018/19, approximately \$1.15 million of forestry proceeds were distributed to owners. This is a once-in-a-generation distribution payment.

Entity actions

Compliance actions completed and services delivered



Te Tumu Paeroa has continued to make good progress across our portfolio. We held 352 meetings of owners, completed 169 trust reviews and coordinated 151 meetings of trustees (2019 445 meetings of owners, 185 trust reviews, 169 meetings of trustees). All kanohi ki te kanohi meetings were suspended from March 2020 due to the impact of COVID-19 restrictions. The timing of trust reviews that follows these meetings have also been impacted.

Although we were below our target for trust reviews, for the second consecutive year we

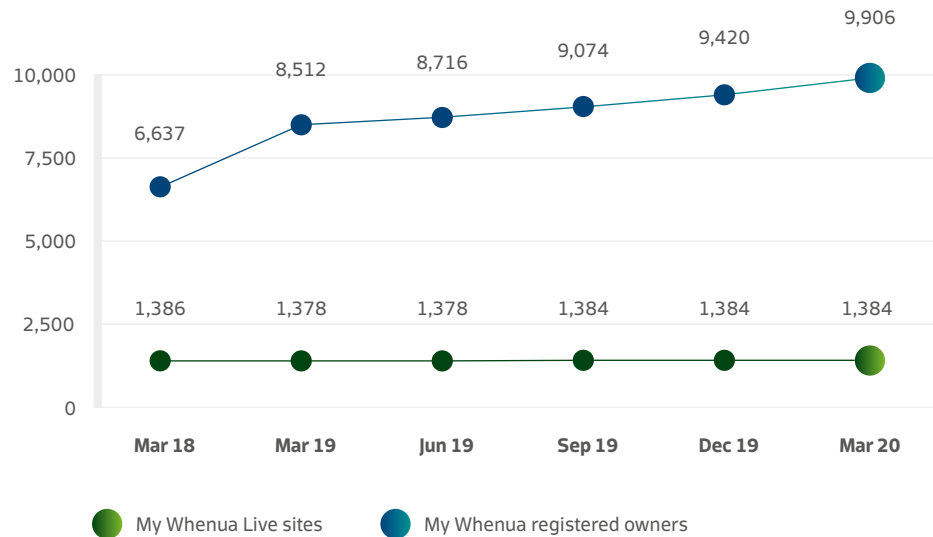
held significantly more meetings of owners and trustees.

Our annual client satisfaction survey focuses on our three main client contact points – meetings of owners, enquiries and engagement through My Whenua.

Nearly 80 percent of owners surveyed who had attended a meeting during the year said they were either satisfied or very satisfied with how the meeting went, 94 percent said the meeting was useful, and 97 percent said they would attend meetings in the future.

My Whenua

My Whenua live sites and registered users



With many whenua Māori owners living away from the whenua, including up to 10 percent living overseas, keeping up to date with the administration of their land can be challenging.

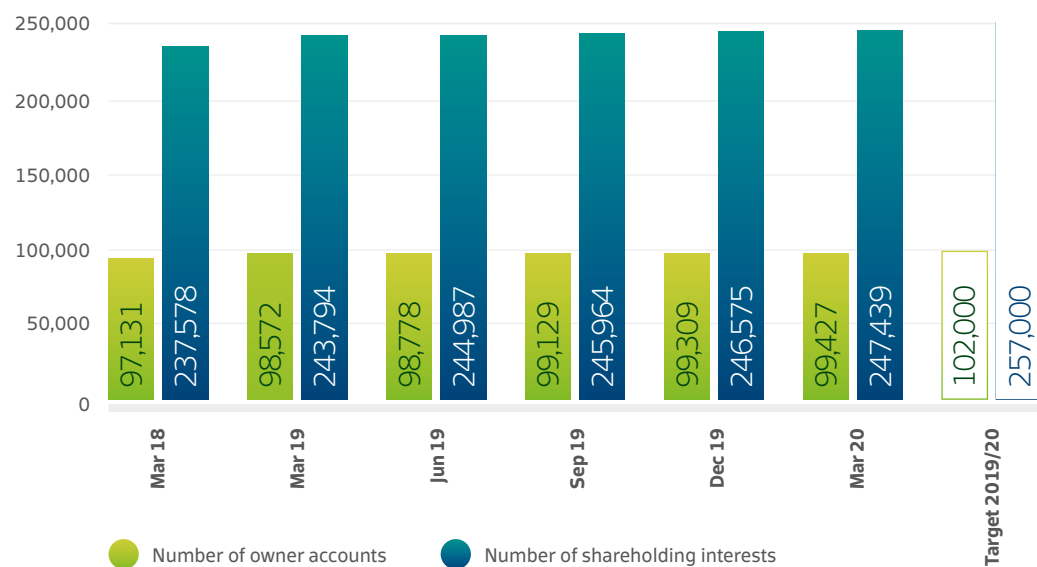
My Whenua, our secure online platform, has helped to remove some of the barriers for owners and whānau to access information about their whenua. This year, the registration process was simplified, and further upgrades to this platform are planned to enhance the experience for clients and their whānau.

From the recent satisfaction survey, 76 percent of those surveyed said they had used My Whenua more than once in the past year. The majority (78 percent) of My Whenua users would recommend the site to their friends and whānau.

At 31 March 2020, 9,906 (2019 8,512) owners have signed up to the service, and with nearly 40,000 site visits, it is proving to be an important channel for engaging with owners, trustees and their whānau.

Registry

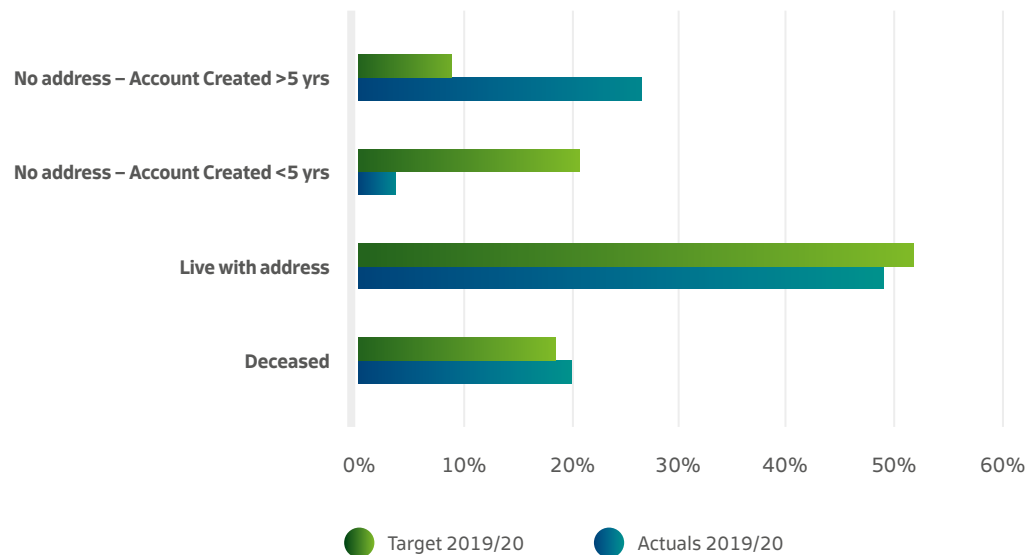
Owners and shareholding interests



At 31 March, the total number of shareholdings was 247,439 (2019 243,794), an increase of 3,645 from the previous year. The number of owner accounts for the same period was 99,427 (2019 98,572).

Addresses held – live owners

Contact status for owners



Te Tumu Paeroa maintains a register of 99,427 (2019 98,572) owner accounts. These owners have a total of 247,439 (2019 247,794) ownership interests. This year, we completed 33,338 (2019 47,478) updates to the register.

One of the key priorities is maintaining the quality of contact information for owners. This assists with meeting trustee obligations for reporting, consultation and payment of distributions.

New owner details are often difficult to find if owners do not provide these details to the Māori Land Court to be passed on to us.

The number of owners that we have physical contact details for decreased to 48,935 (2019 49,500). This decrease was in response to returned mail following a large communication campaign.

During this period, the collection of email contact details for owners increased by approximately 9 percent. Email continues to increase as a preferred medium for owner communication.

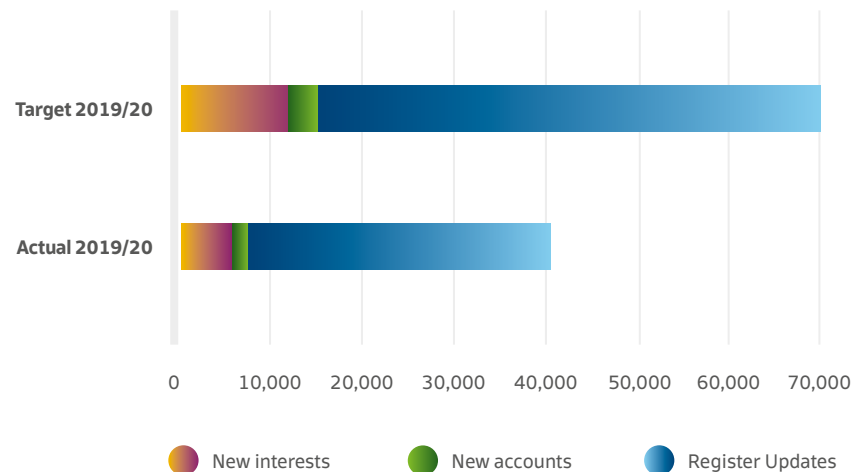
At the time when an owner succeeds to whenua Māori, it is a good opportunity to obtain full contact details. As the succession process is completed through the Māori Land Court, we are working with the court to capture as much information as possible at that time.

To improve the quality of our ownership information and update details, we have undertaken a number of other initiatives over the past 12 months, including advertising, face-to-face sessions and telephone support for whānau.

Governance development

Highlights in the financial year included:

Register maintenance



Every two months, Te Tumu Paeroa receives death data from Births, Deaths and Marriages. This information is matched to owner accounts to identify any clients who are deceased. Records are then updated and information held until succession orders are received.

A succession project concluded in May 2019 aimed to help whānau maintain their legal connection to the whenua across generations.

Although Te Tumu Paeroa doesn't play a direct role in the succession process through the Māori Land Court, the process is a major part of Māori land owners' journey before they contact us.

We continue to work with Te Puni Kōkiri and the Māori Land Court, along with owners, to understand and help overcome the barriers and drivers for succession.

Whenua Māori Governance project

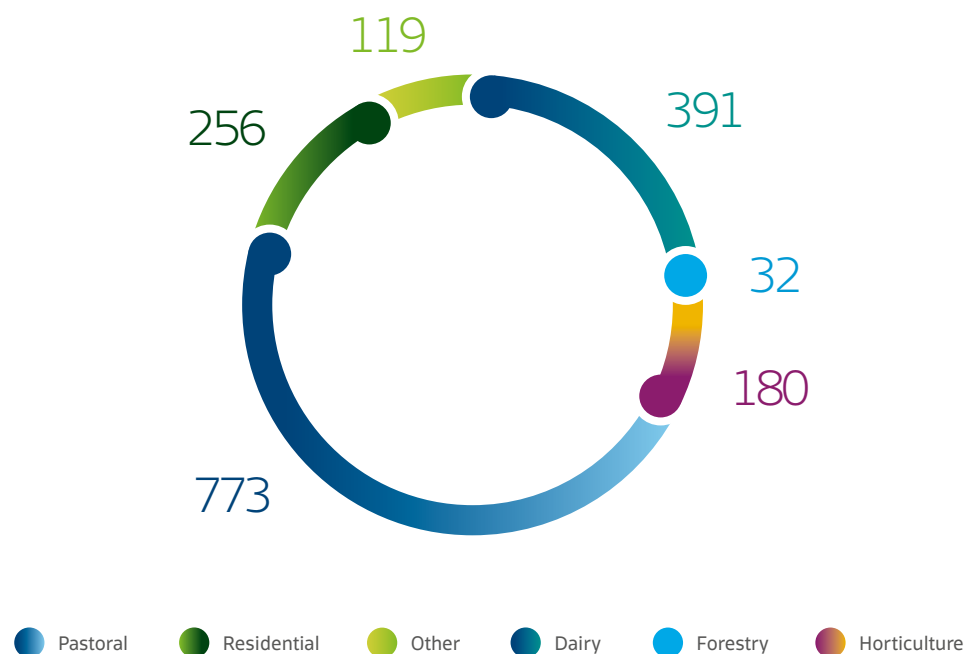
The Māori Trustee initiated the Whenua Māori Governance project, a strategic project to lift Māori governance capability through an inter-agency collaborative approach.

The project is identifying gaps in the provision of Māori governance capability, evaluating effectiveness of existing programmes and seeking opportunities to enhance on what is already available. As part of the project the Māori Trustee has participated in a two-day NZQA review of the qualifications for the Certificate (level 4) and Diploma (level 6) in Māori Governance.

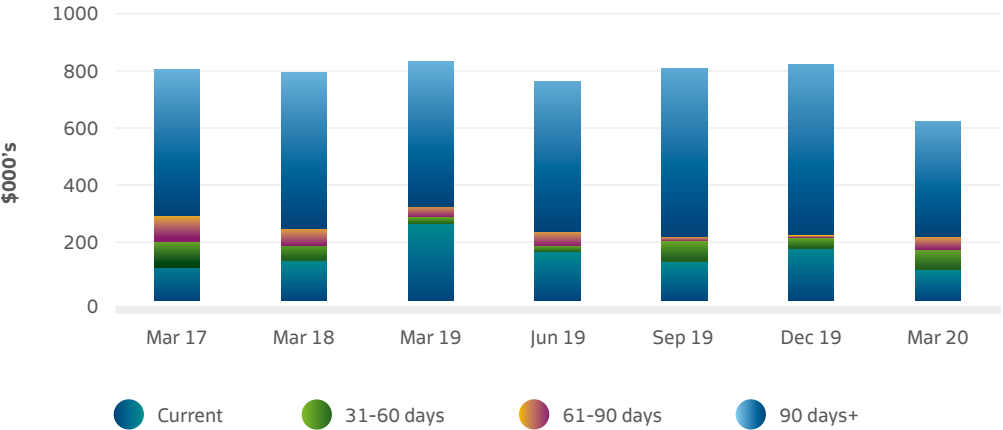
In addition, the Māori Trustee joined the Community Governance Steering Group to develop the National Action Plan for Community Governance, and is working with Te Puni Kōkiri to develop the Māori Governance strand of the Action Plan to be launched in August 2020.

Property management

Tenancies under management



Common Fund rental debtors

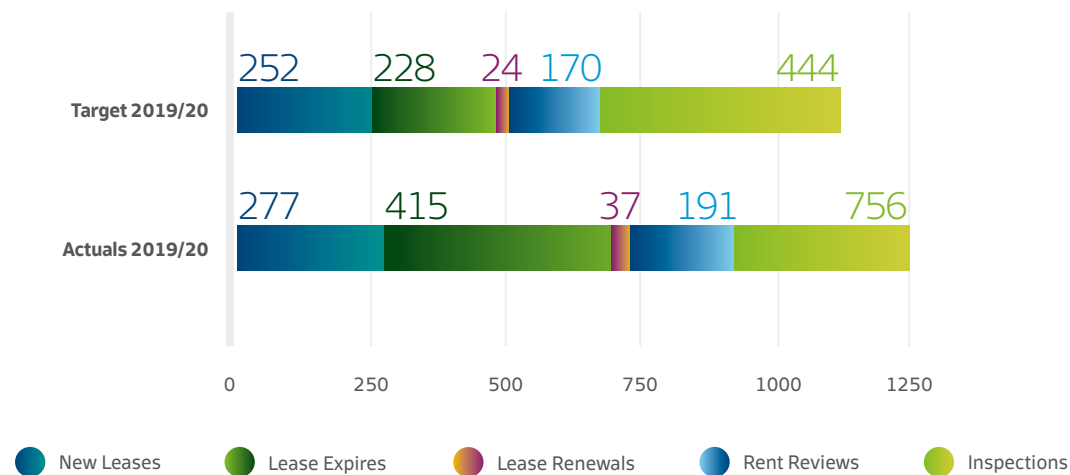


Property rental arrears have reduced to \$621,000 (2019 \$758,000).

Rental arrears are 3.5 percent (4.3 percent) of gross rental income of \$17.5 million (2019 \$17.4 million) per annum, which is a relatively low level of arrears for the portfolio we manage.

We continue to work with Baycorp and others to reduce arrears, and we use court processes where applicable to manage our debt recoveries for owners.

Lease actions completed

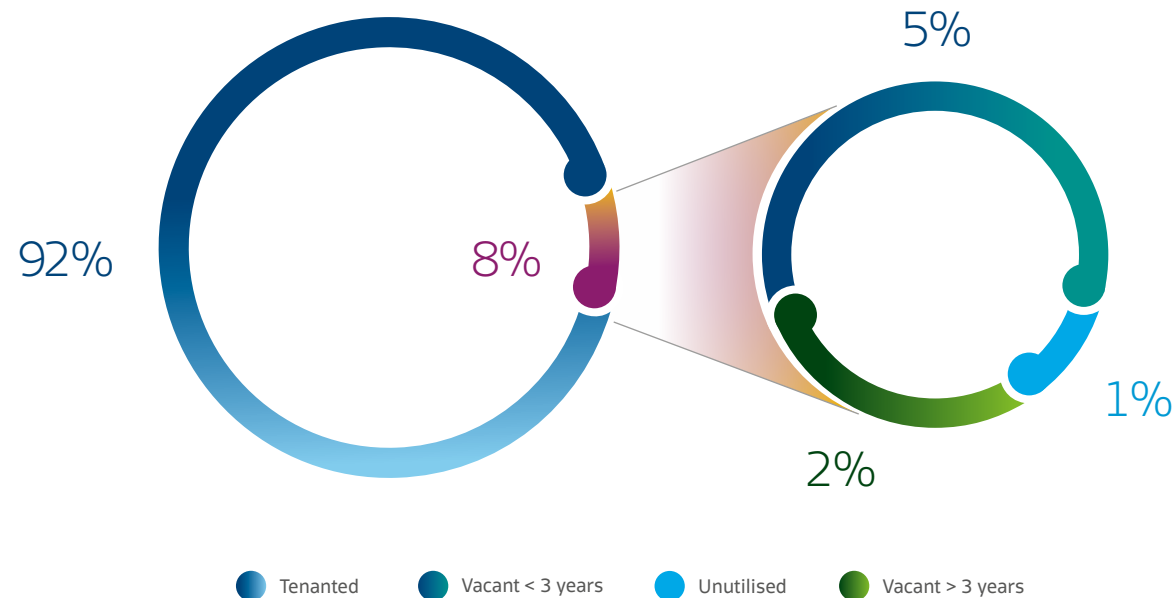


Te Tumu Paeroa completed 191 rental reviews this year for existing leases, compared with 177 in 2019. Most leases negotiated resulted in an increase in

base rentals for owners, providing owners with options in terms of having increased capital for future development of their whenua.

Vacancies as at March 2020

Occupancy as at March 2020



Our total portfolio is now 1,751 leases (2019 1,807), with 277 new leases being established during the year (2019 224). There are 18 vacant blocks, classed as unutilised, that have not been leased for more than three years due to physical constraints such as size, shape, location, lack of infrastructure or access issues.

Our Trust and Property team continues to use regional benchmarks with regional indices for land use type, size, and rental. We use these to ensure we get the best returns for owners from our land management activities. Because 67 percent of the leases we manage are under 50 hectares, this can constrain our ability to lift returns to owners of these blocks. However, in 60 percent

of our negotiations, we managed to exceed our independent valuation advice in outcome terms for our owners.

We have completed 391 Asset Management Plans and 52 Farm Management Plans this year.

There is an increased focus to ensure that the trusts under our administration are meeting their environmental obligations through the work being progressed to protect waterways and manage assets.

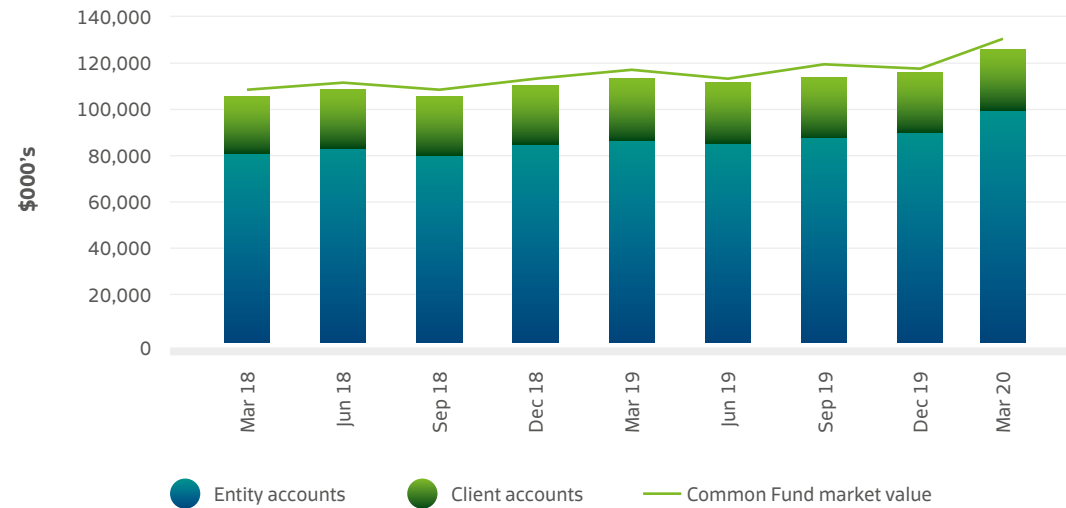
These plans improve how we capture the current state of the land and the assets we look after. They describe the current use of land, identify developments or improvements that could improve the economic and non-economic returns of the land, and identify upcoming actions to maintain or improve the land and related assets.

Increased use of technology to support the development of these plans continues. In the coming year, further development will commence on improving and increasing the use of geo-spatial technologies to enhance our capability and improve the information and reporting we can provide to owners.

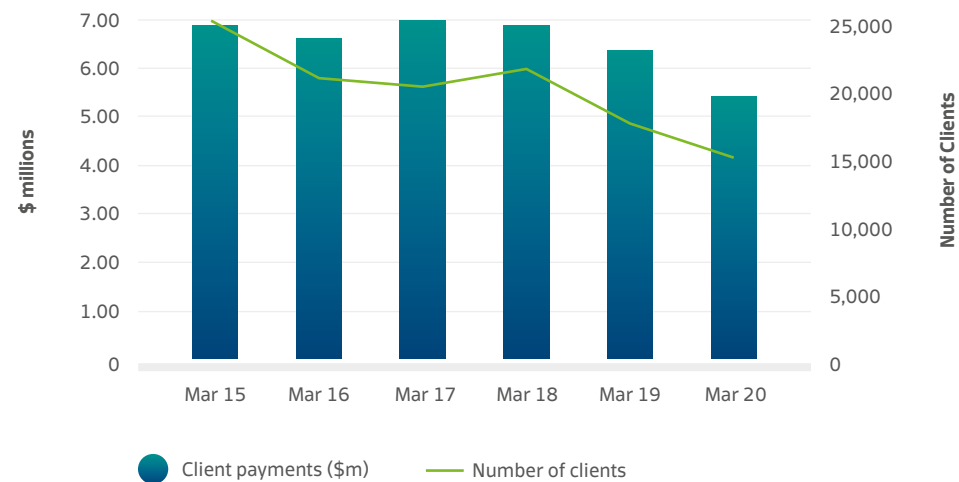
Common Fund management

Common Fund managed

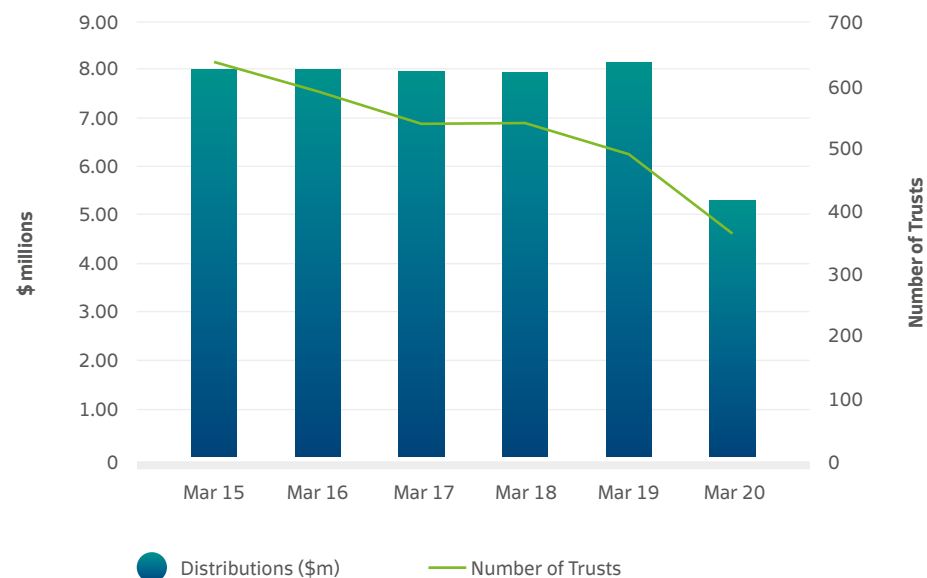
As of 31 March 2020, the Common Fund held \$129.7 million (2019 \$117.2 million) of client funds, representing over 120,000 individual accounts along with Trust and Property accounts. All client accounts in the Common Fund are eligible to receive distributable income in accordance with the Māori Trustee Act 1953.



Payments made to owners



Distributions



A key priority for Te Tumu Paeroa is the ongoing maintenance of current bank information to ensure effective distribution to owners. This year, 400 (2019 583) payments with a value of \$50,000 (2019 \$183,000) were unable to be processed because we hold incorrect bank account information.

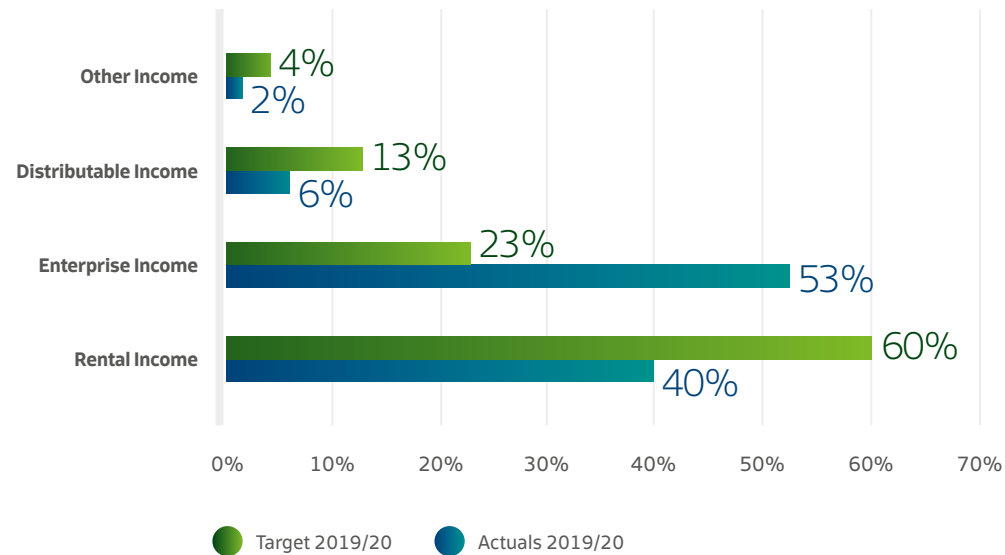
Under section 26 of the Māori Trustee Act, distributable income is paid to all Common Fund account holders with balances at the end of the month.

The total value of distributable income paid to account holders for the year was \$3.4 million (2019 \$3.4 million).

The management aims of the Common Fund are to:

- » generate income for account holders that exceeds interest from short-term deposits with a bank over the same term
- » preserve capital credited or deposited, and
- » grow the value of account holders' accounts.

Common Fund income

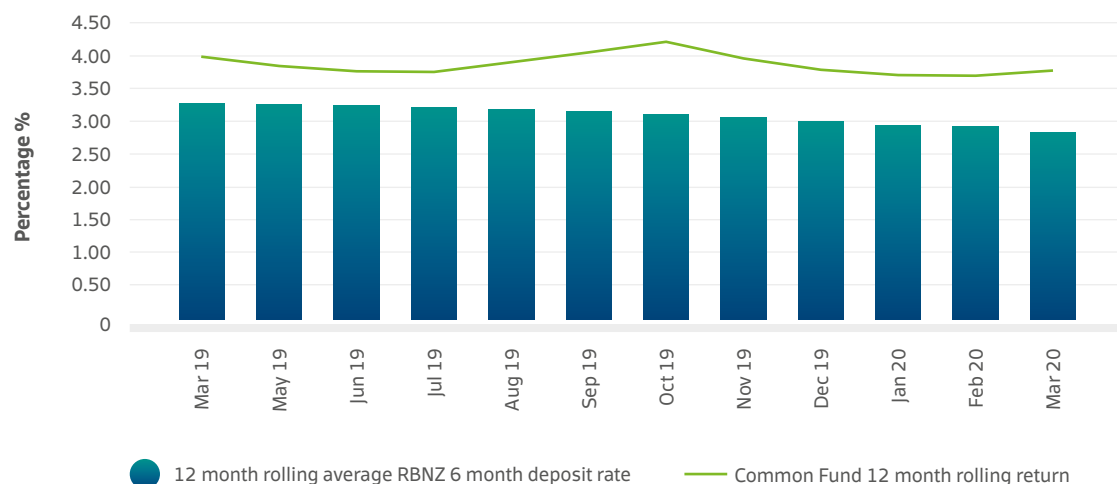


Common Fund asset allocation

The Common Fund is managed within a Statement of Investment Parameters and Objectives (SIPO) framework that reflects the governing legislation of the Māori Trustee Act 1953 and the Trustee Act 1956.

The Investment and Credit Committee approved the SIPO, including any exceptions. Within this framework, the Māori Trustee takes a conservative approach to investment strategy and selections with investments restricted to bank deposits and investment-grade bonds.

Gross performance of Common Fund



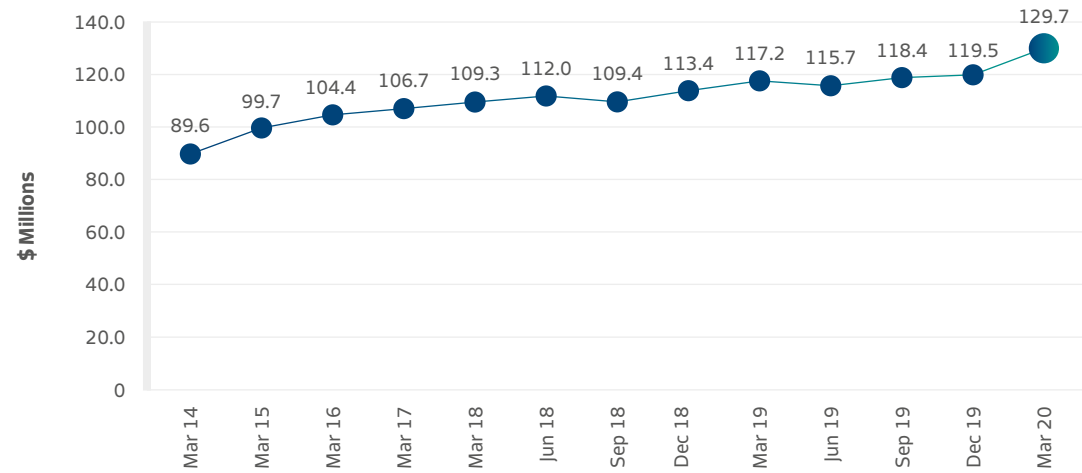
The investment performance of the Common Fund is above the benchmark, producing a rolling 12-month return of 3.73 percent (2019 3.94 percent) as at 31 March 2020, whilst the benchmark 12-month rolling Reserve Bank of New Zealand six-month retail deposit reduced to 2.83 percent (2019 3.26 percent).

The Common Fund's investment returns have declined marginally over the past two years, reflecting the low interest rate environment prevailing in both the New Zealand and world economies. Future investment returns are expected to decline following the lowering of New Zealand

interest rates across the board, which sees us with the lowest Official Cash Rate on record at 0.25 percent. The unusually low interest rate regime is aimed at providing a monetary stimulus in response to the COVID-19 pandemic.

The economy is now experiencing a recession with no current upward inflationary pressure, increasing unemployment, difficult trading conditions and uncertain foreign markets for goods, so a low interest rate environment will likely be with us for some time.

Common Fund market value

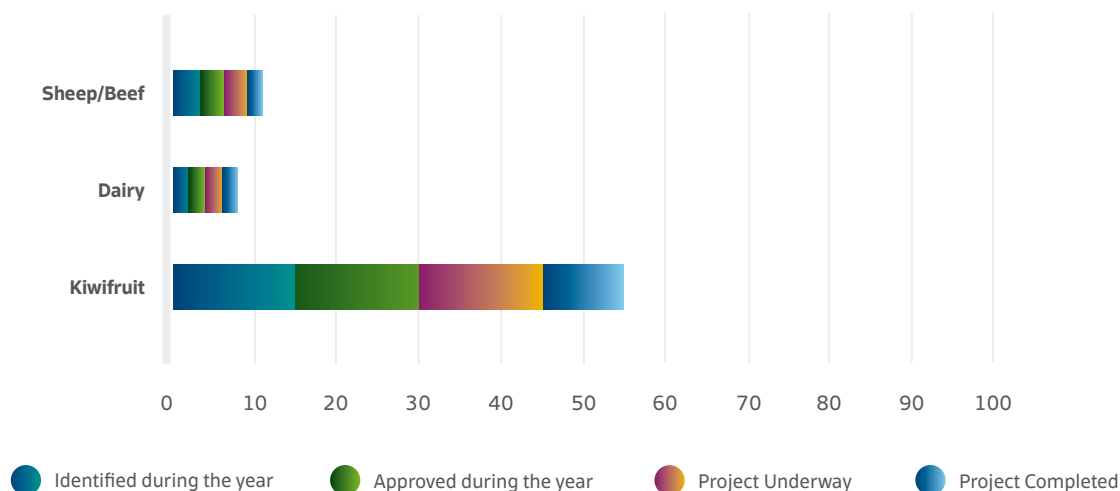


The value of the Common Fund as at 31 March 2020 was \$129.7 million, an increase of 10.67 percent over the 2019 year (2019 \$117.2 million). Growth is derived from rent-roll growth; enterprise income from farms, forests and orchards; investment income growth; and decisions by owners and trustees to retain funds in their trusts

for potential future development. The major contributor to this year's fund-size increase was one large charitable trust completing a sizeable property development with sale proceeds credited to its Common Fund account.

Land development

Capital projects



The Omataroa optimisation capital investment project was completed this year, with a new irrigation system built and replacement planting underway. The irrigation system will provide the benefit to the orchard of ensuring the survival of plants during the hot period and also helping to improve the quality of fruit. The replacement planting is aimed at increasing production and quality of fruit.

At Hereheretau Station, a new shed has been erected and drainage work on the flats have also

been completed this year. Renovations to the house are still in progress.

Following a number of investigations over the years of trying to find a viable source of water, a suitable bore was finally found at Ratima orchard. A new irrigation system has been installed this year following almost 30 years without any irrigation. This will enable the orchard to boost production and improve the quality of fruit in the coming years.

Te Rua O Te Moko has had an in-shed feed system and silo installed this year to minimise feed wastage.

A number of projects have been completed on five orchards this year.

This season saw the second harvest from the vines of Whai Orchard on Matakana g located on Matakana Island. This has been an uncertain season for harvesting kiwifruit, because of the COVID-19 outbreak. Fortunately the majority of our managed orchards harvested before the end of March.

Restrictions such as physical distancing and challenges relating to workforce logistics were managed effectively to support a successful harvest.

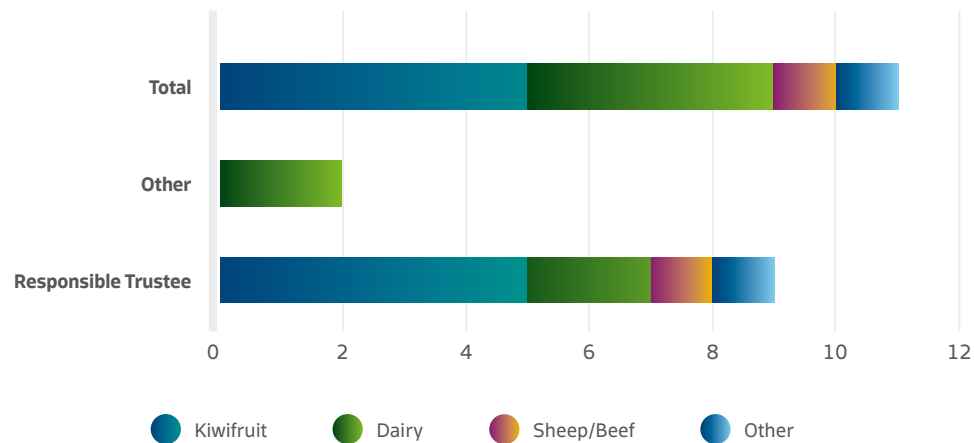
Business support

Consolidated businesses under management

Description	2019/20		
	Actual \$000	Budget \$000	Variance \$000
Income	7,208	6,489	719
Expenses	5,810	4,909	(900)
Enterprise surplus/(deficit)	1,398	1,579	(182)

We support five kiwifruit, four dairy, one sheep and beef enterprise and a mānuka plantation.

Enterprises supported



Once again our kiwifruit orchards are exhibiting strong production. We have had a very good kiwifruit season despite the challenges due

to ongoing drought conditions and the recent COVID-19 pandemic restrictions.

The farming enterprises we support continue to perform well in spite of the impacts of market and climate over the year. After a number of seasons of depressed markets, our dairy portfolio has also out-performed target.

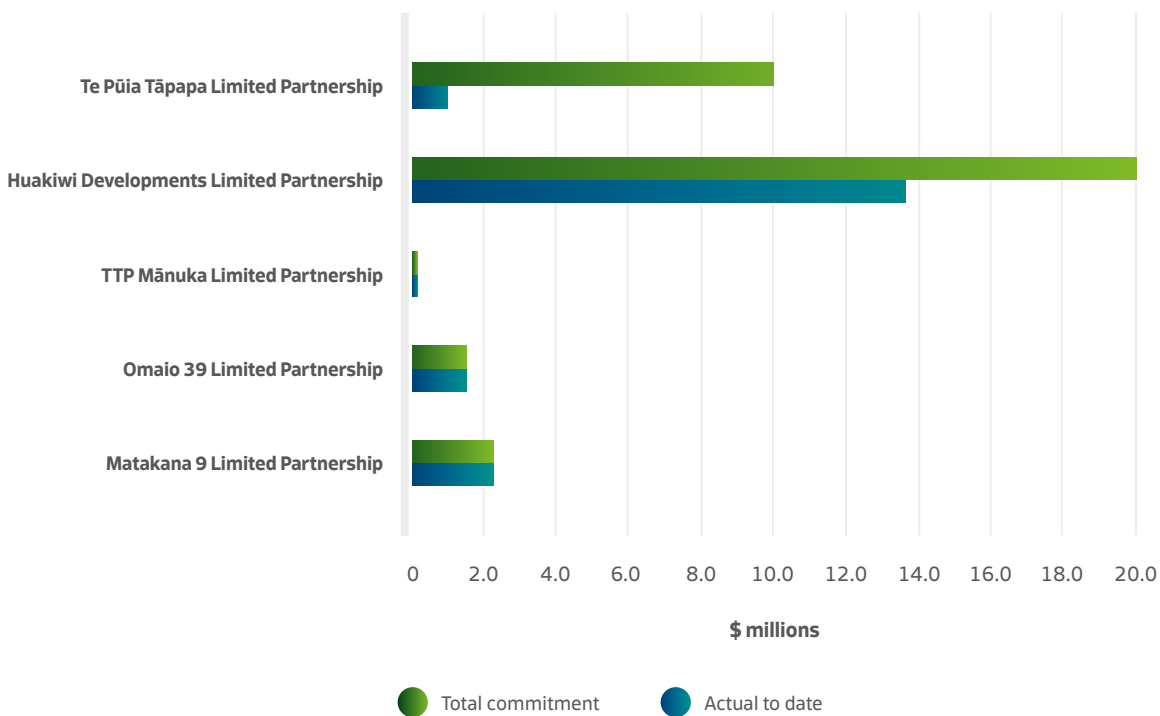
Farming was deemed an essential service throughout the COVID-19 restrictions, allowing farmers to continue their normal operations.

Prices held up this season, despite the global impact of COVID-19 and healthy production in the European markets.

Drought continues to impact farming operations leaving many heading into winter with no ability to produce feed due to dropping soil temperatures.

Enablement funding

Investment funding



We are heavily involved in kiwifruit, however, we have decided to take a step back on further investment to what we have already committed.

Due to the rapidly increasing cost of purchasing Gold licence, the investment into kiwifruit is no longer viable for trusts as the payback period increases significantly. This was decided following a risk assessment of our kiwifruit programme and the model used for investment.

Te Tumu Paeroa has provided investment funding and made applications on behalf of trusts to conduct feasibility studies.

An investment of \$20 million has been committed to develop kiwifruit orchards as part of the

\$30 million investment into developing Māori land, and \$10 million has been set aside to help establish Te Pūia Tāpapa to grow iwi and Māori investment in economic areas where entry for Māori has been challenging.

A person with dark hair tied back, wearing a camouflage jacket, is kneeling in a grassy field and planting a sapling. The person is looking down at the soil. The background shows a blurred field with other plants and a fence.

Our Financial Statements

- Statement of Comprehensive Revenue and Expense
- Statement of Changes in Net Assets/Equity
- Statement of Financial Position
- Statement of Cash Flows
- Statement of Trust Monies
- Notes to the Financial Statements

A green decorative swirl graphic with black outlines, located in the bottom left corner of the page.

◀ **Manaakitanga | Respect**
Te akiaki i te mana – we treat everyone with dignity, fairness and empathy

Statement of Comprehensive Revenue and Expense

For the year ended 31 March 2020

	Notes	Group			Parent	
		2020 Actual \$000	2020 Budget \$000	2019 Actual \$000	2020 Actual \$000	2019 Actual \$000
Revenue						
Fees and commissions		4,563	4,910	5,947	4,619	6,012
Revenue from Crown	1	11,261	11,261	11,261	11,261	11,261
Interest revenue		3,911	3,467	4,304	3,911	4,350
Farm and land revenue		2,371	1,500	1,441	-	-
Dividends		-	93	-	77	344
Other revenue		272	456	122	599	482
Total revenue	2	22,378	21,687	23,075	20,467	22,449
Expenses						
Employee benefits	3	10,349	10,917	9,977	10,089	9,623
Depreciation	17	381	273	509	213	234
Amortisation	18	639	619	545	610	517
Restructuring costs		180	-	-	180	-
Farm and land expenses	4	1,193	1,500	1,365	-	-
Impairment of other financial assets	13	58	-	195	58	195
Impairment of investments in subsidiaries	11	-	-	-	1,282	-
Other expenses	5	6,807	7,104	8,127	6,684	8,201
Total operating expenses		19,607	20,413	20,718	19,116	18,770
Net surplus/(deficit) from operations		2,771	1,274	2,357	1,351	3,679
Other gains/(losses)						
Reversal of impairment		10	-	283	10	283
Impairment of equity accounted investments	12	(166)	-	(456)	(166)	(1,497)
Loss on investment property revaluation	16	-	-	-	(635)	(140)
Reduction in liability to MET		-	-	-	159	322
(Decrease)/increase in market value of shares		(69)	-	(214)	-	-
Share of equity accounted investments' net surplus	12	(1,564)	-	(240)	-	-
Total other gains/(losses)		(1,789)	-	(627)	(632)	(1,032)
Net surplus/(deficit) before tax		982	1,274	1,730	719	2,647
Income tax expense	6	-	-	-	-	-
Net surplus/(deficit) after tax		982	1,274	1,730	719	2,647
Net surplus/(deficit) attributable to:						
Māori Trustee		982	1,274	1,730	719	2,647
Non-controlling interest		-	-	-	-	-
Other comprehensive revenue and expense						
Share of equity accounted investments' other comprehensive revenue/(expense)	12	32	-	28	-	-
Impairment of investment in subsidiaries	27	-	-	-	-	(192)
Increase in financial assets at fair value		859	969	2,615	859	2,615
Gain/(loss) on asset revaluation		(591)	5	500	(115)	318
Loss on disposal of a controlled entity		-	-	(256)	-	-
Total comprehensive revenue and expense		1,282	2,248	4,617	1,463	5,388
Total comprehensive revenue and expense attributable to:						
Māori Trustee		1,282	2,248	4,617	1,463	5,388
Non-controlling interest		-	-	-	-	-

Explanations of major variances against budget are provided in note 29.
These financial statements should be read in conjunction with the accompanying notes.

		Group			Parent	
	Notes	2020 Actual \$000	2020 Budget \$000	2019 Actual \$000	2020 Actual \$000	2019 Actual \$000
Equity at beginning of year						
General Purposes Fund		167,591	165,506	159,939	170,739	162,134
Appropriation Account		(10,290)	(9,745)	(4,140)	(10,290)	(4,140)
Financial assets through other comprehensive revenue and expense		7,220	7,220	4,605	7,005	4,390
Asset revaluation reserve		1,973	1,973	1,473	1,300	982
Total equity at beginning of year		166,494	164,955	161,877	168,754	163,366
Transfers from statement of comprehensive revenue and expense for the year						
General Purposes Fund		7,314	8,403	7,652	7,019	8,605
Appropriation Account		(6,300)	(7,129)	(6,150)	(6,300)	(6,150)
Financial assets through other comprehensive revenue and expense		859	969	2,615	859	2,615
Asset revaluation reserve		(591)	5	500	(115)	318
Total comprehensive revenue and expense		1,282	2,248	4,617	1,463	5,388
General Purposes Fund advance write off	27	(21,920)	-	-	(21,920)	-
Appropriation Account advance write off	27	21,920	-	-	21,920	-
Equity at end of year						
General Purposes Fund		152,985	163,909	167,591	155,838	170,739
Appropriation Account		5,330	(16,873)	(10,290)	5,330	(10,290)
Financial assets through other comprehensive revenue and expense		8,079	8,189	7,220	7,864	7,005
Asset revaluation reserve		1,382	1,978	1,973	1,185	1,300
Total equity at end of year		167,776	167,203	166,494	170,217	168,754

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Statement of Financial Position

As at 31 March 2020

		Group			Parent	
		2020 Actual \$000	2020 Budget \$000	2019 Actual \$000	2020 Actual \$000	2019 Actual \$000
	Notes					
Assets						
Current assets						
Cash and cash equivalents	7	1,640	3,064	1,669	1,129	1,270
Debtors and other receivables	8	4,426	5,330	4,980	4,296	4,877
Term deposits		77,010	59,100	70,760	77,000	70,750
Held-to-maturity investments	9	2,291	4,500	11,609	2,291	11,609
Loans and receivables	10	159	125	272	159	272
Biological assets	14	991	1,083	1,176	-	-
Equities	15	18,866	17,126	18,007	18,866	18,007
Other financial assets	13	877	-	-	877	-
Inventory		695	-	-	-	-
Total current assets		106,955	90,328	108,472	104,618	106,784
Non-current assets						
Held-to-maturity investments	9	27,707	32,277	25,479	27,707	25,479
Loans and receivables	10	1,390	888	1,266	1,390	1,266
Investments		759	994	784	-	-
Investments in subsidiaries	11	-	-	-	6,043	6,796
Equity accounted investments	12	14,266	25,532	13,125	15,675	12,925
Other financial assets	13	1,380	1,620	1,402	1,380	1,402
Investment property	16	-	10,762	-	9,996	10,631
Property	17	9,996	-	10,631	-	-
Plant and equipment	17	1,893	2,905	1,992	440	444
Intangible assets	18	5,454	4,862	5,706	4,838	5,151
Total non-current assets		62,845	79,840	60,385	67,469	64,094
Total assets		169,800	170,168	168,858	172,087	170,879
Liabilities and equity						
Current liabilities						
Payables	19	1,501	1,831	1,475	1,347	1,236
Employee benefits	20	511	642	717	511	717
Total current liabilities		2,012	2,474	2,192	1,858	1,953
Non-current liabilities						
Employee benefits	20	12	10	13	12	13
Other non-current liabilities	21	-	481	159	-	159
Total non-current liabilities		12	491	172	12	172
Total liabilities		2,024	2,965	2,364	1,870	2,125
Net assets/equity						
Total equity attributable to Māori Trustee		166,394	165,255	164,521	169,032	167,454
Reserves		1,382	1,978	1,973	1,185	1,300
Non-controlling interest		-	-	-	-	-
Total equity		167,776	167,203	166,494	170,217	168,754
Total liabilities and equity		169,800	170,168	168,858	172,087	170,879

Explanations of major variances against budget are provided in note 29.
These financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 March 2020

		Group			Parent	
		2020 Actual \$000	2020 Budget \$000	2019 Actual \$000	2020 Actual \$000	2019 Actual \$000
Notes						
Cash flows from operating activities						
		5,110	5,390	5,477	5,110	5,530
		11,261	11,261	11,261	11,261	11,261
		4,096	3,493	4,310	4,096	4,328
		333	734	657	678	827
		1,808	1,500	1,492	-	-
		(10,296)	(10,795)	(9,733)	(10,296)	(9,733)
		(6,302)	(8,084)	(7,282)	(6,303)	(7,256)
		(1,705)	(1,500)	(2,314)	-	-
		(180)	-	-	(180)	-
		(126)	(348)	53	(131)	67
	22	3,999	1,651	3,922	4,234	5,023
Cash flows from investing activities						
		1,144	266	2,305	1,144	2,305
		11,250	11,250	5,500	11,250	5,500
		(6,250)	11,650	1,100	(6,250)	1,100
		-	-	56	-	83
		-	-	-	-	(9)
		(262)	(309)	(344)	(209)	(244)
		(502)	(825)	(716)	(412)	(716)
		(1,224)	-	(2,186)	(1,224)	(2,186)
		-	-	-	(529)	(643)
		(2,986)	(12,100)	(5,286)	(2,986)	(5,286)
		(4,244)	(11,250)	(4,591)	(4,244)	(4,591)
		(952)	-	(67)	(915)	(57)
		-	-	-	-	-
		(4,027)	(1,318)	(4,229)	(4,375)	(4,744)
		(29)	333	(307)	(141)	279
		1,669	2,731	1,976	1,270	991
	7	1,640	3,064	1,669	1,129	1,270

GST has been presented on a net basis. Investment and maturity of term deposits have also been reported on a net basis. Explanations of major variances against budget are provided in note 29.

These financial statements should be read in conjunction with the accompanying notes.

Statement of Trust Monies

For the year ended 31 March 2020

The Māori Trustee operates trust accounts under section 23 of the Māori Trustee Amendment Act 2009 (the Act).

The transactions through these accounts and the balances at 31 March 2020 are not included in the Māori Trustee's financial statements. Balances in these accounts were as follows:

	Common Fund		Special Investment Accounts	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Funds held in trust	127,133	114,440	99	113
Represented by				
Cash	7,330	1,499	60	74
Bonds	39,803	45,691	39	39
Term deposits	80,000	67,250	-	-
	127,133	114,440	99	113

The Common Fund represents monies received by the Māori Trustee, under sections 23 and 25 of the Act, in trust for persons entitled to receive them. All Common Fund monies are guaranteed by the Crown under section 27 of the Act.

Special Investment Accounts are investments made in accordance with section 24 of the Act.

The funds invested in the Māori Trustee Common Fund generated investment income and were charged a management fee as follows:

	2020 \$000	2019 \$000
Common Fund investment income	4,417	4,310
Management fee	(935)	(898)
Distributable income	3,481	3,412

Notes to the Financial Statements

For the year ended 31 March 2020

Statement of accounting policies

Reporting entity

The Māori Trustee is a corporation sole defined under the Māori Trustee Act 1953 (the Act) and is domiciled in New Zealand. The fundamental role of the Māori Trustee is to work with Māori landowners to protect and build their assets for now and for future generations. Accordingly, the Māori Trustee has designated itself as a public benefit entity (PBE) for financial reporting standards purposes.

These financial statements have been prepared in terms of section 23 of the Act for the General Purposes Fund and the Appropriation Account. The Māori Trustee operates and manages trust accounts on behalf of clients under section 23 of the Act. The trust account transactions and balances are not included in the Māori Trustee's financial statements. These are included in the statement of trust monies. These consolidated financial statements for the year ended 31 March 2020 comprise the controlling entity and its controlled entities referred to as the 'Group'.

The General Purposes Fund represents funds held by the Māori Trustee in its own right. The Appropriation Account was established on 1 July 2009 under the Māori Trustee Amendment Act 2009 to account for revenue received from the Crown.

The financial statements for the Māori Trustee are for the year ended 31 March 2020 and were approved by the Māori Trustee on 4 May 2021.

Basis of preparation

Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP).

As the Māori Trustee in fulfilling its role hold assets in a fiduciary capacity for Māori landowners as its primary business, the Māori Trustee is publicly accountable for the purposes of financial reporting.

The financial statements comply with Public Benefit Entity (PBE) standards, and have been prepared in accordance with Tier 1 PBE standards.

Functional and presentation currency

The financial statements and notes are presented in the Māori Trustee's functional currency, which is New Zealand dollars, and all values are rounded to the nearest thousand dollars (\$000).

Standards issued and not yet effective and not early adopted

There are no standards, amendments, and interpretations issued, but not yet effective, that have not been early adopted and which are relevant to the Māori Trustee.

Budget figures

The budget figures were approved by the Māori Trustee. The budget figures were prepared in accordance with NZ GAAP and are consistent with the accounting policies adopted by the Māori Trustee for the preparation of the financial statements.

Measurement base

The financial statements have been prepared on a historical cost basis, except where modified by revaluation of certain items of property, plant and equipment, investment property, held-to-maturity

investments and non-current assets held for sale. The methods used to measure fair value are detailed in the specific accounting policies.

Basis of consolidation

Leases

Leases that do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Operating lease payments are recognised on a straight-line basis over the term of the lease in the statement of comprehensive revenue and expense.

Term deposits

Investments in term deposits are initially measured at fair value plus transaction costs. For term deposits, impairment is established when there is objective evidence that the Māori Trustee will not be able to collect amounts due according to the original term of the deposit.

Investments

Investments are stated at market value.

Goods and services tax (GST)

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

The net amount of GST receivable or payable to the Inland Revenue is included as part of receivables or payables in the statement of financial position.

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

Commitments and contingencies are disclosed exclusive of GST.

Equity

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

- » General Purposes Fund – funds held by the Māori Trustee in its own right.
- » Appropriation Account – established under the Māori Trustee Amendment Act 2009 to account for revenue received from the Crown.
- » Financial assets through other comprehensive revenue.
- » Asset Revaluation Reserve(s).

Statement of cash flows

The statement of cash flows has been prepared using direct approach subject to the netting of certain cash flows. The make-up of cash and cash equivalents in the statement of cash flows is the same as that for cash and cash equivalents in the statement of financial position.

Operating activities include cash received from all revenue sources and cash payments made for the supply of goods and services.

Investing activities include the acquisition and disposal of non-current assets and other investments not included in cash and cash equivalents.

Financing activities include activities that result in changes to the size and composition of equity.

Critical judgements, accounting estimates and assumptions

In preparing these financial statements in conformity with PBE accounting standards, the Māori Trustee has made judgements, estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The estimates, judgements and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Critical accounting estimates and assumptions

The useful lives of assets have been based on historical experience. In addition, the condition of the assets is assessed annually and considered against the remaining useful lives. Adjustments to useful lives are made when considered necessary.

Critical judgements in applying accounting policies

The Māori Trustee has exercised the following critical judgement in applying the accounting policies.

» Impairment of financial and non-financial assets:

The Māori Trustee assesses the impairment of assets at each reporting date by evaluating conditions specific to the Māori Trustee and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined.

» Revaluation of investment property:

The Māori Trustee assesses the fair value of its investment property at each reporting date by completing a property valuation, which evaluates market conditions at balance date.

» Employee Benefits:

The Māori Trustee makes assumptions in calculating employee benefits that are payable beyond 12 months of balance date, such as long service leave, which are calculated on an actuarial basis, taking into account years of service, years until entitlement, the likelihood that staff will reach the point of entitlement, and the net present value of the estimated cash flows.

» Revenue:

The Māori Trustee makes judgement when recognising and categorising revenue as revenue from exchange and non-exchange transactions.

1. Revenue from Crown

The Māori Trustee received revenue from the Crown in accordance with the Funding Agreement dated 24 March 2016 and variation to the funding agreement between the Minister for Māori Development and the Māori Trustee. The revenue in the current financial year is \$11,261,000 (2019 \$11,261,000).

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Revenue from Crown	11,261	11,261	11,261	11,261
	11,261	11,261	11,261	11,261

2. Revenue

Accounting policy

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

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Māori Trustee and that the revenue can be reliably measured.

Revenue is comprised of:

- » Non-exchange transactions – Revenue from Crown, fees and interest revenue from lending.
- » Exchange transactions – Commissions, Common Fund management fees, interest revenue from investment, dividends, rent, farm revenue, director's fees and other revenue.

Fees and commissions

The Māori Trustee can only deduct commissions upon actual receipt of trust monies. Therefore, commissions are recognised on a cash basis and fees on an invoice basis.

Interest

Interest revenue is recognised using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated cash flows associated with a financial instrument over the expected life of the instrument.

Revenue from the Crown

Revenue from the Crown is recognised as revenue when the Māori Trustee is entitled to receive the funding.

Farm Revenue

Farm Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that economic benefits will flow to the Partnership and that the revenue can be reliably measured.

Dividends

Dividends are recognised when the Māori Trustee's right to receive payments is established.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Revenue from non-exchange transactions				
Fees	2,848	4,281	2,904	4,346
Less fees forgiven/written off	(472)	(444)	(472)	(444)
Revenue from Crown	11,261	11,261	11,261	11,261
Interest revenue from lending	164	89	164	134
Total revenue from non-exchange transactions	13,801	15,187	13,857	15,297
Revenue from exchange transactions				
Commissions	1,288	1,266	1,288	1,266
Common Fund management fees	899	843	899	843
Interest revenue from investment	3,747	4,215	3,747	4,215
Farm revenue	2,371	1,441	-	-
Dividends	-	-	77	344
Other revenue	272	123	599	484
Total revenue from exchange transactions	8,577	7,888	6,610	7,152
Total revenue	22,378	23,075	20,467	22,449

3. Employee benefits

Accounting policy

Superannuation schemes

Obligations for contributions to KiwiSaver and the State Sector Retirement Savings Scheme are accounted for as defined contribution superannuation schemes and are expensed in the statement of comprehensive revenue and expense as incurred.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Salaries and wages	9,865	9,512	9,605	9,158
Defined contribution plan employer contributions	245	242	245	242
Increase/(decrease) in employee entitlements	49	16	49	16
Recruitment related costs	190	207	190	207
Total employee benefits	10,349	9,977	10,089	9,623

4. Farm and land expenses

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Administration expenses	88	94	-	-
Feed	296	275	-	-
Lease payments	12	12	-	-
Repairs and maintenance	84	113	-	-
Stock movement	(111)	(193)	-	-
Honey cost collection	-	280	-	-
Other farm expenses	824	784	-	-
Total farm and land expenses	1,193	1,365	-	-

5. Other expenditure

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Fees paid to auditors				
– Audit fees for Parent	162	155	162	155
– Audit fees for Subsidiary	32	27	-	-
Impairment of loans and receivables current year	243	186	243	998
Occupancy	801	804	801	804
Consultants' fees	2,220	2,589	2,220	2,587
Legal fees	60	161	60	151
Travel	422	567	422	562
Telecommunications	210	230	210	230
Printing and stationery	108	121	108	121
Insurance	91	74	91	72
Software licences and maintenance	1,233	1,270	1,233	1,264
Loss/(gain) on disposal/write-off assets	91	3	-	3
Bad debts – loans and receivables written off	13	644	13	(6)
Other operating costs	1,121	1,296	1,121	1,260
Total other expenditure	6,807	8,127	6,684	8,201

6. Taxation

Accounting policy

The Parent, the Māori Trustee, is exempt from income tax as a public authority. Accordingly, no provision has been made for income tax for the Parent. All controlled entities of the Parent are taxpayers. The accounting policies applied in respect of the controlled entities are as follows:

Income tax expense comprises both current and deferred tax. Income tax expense is charged or credited to the statement of comprehensive revenue and expense, except when it relates to items charged or credited directly to equity, in which case the tax is charged to equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at reporting date and any adjustments to tax in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the carrying amounts used for taxation purposes.

The amount of deferred tax provided is based on the expected manner of realisation of the asset or settlement of the liability, using tax rates enacted or substantively enacted at each reporting date. Deferred tax assets and liabilities are not discounted. A deferred tax asset is recognised in the financial statements for all deductible temporary differences and for the carry forward of unused tax losses and unused tax credits only to the extent that it is probable that future taxable surpluses will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Unrecognised deferred tax assets are reassessed at each balance sheet date.

	Group	
	2020 \$000	2019 \$000
Reconciliation between tax expense and accounting surplus:		
Surplus before tax	982	1,730
Tax at 28% (2019 28%)	275	484
Tax effect of:		
Parent company income not taxable	(560)	(741)
Non-taxable income	285	257
Tax expense/(benefit)	-	-

Figures above are presented only for the Group as the Parent is exempt from tax. There is zero tax expense (2019 \$Nil) and there is no offsetting movements (2019 \$Nil).

7. Cash and cash equivalents

Accounting policy

Cash and cash equivalents comprise cash on hand, cash at bank, and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Cash at bank and on hand	611	496	100	97
Deposits at call	1,029	1,173	1,029	1,173
Short-term deposits	-	-	-	-
Total cash and cash equivalents	1,640	1,669	1,129	1,270

The carrying value of cash at bank, deposits at call and short-term deposits with maturities less than three months approximates their fair value.

8. Debtors and other receivables

Accounting policy

Debtors and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment.

A provision for impairment of debtors is established when there is objective evidence that the Māori Trustee will not be able to collect all amounts due according to the original terms of the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

The amount of the provision for impairment is the difference between an asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the statement of comprehensive revenue and expense. When a debtor is uncollectable, it is written off against the provision account.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Receivables from non-exchange transactions				
Trade debtors	171	715	171	715
Sundry receivables	2,815	2,815	2,815	2,815
Receivables from exchange transactions				
Interest receivable	706	946	706	964
Sundry receivables	734	486	604	383
Total debtors and other receivables	4,426	4,980	4,296	4,877

The carrying value of debtors and other receivables approximates their fair value. Trade debtors are non-interest bearing and are generally on monthly terms. An impairment loss is recognised when there is objective evidence that an individual trade debtor is impaired. All debtors past due have been assessed for impairment.

9. Held-to-maturity investments

Accounting policy

Non-derivative financial assets with fixed or determinable payments are classified as held-to-maturity investments when the Māori Trustee has the positive intention and ability to hold these investments to maturity. Held-to-maturity investments include bank, corporate and government bonds. Investments intended to be held for an undefined period are not included in this classification.

Held-to-maturity investments are initially recorded at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method less any impairment losses. The amortisation is recorded in the statement of comprehensive revenue and expense as interest revenue/expense. Gains and losses are recognised in the statement of comprehensive revenue and expense when the investments are derecognised or impaired.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Current portion				
Bank bonds	2,098	5,119	2,098	5,119
Corporate bonds	168	6,490	168	6,490
Government bonds	25	-	25	-
Total current portion	2,291	11,609	2,291	11,609
Non-current portion				
Bank bonds	4,500	6,500	4,500	6,500
Corporate bonds	20,999	18,979	20,999	18,979
Government bonds	2,208	-	2,208	-
Total non-current portion	27,707	25,479	27,707	25,479
Total held-to-maturity investments	29,998	37,088	29,998	37,088

10. Loans and receivables

Accounting policy

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables include loans and mortgages, Conversion Fund loans and other advances.

Loans made at nil or below-market interest rates are initially recognised at the present value of their expected future cash flows, discounted at the current market rates of return for similar financial instruments. The loans are subsequently measured at amortised cost using the effective interest method. The difference between the face value and present value of the expected future cash flows of a loan is recognised in the net surplus or deficit as impairment.

These assets are initially recorded at fair value plus transaction costs and are subsequently measured at amortised cost using the effective interest method less provision for impairment.

A provision for impairment of loans and receivables is established when there is objective evidence that the Māori Trustee will not be able to collect all amounts due according to the original terms of the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment.

The amount of the provision for impairment is the difference between an asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of a provision account, and the amount of the loss is recognised in the statement of comprehensive revenue and expense. When an asset is uncollectable, it is written off against the provision account.

Loans and mortgages are classified as current assets if principal repayments are due within 12 months of balance date or if the principal amount is overdue at balance date. All other amounts are classified as non-current assets.

	Group					
	Gross \$000	2020 Impairment \$000	Net \$000	Gross \$000	2019 Impairment \$000	Net \$000
Current portion						
Loans and mortgages	301	(216)	84	413	(216)	197
Conversion Fund loans	75	-	75	75	-	75
Total current portion	376	(216)	159	488	(216)	272
Non-current portion						
Loans and mortgages	1,197	(171)	1,027	779	(98)	681
Conversion Fund loans	2,697	(2,484)	213	2,767	(2,335)	432
Other advances	157	(7)	150	156	(3)	153
Total non-current portion	4,051	(2,662)	1,390	3,702	(2,436)	1,266
Total loans and receivables	4,427	(2,878)	1,549	4,190	(2,652)	1,538

	Parent					
	Gross \$000	2020 Impairment \$000	Net \$000	Gross \$000	2019 Impairment \$000	Net \$000
Current portion						
Loans and mortgages	301	(216)	84	413	(216)	197
Conversion Fund loans	75	-	75	75	-	75
Total current portion	376	(216)	159	488	(216)	272
Non-current portion						
Loans and mortgages	2,117	(1,091)	1,027	1,699	(1,018)	681
Conversion Fund loans	2,697	(2,484)	213	2,767	(2,335)	432
Other advances	157	(7)	150	156	(3)	153
Total non-current portion	4,971	(3,582)	1,390	4,622	(3,356)	1,266
Total loans and receivables	5,347	(3,798)	1,549	5,110	(3,572)	1,538

The carrying value of loans and receivables approximates their fair value. Movements in the provision for impairment of loans and receivables are as follows:

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Provision for impairment at 1 April	2,652	2,891	3,572	2,891
Additional provisions made during the year	236	44	236	964
Provisions reversed during the year	(10)	(283)	(10)	(283)
Provision for impairment at 31 March	2,878	2,652	3,798	3,572

All loans and receivables have been reviewed at balance date and impaired where necessary to approximate their fair value.

Conversion Fund loans were established under the Māori Affairs Act 1953. The Māori Trustee is either applying funds from distributions to the repayment of such loans or converting loans to an interest-free loan with repayment terms.

The ageing profile of loans and receivables at year end is detailed below.

	Group					
	Gross \$000	2020 Impairment \$000	Net \$000	Gross \$000	2019 Impairment \$000	Net \$000
Not past due	1,311	(50)	1,261	1,086	(56)	1,030
Past due 1 – 30 days	-	-	-	-	-	-
Past due 31 – 60 days	-	-	-	-	-	-
Past due 61 – 90 days	-	-	-	1	-	1
Past due over 90 days	3,116	(2,828)	288	3,103	(2,596)	507
Total loans and receivables	4,427	(2,878)	1,549	4,190	(2,652)	1,538

	Parent					
	Gross \$000	2020 Impairment \$000	Net \$000	Gross \$000	2019 Impairment \$000	Net \$000
Not past due	1,311	(50)	1,261	1,086	(56)	1,030
Past due 1 – 30 days	-	-	-	-	-	-
Past due 31 – 60 days	-	-	-	-	-	-
Past due 61 – 90 days	-	-	-	1	-	1
Past due over 90 days	4,036	(3,748)	288	4,023	(3,516)	507
Total loans and receivables	5,347	(3,798)	1,549	5,110	(3,572)	1,538

Impairment in the 'Not past due' category includes the fair value impairment of loans that have an interest rate of 0%.

11. Investments in subsidiaries

Accounting policy

The consolidated financial statements comprise the financial statements of the Māori Trustee, its wholly owned and controlled entities, MTD₁ Limited (100%), Te Tumu Paeroa Dairy Limited Partnership (100%), M9 Limited (100%), Matakana 9 Limited Partnership (100%), O39 Limited (100%), Omaio 39 Limited Partnership (100%), TTP Services (Mānuka) Limited (100%) and TTP Mānuka Limited Partnership (100%). Controlled entities are those entities over which the Māori Trustee has the power to govern the financial and operating policies to obtain benefits from their activities.

MTD₁ Limited is a wholly owned and controlled entity of the Māori Trustee with no transactions for the year ended 31 March 2020 (2019 Nil). MTD₁ Limited is the general partner for Te Tumu Paeroa Dairy Limited Partnership, which was created in May 2013. As the general partner, MTD₁ Limited has responsibility for the management and control of the business and partnership.

Te Tumu Paeroa Dairy Limited Partnership was originally created with the Māori Trustee as the only limited partner owning 100 partnership units. Subsequently, 50 of the 100 partnership units were transferred to the Māori Education Trust. During the 2016 financial year, the Māori Trustee bought back the 50 partnership units from Māori Education Trust, leaving the Māori Trustee as the only limited partner.

The investment was initially carried at cost in the parent accounts. Fair value is determined using net asset values as most of the Limited Partnership's assets are measured at fair value. The recoverable amount of the investment is the fair value less costs to sell.

At 31 March 2020, the carrying value of the investment in Te Tumu Paeroa Dairy Limited Partnership was impaired by \$1.28m.

M9 Limited is a wholly owned and controlled entity of the Māori Trustee with no transactions for the year ended 31 March 2020 (2019 Nil). M9 Limited is the general partner for Matakana 9 Limited Partnership, which was created in April 2016. As the general partner, M9 Limited has responsibility for the management and control of the business and partnership.

Matakana 9 Limited Partnership was created with the Māori Trustee as the only limited partner. The partnership is engaged in developing a kiwifruit orchard and producing kiwifruit.

Matakana 9 Limited Partnership leases land from Matakana 9 Trust. At the end of the lease the assets owned by the partnership transfer to the trust. The carrying value of these assets is \$847,040 (2019 \$914,162) and are classified as farm assets.

O39 Limited is a wholly owned and controlled entity of the Māori Trustee with no transactions for the year ended 31 March 2020 (2019 Nil). O39 Limited is the general partner for Omaio 39 Limited Partnership, which was created in April 2016. As the general partner, O39 Limited has responsibility for the management and control of the business and partnership.

Omaio 39 Limited Partnership was created with the Māori Trustee as the only limited partner. The partnership is engaged in developing a kiwifruit orchard and producing kiwifruit.

Omaio 39 Limited Partnership leases land from Omaio 39 Trust. At the end of the lease the assets owned by the partnership will transfer to the trust. The carrying value of these assets is \$450,105 (2019 \$495,064) and are classified as farm assets.

Impairment testing was undertaken with regards to the carrying value of the investments in Matakana 9 Limited Partnership and Omaio 39 Limited Partnership in the parent accounts. The impairment assessment was done based on future cash flows and an appropriate discount rate was applied to reflect the risk of the investment. The risks associated with holding these investments include exposure to adverse climatic (e.g. drought or flooding) and environmental (e.g. disease outbreaks, biosecurity) conditions. There were no impairments that arose from this testing.

TTP Services (Mānuka) Limited is a wholly owned and controlled entity of the Māori Trustee with no transactions for the year ended 31 March 2020 (2019 Nil). TTP Services (Mānuka) Limited is the general partner for TTP Mānuka Limited Partnership, which was created in July 2017. As the general partner, TTP Services (Mānuka) Limited has responsibility for the management and control of the business and partnership.

TTP Mānuka Limited Partnership was created with the Māori Trustee as the only limited partner. The partnership is engaged in developing a Mānuka plantation in New Zealand.

During the 2020 financial year, the Māori Trustee provided a letter of support to TTP Mānuka Limited Partnership committing to support the operating expenses of the subsidiary, to the extent that support was required. The potential operating expense exposure under this letter of support at 31 March 2020 was \$9,503 (2019: \$17,995). This allowed the partnership to continue as a going concern.

TTP Mānuka Limited Partnership leases land from Hauhungaroa 7 Trust. At the end of the lease the assets owned by the partnership will transfer to the trust. The carrying value of these assets is \$Nil (2019 \$95,445), they were fully impaired during the 2020 financial year. Subsequent to balance date the investment in TTP Mānuka Limited Partnership was disposed of and the lease terminated.

The financial statements of the wholly owned and controlled entities are prepared for the same reporting period as the Māori Trustee, with the exception of Te Tumu Paeroa Dairy Limited Partnership, which has a 31 May balance date to align with farming practice.

Intercompany transactions, balances and unrealised gains on transactions between the controlled entities and the Group are eliminated. Investments in controlled entities are subject to annual review for impairment.

The subsidiaries of the Group are incorporated/established in New Zealand and undertake their business in New Zealand.

12. Equity accounted investments

Accounting policy

Equity accounted investments are accounted for using the equity method of accounting in the consolidated financial statements. Under the equity method, equity accounted investments are carried at cost plus post-acquisition changes in the Māori Trustee's share of the net assets of the equity accounted investments, less provision for impairment.

The Māori Trustee's share of post-acquisition surplus/(deficit) and other comprehensive revenue/(expense) is recognised in the statement of comprehensive revenue and expense. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

Equity accounted investments are recorded at cost less any impairment losses in the Parent's financial statements and are accounted for using the equity method of accounting in the Group financial statements.

The financial statements of equity accounted investments are prepared for the same reporting period as the Māori Trustee, with the exception of: Rangihamama Dairy Limited Partnership and RDF1 Limited, which have a 31 May balance date to align with farming practice and Opotiki Packing and Coolstorage Limited, which has a 31 December balance date. The financial statements of Equity Accounted Investments are prepared using consistent accounting policies.

In applying the new standard, PBE IPSAS 26 Investments in associates and joint ventures, the Māori Trustee has revisited certain classifications of equity accounted investments. As a result the investments in Rangihamama Dairy Limited Partnership, RDF1 Limited, Huakiwi Developments Limited Partnership and Huakiwi Services Limited as joint ventures, previously classified as associates are now classified as joint ventures.

A joint venture is an arrangement in which the Māori Trustee has joint control, while an associate is an entity in which the Māori Trustee has significant influence, but not control or joint control over the financial and operating policies. Some investments are classed as associates due to the nature of the relationship with the entity which allows the Māori Trustee to have significant influence, despite having less than 20% of the voting rights.

The Māori Trustee's investments in associates include Mānuka Research Partnership (NZ) Limited, Opotiki Packing and Coolstorage Limited, Farm Data Accreditation Limited and Te Tumu Miere Limited *in liquidation*. The Māori Trustee investments in joint ventures include Rangihamama Dairy Limited Partnership, RDF1 Limited, Huakiwi Developments Limited Partnership and Huakiwi Services Limited.

Equity accounted investments are comprised as follows. (A) denotes an 'associate' and (JV) 'joint venture':

	Equity Holding		Group		Parent	
	2020 %	2019 %	2020 \$000	2019 \$000	2020 \$000	2019 \$000
RDF1 Limited (JV)	50	50	-	-	-	-
Rangihamama Dairy Limited Partnership (JV)	50	50	485	318	227	227
Huakiwi Services Limited (JV)	50	50	-	-	-	-
Huakiwi Developments Limited Partnership (JV)	50	50	11,178	10,208	13,650	10,900
Mānuka Research Partnership (NZ) Limited*	6.78	6.78	-	-	-	-
Opotiki Packing and Cool Storage Limited (A)	10.1	10.1	2,603	2,599	1,798	1,798
Farm Data Accreditation Limited (A)	14.29	14.29	-	-	-	-
Total equity accounted investments			14,266	13,125	15,675	12,925

*Mānuka Research Partnership (NZ) Limited is a company formed purely for research and development purposes to develop and trial superior mānuka plant cultivars alongside the Government through the Primary Growth Partnership (PGP) programme. The Māori Trustee purchased 120 shares at \$1 per share equivalent of 6.78% (2019 6.78%) of the shares on issue. Subsequent to balance date, the Māori Trustee made the decision to sell its shares back to the company and so this investment will now be held as a non-current asset held for sale. The Māori Trustee will receive \$1 for this sale, and will have a commitment to pay of \$20,752 to settle the outstanding share of liabilities held by the Company. This sale is expected to occur within the next financial year.

Movements in the carrying amounts of equity accounted investments are as follows:

	Group		Parent	
	2020	2019	2020	2019
	\$000	\$000	\$000	\$000
Associates				
Opening balance at 1 April	2,599	2,344	1,798	1,798
Transfer balance of former subsidiary to associate	-	-	-	1,041
Share of net surplus/(deficit)	12	206	-	-
Share of other comprehensive revenue/(expenditure)	70	143	-	-
Share of dividends distributed	(77)	(94)	-	-
New investments during the year	166	456	166	456
Impairment of investments during the year	(166)	(456)	(166)	(1,497)
Closing balance at 31 March	2,603	2,599	1,798	1,798
Joint Ventures				
Opening balance at 1 April	10,526	6,187	11,127	6,227
Share of net surplus/(deficit)	(1,575)	(446)	-	-
Share of other comprehensive revenue/(expenditure)	(38)	(115)	-	-
New investments during the year	2,750	4,900	2,750	4,900
Closing balance at 31 March	11,663	10,526	13,877	11,127
Total equity accounted investments	14,266	13,125	15,675	12,925

Te Tumu Miere Limited *in liquidation* (TTM) has been written down by \$151,000 (2019 \$1,497,000) to its value in use. TTM are currently undergoing liquidation and the Māori Trustee is unlikely to derive any future cash flows from this investment.

Mānuka Research Partnership (NZ) Limited has been written down by \$14,978 (2019 \$Nil) to its fair value less cost to sell, from the disposal of the asset in an arm's length transaction between knowledgeable and willing parties.

These impairments were based on the best information available that the Māori Trustee could obtain at the reporting date.

Summarised financial information of associates is as follows:

	Group	
	2020 \$000	2019 \$000
Associates		
Current assets	6,255	5,889
Non-current assets	53,733	50,485
Current liabilities	28,628	11,009
Non-current liabilities	5,581	19,631
Net assets	25,779	25,734
Revenue	53,339	54,083
Total comprehensive revenue/(expenditure)	805	3,455
Share of total comprehensive revenue		
Net surplus/(deficit) after tax	12	206
Other comprehensive revenue/(expenditure)	70	143
Total share of comprehensive revenue	81	349

Summarised financial information of joint ventures is as follows:

	Group					
	2020			2019		
	\$000s	\$000s	\$000s	\$000s	\$000s	\$000s
	Rangihama Dairy Limited Partnership	Huakiwi Developments Limited Partnership	Total	Rangihama Dairy Limited Partnership	Huakiwi Developments Limited Partnership	Total
Joint Ventures						
Current assets	490	1,678	2,168	319	3,898	4,217
Non-current assets	2,077	21,386	23,463	1,990	18,820	20,810
Current liabilities	210	707	917	206	2,303	2,509
Non-current liabilities	1,387	-	1,387	1,467	-	1,467
Net assets	970	22,357	23,327	636	20,415	21,051
Revenue	1,659	-	1,659	1,697	-	1,697
Total comprehensive revenue/(expenditure)	408	(3,573)	(3,165)	175	(1,068)	(892)
Share of total comprehensive revenue						
Net surplus/(deficit) after tax	204	(1,779)	(1,575)	88	(534)	(446)
Other comprehensive revenue/(expenditure)	(38)	-	(38)	(115)	-	(115)
Total share of comprehensive revenue	166	(1,779)	(1,613)	(28)	(534)	(561)

Opotiki Packing and Coolstorage Limited

Opotiki Packing and Coolstorage Limited provides full orchard management, orchard services and post-harvest services to kiwifruit growers in eastern Bay of Plenty, Gisborne, Te Puke and Hawke's Bay. The Māori Trustee is a 10.1% shareholder in Opotiki Packing and Coolstorage Limited (purchased in December 2015) and has one director, which represents 17% of the board. The Māori Trustee actively participates in the decision making along with the other shareholders and directors with intention of ensuring the success of the Company.

Farm Data Accreditation Limited

Farm Data Accreditation Limited provides New Zealand Farm Data Standards, which are a set of common data vocabularies that help the business and industry organisations that serve New Zealand farmers to develop efficient technology applications and integrations. The Māori Trustee is a 14.29% shareholder in Farm Data Accreditation Limited and has one director, which represents 25% of the board.

Te Tumu Miere Limited (TTM) – in liquidation

TTM is a wholly owned entity of the Māori Trustee for which the nature of business was collection and wholesaling of mānuka honey from Māori land blocks. TTM was incorporated in February 2015, however the company went into liquidation in November 2018. The Māori Trustee now classes TTM as an associate, previously a subsidiary, as control of the entity was lost when it entered into liquidation.

Rangihamama Dairy Limited Partnership and RDF1 Limited

Created in December 2013, Rangihamama Dairy Limited Partnership is a partnership between the Māori Trustee and the Omapere Taraire E & Rangihamama X3A Ahu Whenua Trust to run a joint venture dairy farm. The Omapere Taraire E & Rangihamama X3A Ahu Whenua Trust and the Māori Trustee have appointed RDF1 Limited as general partner to manage the partnership business. The company is 50% owned by Omapere Taraire E & Rangihamama X3A Ahu Whenua Trust and 50% by the Māori Trustee.

Huakiwi Development Limited Partnership and Huakiwi Services Limited

Huakiwi Development Limited Partnership was created in March 2017 between the Māori Trustee and Quayside Holdings Limited and is engaged in developing kiwifruit orchards and producing kiwifruit in New Zealand. The Māori Trustee and Quayside Holdings Limited have appointed Huakiwi Services Limited as general partner to manage the partnership business. The company is 50% owned by Quayside Holdings Limited and 50% by the Māori Trustee.

The Māori Trustee has committed uncalled capital in its equity accounted investments of \$6,350,000 (2019 \$9,100,000).

There are no contingent liabilities relating to the Parent's interests in its equity accounted investments.

The Equity Accounted Investments of the Māori Trustee are all incorporated/established in New Zealand.

13. Other financial assets

Accounting policy

Other financial assets are measured at fair value through other comprehensive revenue and expense as the Māori Trustee has no significant influence over the investment. At the end of each period the Māori Trustee will assess if there's any objective evidence of impairment for its investments.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Opening balance at 1 April	1,402	1,515	1,402	1,515
Advances during the year	913	105	913	105
Repayments during the year	-	(23)	-	(23)
Feasibility costs	-	(115)	-	(115)
Impairment	(58)	(80)	(58)	(80)
Closing balance at 31 March	2,257	1,402	2,257	1,402

Honeylab Limited

Māori Trustee holds 91,507 shares at \$3.00 per share in Honeylab Limited, which makes Māori Trustee a 2.06% shareholder in Honeylab Limited. Māori Trustee has not been appointed as a director and does not have the capacity to influence operating and financial policies or to participate in decision making.

Port Nicholson Block Settlement Trust

Māori Trustee withdrew support for this investment during the 2019 financial year, due diligence and feasibility costs of \$115,000 were expensed.

Ranginui Station Limited Partnership & Baker No Tillage Limited – in liquidation

Prior to the 2018 financial year, the Māori Trustee's interest in Ranginui Station Limited Partnership (RSLP) was as a limited partner of Putake Investments Limited Partnership (PILP). As a result of the completion of the winding up of PILP, the Māori Trustee came to directly hold a 5.26% interest in RSLP and a 2.44% interest in Baker No Tillage Limited *in liquidation*.

Attempts by PILP to sell its interest in RSLP prior to its winding up were not successful. The investment has a significantly long-term horizon for return (more than 50 years), and minimal expectations for a short to medium term return unless the limited partners decided to liquidate the partnership. The Māori Trustee holds Ranginui Station Limited Partnership at its fair value of \$1,105,942. Fair value is determined using the net assets value of the Ranginui Station Limited Partnership as most of the Limited Partnership's assets are measured at fair value.

In 2020, Baker No Tillage Limited entered into liquidation and the Māori Trustee has estimated that no future cash flows will be received from this investment and therefore has fully impaired the investment by recognising an impairment loss of \$21,739 (2019 \$Nil).

Te Puia Tapapa Limited

Te Puia Tapapa Limited was formed as a collective investment vehicle to allow 25 different Māori organisations access to large scale direct investments. The Māori Trustee holds an 8.66% interest in the company and has one director seconded to a board of 10 and therefore does not have significant influence on the investment.

During the year, the Māori Trustee made a contribution of \$913,420 (2019 \$80,000), however this was written down by \$36,410 (2019 \$80,000) being the cost of due diligence for an investment that did not go ahead. The Māori Trustee had committed \$10,000,000 of capital to Te Puia Tapapa Limited, at balance date \$9,006,580 (2019 \$9,920,000) remained uncalled.

Subsequent events

Subsequent to year end, \$877,010 was returned and then redrawn as the planned settlement of the investment happened in July 2020. Furthermore, another capital call was made in October for \$865,801.

In December 2020, the investment in Te Puia Ta Papa was sold by the Māori Trustee.

14. Biological assets

Accounting policy

Biological assets include livestock measured at fair value.

Livestock are measured at estimate of market value at reporting date. The estimated market return less selling cost is established by reference to current and expected sales returns when available, in the event market data is not available an assessment is made based on historical data.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Opening balance at 1 April	1,176	1,282	-	-
Derecognition of TTM assets	-	(200)	-	-
Livestock losses	(40)	(36)	-	-
Reclassify kiwifruit bearer plants from/(to) property, plant and equipment	(202)	26	-	-
Change in fair value due to biological transformation	244	243	-	-
Change in fair value of livestock due to price changes	(93)	(13)	-	-
Increase/(decrease) due to sale	(94)	(126)	-	-
Closing balance at 31 March	991	1,176	-	-

PGG Wrightson Limited determines livestock market value by using sales that have taken place at the time of the valuation. Sales figures are based on similar types of stock that were being traded either through paddock sales or sold at auction.

Matakana 9 Limited Partnership, Omaio 39 Limited Partnership and TTP Mānuka Limited Partnership hold bearer plants recorded at cost, in accordance with for profit accounting standard NZ IAS 16 Property, Plant and Equipment, because the bearer plants are exempt and excluded from the scope of accounting standard NZ IAS 41 Agriculture.

The Group applies PBE accounting standards for reporting and, hence, on consolidation, the bearer plants, previously reclassified to biological assets in accordance with PBE IPSAS 27 Agriculture, have been reclassified back to property, plant and equipment in accordance with PBE IPSAS 17 Property, Plant and Equipment.

15. Equities

Accounting policy

Equities are measured at fair value of the investment through quoted prices in the market through other comprehensive revenue and expense which are initially measured at fair value plus transaction costs.

After initial recognition, these investments are measured at their fair value with gains and losses recognised in other comprehensive revenue and expense, except for impairment losses that are recognised in the surplus or deficit.

On derecognition, the cumulative gain or loss previously recognised in other comprehensive revenue and expense is reclassified from equity to surplus or deficit.

Risk management

The Group minimises credit risk by transacting all cash management, fixed interest investment and interest rate risk management activity with counterparties that are of high credit quality as determined by international credit rating agencies (e.g. Standard & Poor's or Moody's). This policy enables higher dollar value exposures to parties assessed by rating agencies as being most able to meet their obligations.

The Group holds equities of \$18,866 million (2019 \$18,007 million). These are comprised of portfolios of debt and equity investments managed by the Group's investment manager. Together with the Group's statement of investment policies and objectives, the Group ensures prudent management of a well-diversified portfolio of assets.

16. Investment property

Accounting policy

Investment properties are properties which are held either to earn rental revenue or for capital appreciation or both. Investment properties are measured initially at cost, including transaction costs. After initial recognition, investment properties are measured at fair value at balance date determined annually by an independent qualified valuer.

Any gain or loss arising from a change in the fair value of investment property shall be recognised in surplus or deficit for the period in which it arises.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Opening balance at 1 April	-	-	10,631	10,762
Additions at cost	-	9	-	9
Fair value adjustment	(635)	(140)	(635)	(140)
Transfer to property, plant and equipment	635	131	-	-
Closing balance at 31 March	-	-	9,996	10,631

The investment properties are dairy units located in the Ōtorohanga region. It's the Māori Trustee's policy that investment properties are valued at fair value based on an independent valuation. Fair value is based on market values, being the price that would be received for the sale of the property in an orderly transaction between market participants at the measurement date less expected costs incurred in selling the property. Movements in the valuation of investment property are reflected in the statement of comprehensive revenue and expense as a loss on investment property revaluation of \$635,000 (2019 loss \$140,000).

Since 2016, the Māori Trustee is the only limited partner in Te Tumu Paeroa Dairy Limited Partnership. As a result, investment property is transferred to property, plant and equipment in the Group accounts as the dairy units are considered owner occupied from the Group's perspective.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Rental revenue from investment property	-	-	371	345
Direct operating expenses (including repair and maintenance) arising from investment property that generated rental revenue during the period	-	-	-	-
Total amount recognised in profit and loss (excluding revaluations)	-	-	371	345

17. Property, plant and equipment

Accounting policy

Property, plant and equipment consist of land, IT equipment, office equipment, furniture and fittings and motor vehicles.

Land is measured at fair value at balance date determined annually by an independent qualified valuer.

Property, plant and equipment is measured at historical cost, less accumulated depreciation and impairments.

Depreciation is charged to the statement of comprehensive revenue and expense on all property, plant and equipment, other than work in progress. Depreciation is calculated on a straight-line basis at rates estimated to allocate the cost of an asset over the estimated useful life. The estimated useful lives and associated depreciation rates of the asset classes are as follows:

IT equipment	- 3 years 33%
Office equipment	- 5 years 20%
Furniture and fittings	- 5 years 20%
Motor vehicles	- 5 years 20%

Additions

The cost of an item of property, plant or equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with it will flow to the Māori Trustee and the cost of the item can be measured reliably. Work in progress is recognised at cost less impairment and it is not depreciated.

In most instances, an item of property, plant or equipment is initially recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at its fair value as at the date of acquisition.

Disposals

Property, plant and equipment assets are derecognised when disposed of or when no further future economic benefits are expected from use of the assets. Gains and losses on disposal are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are included in the statement of comprehensive revenue and expense.

Revaluations

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from fair value. If there is evidence supporting a material difference, then the off-cycle asset classes are revalued.

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

On subsequent sale of a revalued property, the attributed revaluation surplus remaining in the asset revaluation reserve is directly transferred to retained earnings.

Group 2020								
	IT equipment	Office equipment	Furniture and fittings	Motor vehicles	Building	Land	Farm assets	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost at beginning of year	691	174	180	473	-	10,631	1,971	14,120
Additions	148	8	9	43	-	-	53	261
Transfer from investment property	-	-	-	-	-	(635)	-	(635)
Movement in work in progress	-	-	-	-	-	-	(90)	(90)
Bearer plants reclassified from biological assets	-	-	-	-	-	-	230	230
Impairment	-	-	-	-	-	-	(91)	(91)
Transfer Motor Vehicle to Farm Assets	-	-	-	(42)	-	-	42	-
Cost at end of year	839	182	189	474	-	9,996	2,116	13,796
Accumulated depreciation at beginning of year	558	168	116	203	-	-	452	1,497
Depreciation	95	6	17	94	-	-	169	381
Bearer plants reclassified from biological assets	-	-	-	-	-	-	28	28
Transfer Motor Vehicle to Farm Assets	-	-	-	(14)	-	-	14	-
Accumulated depreciation at end of year	653	174	133	283	-	-	664	1,907
Net carrying value at end of year	186	8	56	191	-	9,996	1,452	11,889

Group 2019								
	IT equipment	Office equipment	Furniture and fittings	Motor vehicles	Building	Land	Farm assets	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost at beginning of year	596	173	133	452	-	10,762	2,677	14,793
Additions	100	1	47	182	-	-	81	411
Transfer from investment property	-	-	-	-	-	(131)	-	(131)
Movement in work in progress	-	-	-	-	-	-	90	90
Disposals	-	-	-	(161)	-	-	11	(150)
Bearer plants reclassified as biological assets	-	-	-	-	-	-	(39)	(39)
Impairment	(5)	-	-	-	-	-	(597)	(603)
Derecognise TTM assets	-	-	-	-	-	-	(250)	(250)
Cost at end of year	691	174	180	473	-	10,631	1,971	14,120
Accumulated depreciation at beginning of year	512	147	104	233	-	-	292	1,288
Depreciation	107	21	12	95	-	-	274	509
Depreciation on disposals	-	-	-	(125)	-	-	9	(116)
Bearer plants reclassified as biological assets	-	-	-	-	-	-	(13)	(13)
Impairment	(61)	-	-	-	-	-	(109)	(170)
Accumulated depreciation at end of year	558	168	116	203	-	-	452	1,497
Net carrying value at end of year	133	6	64	270	-	10,631	1,519	12,623

	Parent 2020							
	IT equipment	Office equipment	Furniture and fittings	Motor vehicles	Building	Land	Farm assets	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost at beginning of year	691	174	179	431	-	-	-	1,475
Additions	149	8	9	43	-	-	-	209
Cost at end of year	840	182	188	474	-	-	-	1,684
Accumulated depreciation at beginning of year	558	168	116	189	-	-	-	1,031
Depreciation	96	6	17	94	-	-	-	213
Depreciation on disposals	-	-	-	-	-	-	-	-
Accumulated depreciation at end of year	654	174	133	283	-	-	-	1,244
Net carrying value at end of year	186	8	55	191	-	-	-	440

	Parent 2019							
	IT equipment	Office equipment	Furniture and fittings	Motor vehicles	Building	Land	Farm assets	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Cost at beginning of year	591	173	132	452	-	-	-	1,348
Additions	100	1	47	182	-	-	-	330
Disposals	-	-	-	(203)	-	-	-	(203)
Cost at end of year	691	174	179	431	-	-	-	1,475
Accumulated depreciation at beginning of year	452	147	104	233	-	-	-	936
Depreciation	106	21	12	95	-	-	-	234
Depreciation on disposals	-	-	-	(139)	-	-	-	(139)
Accumulated depreciation at end of year	558	168	116	189	-	-	-	1,031
Net carrying value at end of year	133	6	63	242	-	-	-	444

There are no restrictions over the title to items of property, plant and equipment, nor are any property, plant and equipment assets pledged as security for liabilities.

18. Intangible assets

Accounting policy

Intangible assets consist of acquired computer software, software modified for use and carbon credits.

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that are directly associated with the development of software for internal use are recognised as an intangible asset. Staff training costs are recognised as an expense when incurred. Costs associated with maintaining computer software are recognised as an expense when incurred.

Costs incurred with development and maintenance of Māori Trustee's website are recognised as an expense when incurred.

Acquired software and software modified for use are measured at historical cost less accumulated amortisation and impairments.

The estimated useful lives and associated amortisation rate of the asset class are as follows:

Acquired software	10 years	10%
Carbon credits (NZUs)	Unlimited	N/A

NZUs are initially measured at cost. Subsequently, at each reporting date, the NZUs are measured at fair value.

Any increase in the carrying amount is recognised in other comprehensive revenue and expense and accumulated in equity as revaluation reserve. The increase shall be recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease is recognised in surplus or deficit. The decrease is recognised in other comprehensive revenue and expense to the extent of any credit balance in the revaluation reserve in respect of that asset.

Amortisation is charged to the statement of comprehensive revenue and expense on all intangible assets, other than work in progress. Amortisation is calculated on a straight-line basis at rates estimated to allocate the cost of an asset over the estimated useful life. The useful lives of the intangible assets have been assessed to be finite.

Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognised in the statement of comprehensive revenue and expense for the amount by which the carrying amount exceeds the recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use for non-cash generating assets is determined as the depreciated replacement cost where the future economic benefits are not dependent on the assets ability to generate cash flows. Losses resulting from impairment are reported in the surplus or deficit.

Cash-generating assets and non-cash generating assets are distinguished by reviewing the assets primary objective. Cash-generating assets are those assets held with the primary objective of generating a commercial return and non-cash generating assets are those assets from which the Māori Trustee does not intend to realise a commercial return.

	Group					
	2020			2019		
	Carbon credits \$000	Other intangible assets \$000	Total \$000	Carbon credits \$000	Other intangible assets \$000	Total \$000
Cost at beginning of year	1,740	6,463	8,203	1,422	5,707	7,129
Additions	-	470	470	-	1,291	1,291
Revaluation increase/(decrease)	(115)	-	(115)	318	-	318
Movement in work in progress	-	32	32	-	(510)	(510)
Impairment	-	-	-	-	(25)	(25)
Cost at end of year	1,625	6,965	8,590	1,740	6,463	8,203
Accumulated amortisation at beginning of year	-	2,497	2,497	-	1,960	1,960
Amortisation	-	639	639	-	545	545
Impairment	-	-	-	-	(8)	(8)
Accumulated amortisation at end of year	-	3,136	3,136	-	2,497	2,497
Net carrying value at end of year	1,625	3,829	5,454	1,740	3,966	5,706

	Parent					
	2020			2019		
	Carbon credits \$000	Other intangible assets \$000	Total \$000	Carbon credits \$000	Other intangible assets \$000	Total \$000
Cost at beginning of year	1,740	5,846	7,586	1,422	5,077	6,499
Additions	-	380	380	-	1,279	1,279
Revaluation increase/(decrease)	(115)	-	(115)	318	-	318
Movement in work in progress	-	32	32	-	(510)	(510)
Cost at end of year	1,625	6,258	7,883	1,740	5,846	7,586
Accumulated amortisation at beginning of year	-	2,435	2,435	-	1,918	1,918
Amortisation	-	610	610	-	517	517
Accumulated amortisation at end of year	-	3,045	3,045	-	2,435	2,435
Net carrying value at end of year	1,625	3,213	4,838	1,740	3,411	5,151

There are no restrictions over the title to intangible assets nor are any intangible assets pledged as security for liabilities.

19. Payables

Accounting policy

Creditors and other payables represent liabilities for goods and services provided to the Māori Trustee prior to the end of the financial year.

Creditors and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Payables under exchange transactions				
Creditors	972	543	972	543
Accrued expenses	442	721	275	462
Total payables under exchange transactions	1,414	1,264	1,247	1,005
Payables under non-exchange transactions				
GST payable	87	211	100	231
Total payables under non-exchange transactions	87	211	100	231
Total payables	1,501	1,475	1,347	1,236

As payables are non-interest bearing and are normally settled on monthly terms, their carrying value approximates their fair value.

20. Employee benefits

Accounting policy

Employee benefits include accrued salaries and wages, annual leave earned, and retiring and long service leave entitlements.

Employee benefits expected to be settled within 12 months of balance date are measured at the undiscounted current rates of pay and the accrued entitlements.

Employee benefits that are payable beyond 12 months of balance date, such as long service leave, are calculated on an actuarial basis, which takes into account years of service, years until entitlement, the likelihood that staff will reach the point of entitlement, and the net present value of the estimated cash flows.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Current portion				
Accrued salaries and wages	-	259	-	259
Severance	-	-	-	-
Annual leave	499	443	499	443
ACC liabilities	10	7	10	7
Retirement and long service leave	2	8	2	8
Total current portion	511	717	511	717
Non-current portion				
Retirement and long service leave	12	13	12	13
Total non-current portion	12	13	12	13
Total employee benefits	523	730	523	730

The present value of retirement and long service leave obligations are determined on an actuarial basis. These determining factors include: discount rate, salary inflation, years of service, years until entitlement, and the likelihood that staff will reach the point of entitlement. Any changes to these factors will affect the net present value of the estimated cash flows and the carrying amount of the liability.

Expected future payments are discounted using New Zealand government stock rates. A discount rate of 1.02% (2019 1.72%) and an inflation factor of 3.00% (2019 3.00%) were used based on historical salary inflation patterns.

21. Liability to Māori Education Trust

The Māori Trustee owns and leases the Ouruwhero and Te Kawa farms to Te Tumu Paeroa Dairy Limited Partnership, a wholly owned limited partnership. The farms were acquired by the Māori Trustee from the Māori Education Trust in 2016. At the time of the sale the parties made provision for a gain-sharing arrangement in the event the Māori Trustee decided to sell the farms. The farms have not been sold. Had the farms sold at the end of the 2020 financial year, the Māori Trustee would have had no liability under the arrangement (2019 \$159,000).

22. Reconciliation of net operating surplus with net cash flows from operating activities

	Notes	Group		Parent	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000
Net Surplus		982	1,730	2,001	2,647
Add/(deduct) non-cash items					
Amortisation of premiums/discount		84	45	84	45
Depreciation	17	381	509	213	234
Amortisation of intangible assets	18	639	545	610	517
Impairment losses/(gains)		385	1,056	294	1,033
Share of equity accounted investments' net deficit/(surplus)	12	1,564	240	-	-
Decrease in market value of shares		69	214	-	-
Loss on investment property revaluation		-	-	635	140
Reduction in liability to MET		-	-	(159)	(322)
Impairment of investments in associates		166	456	166	1,497
Reversal of impairment		(10)	(283)	(10)	(283)
Interest income on loans and advances		(157)	(72)	(157)	(117)
Add/(deduct) investing activities					
(Gain)/loss on sale of non-current assets held for sale		2	2	2	2
(Gain)/loss on disposal of property, plant and equipment		-	(18)	-	(18)
Dividend received from associate		77	-	-	-
Investments in associates		70	-	70	-
Movement in other financial assets		-	115	-	115
Movement in work in progress		90	-	-	-
Add/(deduct) movements in working capital					
(Increase)/decrease in debtors and other receivables		550	(416)	581	(479)
(Increase)/decrease in stock		(712)	146	-	-
Increase/(decrease) in payables		(181)	(347)	(96)	12
Net cash flows from operating activities		3,999	3,922	4,234	5,023

23. Commitments

Accounting policy

Commitments are future expenses and liabilities to be incurred on contracts entered into before balance date.

Cancellable commitments that have penalty or exit costs explicit in the agreement are reported at the minimum future payments, including the value of the penalty or exit cost. Commitments include:

- » Non-cancellable operating leases for property, which are measured as the future payments due under the lease contract.
- » Other non-cancellable commitments for consulting contracts, which are measured as the future payments due under the contracts.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Lease commitments as lessee				
Less than 1 year	760	658	748	646
1 year to 2 years	681	624	669	612
2 years to 5 years	459	901	423	865
Greater than 5 years	73	85	-	-
Total lease commitments as lessee	1,973	2,268	1,840	2,123

The Māori Trustee leases its head office and regional office premises. A significant portion of the non-cancellable operating lease expense relates to the lease of the Wellington head office which has a November 2022 right of renewal and a termination date of 30 November 2028. The Māori Trustee does not have the option to purchase assets pursuant to any of the leases.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Lease commitments as lessor				
Less than 1 year	-	-	371	371
1 year to 2 years	-	-	63	38
2 years to 5 years	-	-	-	-
Greater than 5 years	-	-	-	-
Total lease commitments as lessor	-	-	434	409

100% (2019 100%) of the commitment as lessor in the Parent figures relates to investment property.

24. Contingent liabilities and assets

Accounting policy

Contingent assets and contingent liabilities are disclosed at the point at which the contingency is evident.

Contingent assets are disclosed if it is probable that the benefits will be realised. Contingent liabilities are disclosed if the possibility that they will crystallise is not remote.

Unclaimed monies (1963 to 1993)

A contingent liability of \$7,644,000 (2019 \$7,644,000) relates to beneficiary monies paid out by the Māori Trustee under section 30(9) of the Māori Trustee Act 1953 to the Māori Education Trust, the Māori Purposes Fund Board and the New Zealand Māori Council. This section was later substituted by section 2(1) of the Māori Trustee Amendment Act 1996, which became effective on 24 June 1996. The Māori Trustee will be liable to make payment to beneficiaries who establish an entitlement in the future.

Compensation leases

The Māori Trustee administers leases where compensation is payable to the lessee on expiry or resumption of a lease.

In some of these cases, the Māori Trustee is required by the Māori Vested Land Administration Act 1954 to advance to owners monies required to meet compensation payments, where sums set aside during the course of the lease prove to be insufficient. Advances that the Māori Trustee may be required to make upon resumption of such leases is not quantifiable at this time.

In other cases where the lease provides for compensation to be paid to the lessee, and there are insufficient funds held on behalf of the owners, the Māori Trustee is not required by statute to provide these funds. However, the Māori Trustee may be called upon to provide a loan from the General Purposes Fund to assist owners to meet the obligations to lessees to pay for improvements. The value of such advances is not quantifiable at this time.

Land Overlay 3A

A number of Māori land trusts administered by the Māori Trustee as Responsible Trustee have received notification from the Gisborne District Council that parts of their land are subject to serious land erosion and have been classified as 'Land Overlay 3A' under the Council's Combined Regional Land and District Plan. Under the Combined Regional Land and District Plan a works plan must be developed for land classified as Land Overlay 3A, which provides, amongst other things, for the establishment of effective tree cover for the affected land by 2021.

As Land Overlay 3A obligations ultimately rest with the legal landowner, the Māori Trustee could in the future be required to cover compliance costs associated with the Land Overlay 3A requirements, which are unable to be met by the affected Trusts.

The potential costs (if any) are unable to be quantified at this time. Factors that would impact quantification include the outcome of the discussions with the Gisborne District Council and other agencies, whether affected trusts are eligible to meet some of the compliance costs from the Erosion Control Funding Program (East Coast) grant (and if so, the amount of the grant), and the financial ability of individual trusts to meet compliance costs when called upon to do so.

Pre-1990 forest

A number of Māori land Trusts administered by the Māori Trustee as Responsible Trustee or as Custodian Trustee own 'pre-1990 forest' (as defined under the Climate Change Response Act 2002). The Māori Trustee has the obligations of the legal landowner of 'pre-1990 forest' under the Act, associated legislation and rules.

If 'deforestation' (as defined under the Act) of any pre-1990 forest were to occur, the Trusts concerned would need to meet the deforestation liability by the surrender of NZUs or Kyoto-compliant emissions units (except where the Environmental Protection Authority has determined that responsibility for the deforestation lies with a third party e.g. the holder of a forest right or lessee). If a land Trust that the Māori Trustee administers as Responsible Trustee or Custodian Trustee did not have sufficient emissions units to meet a deforestation liability and did not have, or could not obtain, third party finance to acquire sufficient emissions units to meet the deforestation liability, the Māori Trustee as legal landowner would need to ensure that the affected Trust acquired emissions units to meet the deforestation liability.

The potential costs (if any) are unable to be quantified at this time. Factors that would impact quantification in the event of deforestation include the number of hectares subject to deforestation (and accordingly the number of emissions units that need to be surrendered), whether the emissions units held by an affected Trust are sufficient to meet the deforestation liability and, if not, the cost to acquire additional emissions units at the time.

Other contingent liabilities

The Māori Trustee has received or is aware of potential claims totalling \$35,000 (2019 \$35,000). There have been no additional claims during the year (2019 Nil).

25. Financial instruments

Accounting policy

The Māori Trustee is party to financial instruments as part of its normal operations. Financial instruments include:

- » Financial assets – cash and cash equivalents, debtors and other receivables, term deposits, held-to-maturity investments, loans and receivables, equities and non-current assets held for sale.
- » Financial liabilities – creditors and other payables, revenue in advance and employee benefits.

Purchases and sales of financial assets are recognised on the date when the Māori Trustee becomes party to a financial contract. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

Financial instruments are initially recognised at fair value plus transaction costs. Subsequent measurement of financial instruments depends on the classification of the financial instrument.

The carrying amounts of each category of financial assets and financial liabilities are as follows:

		Group		Parent	
	Notes	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Financial assets at amortised cost					
Cash and cash equivalents	7	1,640	1,669	1,129	1,270
Debtors and other receivables	8	4,426	4,980	4,296	4,877
Term deposits		77,010	70,760	77,000	70,750
Held-to-maturity investments	9	29,998	37,088	29,998	37,088
Loans and receivables	10	1,549	1,538	1,549	1,538
Financial assets at fair value through other comprehensive revenue and expenses					
Other financial assets	13	2,257	1,402	2,257	1,402
Available for sale equities	15	18,866	18,007	18,866	18,007
Total financial assets		135,746	135,444	135,095	134,932
Financial liabilities at amortised cost					
Payables	19	1,501	1,475	1,347	1,236
Employee benefits	20	523	730	523	730
Other non-current liabilities	21	-	159	-	159
Total financial liabilities		2,024	2,364	1,870	2,125

Fair value hierarchy

For those instruments recognised at fair value in the statement of financial position, fair values are determined according to the following hierarchy:

- » Quoted market price (level 1) – Financial instruments with quoted prices for identical instruments in active markets.
- » Valuation technique using observable inputs (level 2) – Financial instruments with quoted prices for similar instruments in active markets or quoted prices for identical or similar instruments in inactive markets and financial instruments valued using models where all significant inputs are observable.
- » Valuation techniques with significant non-observable inputs (level 3) – Financial instruments valued using models where one or more significant inputs are not observable.

			Group		Parent	
	Hierachy Level	Notes	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Financial assets at fair value through other comprehensive income (FVOCI)						
Available for sale equities	Level 1	15	18,866	18,007	18,866	18,007
Ranginui Station	Level 3	13	1,105	1,105	1,105	1,105
Honeylab Limited	Level 3	13	275	275	275	275
Te Puia Ta Papa Limited	Level 2	13	877	877	877	877
Total assets at fair value			21,123	20,264	21,123	20,264

There were no transfers between the different levels of the fair value hierarchy.

Fair value

The fair value of all loans and receivables is equivalent to the carrying amount disclosed in the Māori Trustee's statement of financial position.

The held-to-maturity investments had a fair value of \$29,998,000 as at 31 March 2020 (2019 \$37,088,000). The fair value is determined using quoted market prices (level 1).

Equities are measured at fair value of the investment through quoted prices in the market (level 1) through other comprehensive revenue and expense.

Financial instruments risk

The Māori Trustee's activities expose it to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Māori Trustee has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instrument risks.

Market risk

Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Māori Trustee's equity investments are exposed to price risk because they are listed investments. The equity investments are publicly traded.

Sensitivity analysis

If the price at 31 March 2019 had fluctuated by plus or minus 0.5%, the effect would have been to increase/decrease other comprehensive revenue and expense by:

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
0.5% increase/(decrease) in price would increase/(decrease) the other comprehensive revenue and expense	98	95	94	90

Commodity analysis

Te Tumu Paeroa Dairy Limited Partnership (TTPDLP) is exposed to commodity price risk as a result of its agreement with Fonterra to supply milk products. In the 2020 year TTPDLP supplied Fonterra with 202,262kg of milk with an average price of \$7.14. A 0.5% increase/(decrease) in the price of milk would increase/(decrease) the other comprehensive revenue and expense by \$7,221.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in interest rates. The Māori Trustee is exposed to interest rate risk on those financial instruments that have fluctuating interest rates.

The investments that have floating or variable interest rates are as follows:

		Group		Parent	
		2020 \$000	2019 \$000	2020 \$000	2019 \$000
Cash and cash equivalents sensitivity analysis					
Weighted average effective interest rate	%	0.25	2.62	0.05	2.89
1% increase/(decrease) in interest rates would increase/(decrease) interest revenue and equity	\$000	14	15	14	15
Held-to-maturity investments sensitivity analysis					
Weighted average effective interest rate	%	-	-	-	-
1% increase/(decrease) in interest rates would increase/(decrease) interest revenue and equity	\$000	-	-	-	-

Credit risk

Credit risk is the risk that a third party will default on its obligation to the Māori Trustee, causing a loss to be incurred. Credit risk arises from the financial assets of the Māori Trustee, which comprise cash and cash equivalents, term deposits, debtors and other receivables, loans and receivables and held-to-maturity investments.

Cash, cash equivalents and term deposits

Cash, cash equivalents and term deposits are invested with registered banks.

Debtors and other receivables

There are no material concentrations of credit risk with respect to debtors and other receivables.

Held-to-maturity investments

The Māori Trustee maintains a diversified investment portfolio of bonds in order to minimise credit risk. The General Purposes Fund investment parameters are:

- » The minimum rating of the portfolio will be at least BBB rated or better unless approved by the Investment and Credit Committee and the Māori Trustee.
- » For corporate issuers, no single issuer shall exceed 10% of the fixed revenue portfolio.
- » For bank issuers, no single issue shall exceed 25% of the fixed revenue portfolio.

Loans and receivables

The Māori Trustee has issued mortgages under section 32 of the Māori Trustee Act 1953 and section 248 of the Māori Affairs Act 1953, Conversion Fund loans and other advances.

Advances under section 32 of the Māori Trustee Act 1953 may or may not be secured.

Advances under section 248 of the Māori Affairs Act 1953 may or may not be secured. Where security is taken, the security is a memorial of charge over land.

The Conversion Fund was abolished by the Māori Affairs Amendment Act 1987, which effectively vested the Conversion Fund assets in the Māori Trustee. Conversion Fund loans are 'presumed advances' and are not secured, but the Māori Trustee owns shares in the land to which the Conversion Fund loans relate. The Māori Trustee has made impairment provisions for loans.

The following table analyses the credit quality of financial assets that are neither past due nor impaired, with reference to Standard and Poor's or equivalent credit ratings (if available) or to historical information about counter party default rates. Cash and cash equivalents are exposed to short-term ratings and held-to maturity investment to long-term ratings.

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Cash and cash equivalents and term deposits				
A-1+	58,912	63,669	58,629	63,520
A-1	19,738	8,760	19,500	8,500
Total cash and cash equivalents and term deposits	78,650	72,429	78,129	72,020
Held-to-maturity investments				
AAA to A	10,894	12,620	10,894	12,620
A- to BBB	19,104	24,468	19,104	24,468
Total held-to-maturity investments	29,998	37,088	29,998	37,088

Other than credit risks listed above, The Māori Trustee does not hold any collateral or other credit enhancements for financial instruments that give rise to credit risk.

Liquidity risk

Liquidity risk is the risk that the Māori Trustee will not have sufficient funds to meet commitments as they fall due.

Cash and cash equivalents and term deposits

The Māori Trustee monitors forecast cash requirements daily. Surplus funds are invested for terms appropriate for the expected cash requirements. A minimum buffer is maintained, which provides access to funds in excess of the forecast cash requirements.

The table below analyses the Māori Trustee's financial liabilities into maturity groupings based on the remaining period from end of year to the contractual maturity date.

Financial liabilities

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Less than 6 months	1,501	1,475	1,347	1,236
6 – 12 months	511	717	511	717
Later than 12 months	12	172	12	172
Total financial liabilities	2,024	2,364	1,870	2,125

26. Capital management

The Māori Trustee's capital is its equity, which is comprised of accumulated funds. Equity is represented by net assets. The Māori Trustee is subject to the financial management and accountability provisions of the Māori Trustee Act 1953.

The Māori Trustee manages its equity as a by-product of prudently managing revenues, expenses, assets and liabilities, investments and general financial dealings to ensure that the Māori Trustee effectively achieves its strategies and remains a going concern.

27. Related parties

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client relationship on terms and conditions no more or less favourable than those that it is reasonable to expect the Māori Trustee would have adopted in dealing with the party at arm's length in the same circumstances.

The Māori Trustee transacts with the related parties below:

Related entities	Nature of relationship
MTD 1 Limited	Wholly owned entity
Te Tumu Paeroa Dairy Ltd Partnership	Wholly owned entity
M9 Limited	Wholly owned entity
Matakana 9 Limited Partnership	Wholly owned entity
O39 Limited	Wholly owned entity
Omaio 39 Limited Partnership	Wholly owned entity
TTP Services (Mānuka) Limited	Wholly owned entity
TTP Mānuka Limited Partnership	Wholly owned entity
RDF1 Limited	Investment in joint venture
Rangihamama Dairy Limited Partnership	Investment in joint venture
Huakiwi Services Limited	Investment in joint venture
Huakiwi Developments Limited Partnership	Investment in joint venture
Mānuka Research Partnership (NZ) Limited	Non-current asset held for sale
Opotiki Packing and Coolstorage Limited	Investment in associate
Farm Data Accreditation Limited	Investment in associate
Te Tumu Miere Limited <i>in liquidation</i>	Investment in associate
Crown	Appropriation funding

The following transactions were entered into with related parties during the year:

Te Tumu Paeroa Dairy Limited Partnership

The Māori Trustee holds a 100% interest in the partnership. During the year, the Māori Trustee charged \$371,000 rent for investment properties (2019 \$345,000) and no additional capital contribution was made (2019 \$Nil). No cash contributions were paid to the Māori Trustee (2019 \$Nil). The Māori Trustee received \$Nil in directors fees (2019 \$1,000).

During the year, the Māori Trustee made no reimbursements to the partnership for development expenditure incurred on the farms (2019 \$8,000).

Intercompany transactions and balances have been eliminated in the Group financial statements.

Matakana 9 Limited Partnership

The Māori Trustee holds a 100% interest in the partnership. The Māori Trustee made a capital contribution of \$158,000 (2019 \$278,000) during the year and received \$Nil in directors fees (2019 \$500).

Intercompany transactions and balances have been eliminated in the Group financial statements.

Omaio 39 Limited Partnership

The Māori Trustee holds a 100% interest in the partnership. The Māori Trustee made a capital contribution of \$371,000 during the year (2019 \$Nil) and received \$Nil in directors fees (2019 \$500).

Intercompany transactions and balances have been eliminated in the Group financial statements.

TTP Mānuka Limited Partnership

The Māori Trustee holds a 100% interest in the partnership. The Māori Trustee did not make any capital contributions during the year (2019 \$44,500).

Intercompany transactions and balances have been eliminated in the Group financial statements.

Rangihamama Dairy Limited Partnership

The Māori Trustee holds a 50% interest in the partnership. The Māori Trustee did not make any capital contributions during the year (2019 \$Nil).

Huakiwi Developments Limited Partnership

The Māori Trustee holds a 50% interest in the partnership. The Māori Trustee made a capital contribution of \$2,750,000 (2019 \$4,900,000) during the year and received \$40,000 in directors fees (2019 \$27,000).

Mānuka Research Partnership (NZ) Limited

The Māori Trustee has a 6.78% interest in the partnership. The Māori Trustee made a capital contribution of \$14,858 during the year towards a liability for unsold seedlings (2019 \$Nil).

Opotiki Packing and Cool Storage Limited

The Māori Trustee has a 10.1% interest in the company. During the year, the Māori Trustee received \$36,000 in directors fees (2019 \$35,000) and made no capital contributions (2019 \$Nil). The Māori Trustee received \$76,726 in dividends (2019 \$93,510).

Te Tumu Miere Limited in liquidation (TTM)

The Māori Trustee has a 100% interest in the company. The Māori Trustee did not make any loan advances to TTM during the year (2019 \$320,000) but received a repayment of \$41,800 (2019 \$Nil). The Māori Trustee charged interest of \$125,000 (2019 \$89,000) at the rate of 14% per annum. TTM repaid no interest this year (2019 \$17,760).

Loan advances made to TTM including interest of \$83,200 (2019 \$964,240) have been fully provided for.

During the year, the Māori Trustee made a capital contribution of \$151,000 towards liquidation costs (2019 \$456,000).

Crown

The Crown is the major source of revenue for the Māori Trustee.

Appropriation revenue from the Crown of \$11,261,000 (2019 \$11,261,000) is provided pursuant to a funding agreement dated 24 March 2016 and variation to funding agreement between the Māori Trustee and the Minister for Māori Development for a four-year term until 31 March 2020.

The funding provided by the Crown enables the Māori Trustee to fulfil statutory and other common law obligations. The statement of service performance reports against the outputs detailed in the funding agreement. Payment for these services is managed by Te Puni Kōkiri on behalf of the Crown.

Inter-company advance

An adjustment has been made in the statement of movements in equity to reclassify \$21,920,000 (2019 \$Nil) from the opening equity in the General Purposes Fund to the Appropriation account. This represents fees and commissions earned by Māori Trustee that were used to contribute to operating costs that had been treated as an advance from the General Purposes Fund. The advance was established as an internal accounting method to keep track of the non-Crown contribution to operating expenses and was never intended to be recovered from the Appropriation account.

Statutory role

A principal role of the Māori Trustee is to provide trustee services as Responsible or Custodian Trustee to trusts established by the Māori Land Court under Te Ture Whenua Māori Act 1993, including Māori land trusts and Kaitiaki Trusts. The Māori Trustee is also declared to be the trustee of a certain trusts created by statute. Examples include determination as statutory trustee under the Māori Reserved Land Act 1955 and under the Māori Soldiers Trust 1957. The Māori Trustee receives remuneration for trustee services rendered to these trusts as prescribed by or determined in accordance with the Māori Trustee Act 1953 and Māori Trustee Regulations 2009. The Māori Trustee is also empowered to accept appointments to carry out agency services for trusts, including trusts established by the Māori Land Court. The Māori Trustee has no governance role in respect of these appointments; but is again remunerated for agency services rendered as prescribed by or determined in accordance with the Māori Trustee Act 1953 and Māori Trustee Regulations 2009.

For the year ended 31 March 2020, the Māori Trustee earned \$4,192,000 in fees and commissions (2019 \$5,612,000).

Three of the Māori Trustee's wholly-owned subsidiaries lease parcels of land at market rate from the following trusts that the Māori Trustee administers as responsible trustee; Matakana 9 Trust, Omaio 39 Trust and Hauhungaroa 7 Trust. The assets that the subsidiaries own under these leases will be transferred to the landlord at the end of the lease (Note 11).

The Māori Trustee is able to lend monies under the Māori Trustee Act 1953. Loans made to Trusts, agencies and landowners are generally at market interest rates. Loans advanced to replace Conversion Fund loans are non-interest bearing (Note 10).

Key leadership personnel compensation

	Group		Parent	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
Senior Leadership Team				
Remuneration	1,171	1,112	1,171	1,112
Full-time equivalent members	3.89	4.09	3.89	4.09
Total key leadership personnel remuneration	1,171	1,112	1,171	1,112
Total full time equivalent members	3.89	4.09	3.89	4.09

Key leadership personnel comprise of the Māori Trustee, Deputy Māori Trustee, General Manager – Trusts (until June 2019), Corporate Services Director and Trust and Property Director.

	Parent	
	2020 \$000	2019 \$000
\$100,000 – \$109,999	6	9
\$110,000 – \$119,999	9	3
\$120,000 – \$129,999	4	3
\$130,000 – \$139,999	3	3
\$140,000 – \$149,999	2	3
\$150,000 – \$159,999	1	1
\$160,000 – \$169,999	-	-
\$170,000 – \$179,999	2	-
\$180,000 – \$189,999	-	1
\$190,000 – \$199,999	1	1
\$200,000 – \$209,999	1	-
\$210,000 – \$219,999	-	-
\$220,000 – \$229,999	-	1
\$230,000 – \$239,999	-	1
\$240,000 – \$249,999	-	-
\$250,000 – \$259,999	-	-
\$260,000 – \$269,999	1	-
\$270,000 – \$279,999	1	-
\$280,000 – \$289,999	-	1
\$290,000 – \$299,999	1	-
	32	27

28. Events after the balance date

There are no significant events after the balance date.

29. Explanation of significant variances against budget

Statement of comprehensive revenue and expense

Revenue

Interest revenue was higher than budget because more funds were invested in term deposits rather than in joint ventures and other financial assets. This was offset against a negative variance to budget for fee revenue, as fees that were budgeted to be billed to high-touch entities were being reviewed, as part of the transition to the new operating model.

Farm and land revenue was higher than budget as Matakana 9 Limited Partnership and Omaio 39 Limited Partnership recorded kiwifruit inventory at fair value being \$495,000 and \$200,000 respectively at balance date.

Expenditure

Employee benefits were \$568,000 less than budget. This was mainly due to not recruiting all the staff budgeted.

Farm and land expenses were below budget, because the Māori Trustee's subsidiaries costs were budgeted as a single line, whereas the actual costs were consolidated at an account level.

Impairment of other financial assets were higher than budget because these movements were not budgeted for.

Other gains/(losses) and other comprehensive revenue and expense

Impairment of equity accounted investments and share of associates' net surplus/ (deficit) and other comprehensive revenue/ (expense) varied from budget as these movements were not budgeted for.

Loss on asset revaluation is lower than budget as the fair value of the investment property at balance date was unknown at the time of budgeting.

Statement of financial position

Assets

Term deposits were higher than budget as funds expected to be invested in joint ventures, other financial assets and bonds have been reinvested in term deposits.

Investment in equities was higher than budget as at the time of budgeting the fair value adjustment was unknown.

Investment in equity accounted investments were less than budget as the budget assumption was to invest \$9,100,000 in Huakiwi Developments Limited Partnership of which only \$2,750,000 has been contributed.

Investment property was lower than budget as the fair value of the investment property at balance date was unknown at the time of budgeting.

Intangible assets were higher than budget as at the time of budgeting the opening balance was unknown.

Liabilities

Other non-current liabilities were below budget by \$481,000 as the fair valuation of the investment property at balance date was unknown at the time of budgeting.

Statement of cash flows

Net cash flows from operating activities varied significantly from budget mainly due to underspend in employee benefits and suppliers, and an increase in investment revenue.

Net cash flows from investing activities varied from budget mainly due to underspend in investment in associates offset by term deposits.

30. COVID-19

On 11 March 2020, the novel coronavirus (COVID-19) was declared a global health pandemic by the World Health Organisation.

In the short term, the COVID-19 pandemic has diminished the short-term growth of the global and New Zealand economy. The pandemic is still unfolding and therefore requires continuous monitoring and assessment to understand the impact on Group operations.

In response, the Māori Trustee established a COVID-19 Committee and mandated it to formulate and implement strategies to minimise the impact of the pandemic on the Māori Trustee's business. The initial focus of the Committee was to minimise the impact of the pandemic on the continuous service delivery to clients as well as enhancing their safety and that of staff members as they offer service in this environment. As the pandemic unfolded, the Committee put strategies in place to respond as necessary.

It is the Māori Trustee's view that the global and New Zealand economy will eventually recover from the impact of the COVID-19 pandemic. The Māori Trustee's initial assessment is that the Group has no significant COVID-19 related exposures such as significant business interruption. However, the lock-down resulted in the disruption to normal operations of the Group and its clients, but with no significant impact from segment to segment.

The Māori Trustee has performed the below assessment of key financial matrices and is confident of the ability of the Group to continue as a going concern into the foreseeable future with no significant impact from COVID-19 on the Group's operating and financial performance. The Group has adequate liquid resources to continue to sustain its operations and the Māori Trustee does not believe that any impairment of assets is required to be recognised as a result of COVID-19.

Revenue from Crown

The Māori Trustee has recently signed a contract with the Crown, securing \$11,586,000 annual funding for the next four years. This is the business' largest single source of income, contributing about 64% of the Māori Trustee's income and is assured for the next four financial years.

Fees and commissions

The majority of fees charged by the Māori Trustee are for services provided to Māori land blocks that are held in trust in the Common Fund, and for the management of the Common Fund itself. The Māori Trustee's services to the trusts and the Common Fund are legislated and will continue for the foreseeable future. Most trusts support essential farming and rural business activity and these are expected to continue operating throughout the crisis and for the foreseeable future. Commission is charged on rental income earned by Common Fund entities and is earned when the entity receives payment for rent. These income streams to the Māori Trustee are expected to remain stable for the foreseeable future.

Interest revenue

Due to the huge impact COVID-19 has had on New Zealand's economy, interest income from term deposits is likely to reduce going forward. However, the Māori Trustee remains optimistic that the economy will eventually recover and that this impact will be short-lived. The Māori Trustee has in the interim invested maturing funds in government bonds to seek a higher interest rate.

Debtors and other receivables

Debtors and other receivables are reviewed for impairment on an annual basis. Majority of the receivable balance at 31 March 2020 was the \$2,815,250 for Crown revenue and \$706,000 for interest receivable on term deposits. These were recovered subsequent to year end. The Māori Trustee currently does not carry any additional significant receivables.

Term deposits

Term deposits are held with registered New Zealand banks with a high credit rating (A-1 rating or higher). The Māori Trustee expects that these term deposits will mature in the ordinary course of business.

Held-to-maturity investments

The Māori Trustee maintains a diversified portfolio of bonds and has detailed investment parameters to reduce the risk of vulnerability to one provider. The Māori Trustee invests in bonds with a high credit rating (at least BBB or higher) and expects that these bonds will mature in the ordinary course of business.

Investment Property

The investment property at Ouruwhero and Te Kawa has been valued at 31 March 2020 by an independent valuer. The Māori Trustee is not aware of any impact COVID-19 will have on the value and rent is still be received consistently from the tenant. The valuer noted that the impact of COVID-19 on farmland is likely to be minimal, compared to commercial and residential rentals. The Māori Trustee has not identified any new market information subsequent to balance date to suggest any COVID-19 impact on the investment property values established at 31 March 2020.

Subsidiaries

The Māori Trustee's subsidiaries have recorded that while the full impact of the virus is difficult to ascertain at the moment, the assets have not been impaired as a result of the virus.

Matakana 9 Limited Partnership and Omaio 39 Limited Partnership

There has not been any known effect of COVID-19 on the financial performance of these subsidiaries to date. The Māori Trustee notes that COVID-19 may have an adverse impact on future kiwifruit sales as a result of a reduction in tray prices by Zespri, however it is uncertain what the full impact might be, if any. If there was to be a short-term shock to prices as a result of COVID-19, this would not be material to the Māori Trustee. The Māori Trustee retains the ability to extend the leases for these Limited Partnerships until the intended return is achieved.

Te Tumu Paeroa Dairy Limited Partnership (TTPDLP)

TTPDLP has continued to perform well under the COVID-19 crisis. The Māori Trustee notes the fundamental uncertainty around the full impact of the virus in the future. One of the risks is that COVID-19 may have an adverse effect on future milk prices and the ability to access markets. If there was to be a short-term reduction in prices as a result of COVID-19 this would not be material to the Māori Trustee.

Equities

Equities are held at market value and while at 31 March 2020 there had been a significant decrease in the fair value due to COVID-19 crisis, subsequent to year end, these values increased to pre-COVID levels.

Other financial assets

The Māori Trustee's holdings in other financial assets are valued at fair value and there has been no impact of COVID -19 on these assets.

Equity accounted investments – Joint Ventures

Rangihamama Dairy Limited Partnership

This investment is not material to the Māori Trustee but future effects of COVID-19 on future milk prices remain uncertain.

Huakiwi Developments Limited Partnership

The orchards within the Limited Partnership are still pre-production and it is expected that by the time the orchards get into full production, full impact of COVID-19 on kiwifruit prices will be known. This time is beyond what the Māori Trustee can reasonably be expected to forecast. If there was to be a short-term reduction to prices as a result of COVID-19, this would not be material to the Māori Trustee. The Māori Trustee retains the ability to extend the leases for this Limited Partnership until the intended return is achieved.



Te Tumu Paeroa

Level 3, Seabridge House
110 Featherston Street
PO Box 5038
Wellington 6145
Aotearoa New Zealand

0800 WHENUA (0800 943 682)
tetumupaeroa.co.nz
facebook.com/TeTumuPaeroa

