

TE
TUMU
PAEROA



Māori Trustee

Annual Report

2019



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**Utaina te waka, hāpainga ko te hoe,
kia tuputupu te whai oranga.**





87,163

Number of hectares under management

98,572

Number of owner accounts maintained

243,794

Number of ownership interests

1,805

Number of trusts and other entities
under administration

\$117.2million

Client funds under management (market value)

\$168.8million

Māori Trustee equity

62%

of beneficial owners for whom contact details are held

115

Number of staff

5

Number of offices

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 2019.

To the Minister for Māori Development

I'm honoured to present the Annual Report for the
Māori Trustee for the year ended 31 March 2019.



Dr Charlotte Severne
Māori Trustee
31 July 2019

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



Click the link above to view the video, or go to <https://youtu.be/61htThusuFU>



From the Māori Trustee

I came into the role of Māori Trustee in November, taking over from Jamie Tuuta who had held the position since 2011. In many ways, the past 12 months have been a transitional one for Te Tumu Paeroa. But it's also been a year where we've achieved a great deal, and we can be proud of the work that we've done and continue to do.

First I'd like to thank Jamie for all he achieved during his seven years as Māori Trustee and CEO of Te Tumu Paeroa. He made an enormous contribution during his term towards supporting Māori landowners and creating a lasting legacy for the next generation. Māori are in a stronger position for his efforts.

Our role in supporting Māori to achieve their aspirations in relation to whenua Māori is one that will have a lasting impact on all of New Zealand. Central to our success is our strategic purpose – to protect and enhance Māori land for generations to come.

One highlight for me over the past year was to see the first crop growing on the vines of Whai Orchard on Matakana 9. This orchard was the original kiwifruit development. Staff have dedicated a lot of time and energy over several years to this development, and it's pleasing to see all that hard work is paying off for the trust. We also have a number of other orchards at different stages of development, and I look forward to following the progress of those.

Our farming enterprises have also been performing well. We've successfully navigated through some difficult times for the industry, in terms of climate and market, so it's very encouraging to see our dairy portfolio outperforming targets.



Empowering

One of the areas I'm most passionate about is in strengthening and widening existing capability pipelines. We're focused on contributing to the development of a Māori workforce that's skilled in land administration, primary sector industries, and environmental management.

We run programmes to increase rangatahi board experience, we sponsor a number of programmes and events, including the successful Pūhoro STEM Academy, and we deliver governance training to owners. Over the past year, a number of owners on the Chatham Islands participated in the New Zealand Certificate in Māori Governance programme, which we helped design. This programme was a big success and we look forward to more owners participating in it in the future.

Over the past year, we started a programme of work to understand how we can make succession easier for everyone. Our focus has been on how we can empower, educate and support current and future owners in the process of their succession to make sure their legal connection to the land is maintained from generation to generation.

For this programme, we've worked with owners, trusts, rangatahi and organisations to understand a range of perspectives. We're now developing educational materials and resources to help make succession more easily understood, and we're piloting different approaches to better support whānau.

Connecting

Our upgrades to My Whenua are another area I'm excited about. While previously access was limited to owners, everyone with an interest in their whenua now has the ability to find out important information about their land. Connection to the whenua is a lifelong experience, so allowing whānau to access the site makes sense.

Whether it's through widening access to My Whenua, helping to make succession easier or developing governance capability among owners, we remain future-focused as an organisation. By doing this, we're helping to ensure that whenua Māori is in safe hands for generations to come.



Māori Trustee Outcomes Framework



Vision Statement



Supporting government priorities



Impact statements



Mobilising Māori land and assets to create this generation's legacy

Assisting Māori landowners in making decisions and acting on them

Achieving fuller and more effective utilisation of Māori land



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
- » Property Management
- » Common Fund Management
- » Land Development
- » Business Support
- » 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
- » EBITDA² from Common Funds
- » Value of General Purposes Fund invested in Māori land

² EBITDA = Earnings before interest, tax, depreciation and amortisation.



Case study:

Developing owner capability

**With my own mokopuna,
I take them out there.
They've actually been
part and parcel of
planting the trees back
into the whenua.**

The Chatham Islands sit 800 kilometres east of mainland New Zealand and are home to around 600 residents. The islands are also home to a large number of Māori land blocks – nine of which are administered by the Māori Trustee. This remoteness brings with it a number of challenges for an administrator located off island.

“It can be an expensive exercise to administer land there because it’s so remote,” says Te Tumu Paeroa Trust Specialist Jo Pleydell.

“If there’s an issue on the island relating to the whenua, they’ll ring Wellington so we can help fix it. But ideally they could work with each other on-island to find those solutions.”

The challenges that this isolation can bring highlight the value of having Māori well versed in kaupapa Māori based governance.

Te Tumu Paeroa designed a programme – New Zealand Certificate in Māori Governance (Level 4) – that develops these skills. Delivered in partnership with Toi Ohomai Institute of Technology, the workshops build the knowledge and abilities of participants so that they can confidently take up a governance role for their whenua. And in 2018–19, we ran this programme on the Chatham Islands.

“It’s a course we’ve developed specifically with Māori landowners in mind. We want to build capability on the island because, eventually, we want to see the whenua administered on the island” says Jo.

One of the course participants was Cathy Thomas. Cathy is an owner of Wharekauri 1A2, which sits on the northern coast of the island.

Since moving there at three months old, Cathy has spent most of her life on the Chatham Islands.

“That’s where I grew up and that’s where my heart is,” says Cathy.

For Cathy, the Certificate in Māori Governance course is an opportunity to prepare for a future with owners taking over responsible trusteeship of the whenua.

“I think landowners need to be able to take control of their own land. That land isn’t generating income – most of it is in reserve. And every time the responsible trustee comes over – how do owners pay their share if there’s no income being generated?”

DEVELOPING OWNER CAPABILITY


For Cathy, some of the key lessons learned from the Governance course include returning to the practice of kotahitanga and whanaungatanga with other owners. She's also hopeful that the next generation will also take part in the course in the future.

"I would recommend that they have to – to give them a good understanding of how it works," says Cathy.

It all comes down to helping to protect the whenua for future generations. Cathy has also been encouraging her grandchildren to connect with the whenua in the same way she always has.

"With my own mokopuna, I take them out there. They've actually been part and parcel of planting the trees back into the whenua.

"And when we go there, I talk to them all about the whakapapa, how I grew up there – everything about my grandad. I almost paint a picture in words for them so they know. They've got to have respect for the land."



**“And when we go there,
I talk to them all about
the whakapapa,
how I grew up there...”**

— Cathy Thomas, Māori landowner Chatham Islands



Case study:

Connecting the next generation to their whenua

Over 8,000 Māori landowners have registered for My Whenua since it was launched in 2011

In 2011 we launched My Whenua. This online portal provides owners of Māori land that we manage with access to information relating to their land. This includes maps, reports to owners and other trust details that were previously only available at meetings of owners. Since that launch, over 8,000 Māori landowners have registered for the service.

Around 10% of Māori landowners live overseas. And many more than that live away from the whenua, so keeping up to date with the administration of the whenua can be challenging.

In March 2019 we launched a new and improved My Whenua. This updated site makes it easier for owners, trustees and whānau to stay connected to their whenua from anywhere in the world.

We've used the latest technology to improve My Whenua. The new features and improvements were made, based on feedback from owners and registered users over the last five years.

One major improvement to My Whenua was to make the site mobile friendly.

“Over 40% of visits to our website are from people using mobile devices, so making sure My Whenua is accessible on all devices was important,” says Te Tumu Paeroa Communications Manager Sara Passmore.

It's also important that future generations of owners are able to connect to their whenua. One of the upgrades involved granting access to whānau connected to the whenua.

“The feedback we received from owners was that they'd love to share information from My Whenua with their whānau. While the person who succeeded to the land is legally the owner, the whenua is still something that's really important to the entire whānau. It's a great tool for owners. But it's also vital that the next generation – those future owners – are able to engage with the land at an early stage.”

A number of other significant updates were made to the service. These include providing the latest GIS mapping for each block, providing the ability to

**CONNECTING THE NEXT GENERATION
TO THEIR WHENUA**

RSVP to meetings of owners via My Whenua, and notifications about lease and trust updates.

Following the launch of these updates, we've received some encouraging feedback from owners. One My Whenua user – Te Uta Roretana – sent this message:

“A big heads up for the new site. (It) looks absolutely fab. The one-page dashboard is cool (and you) can hook into whatever you want at a glance.”

The Māori Trustee, Dr Charlotte Severne, says “we've invested in a secure online platform for Māori landowners, trustees and whānau to engage with their whenua. This is about making it easy to stay informed and connected – no matter where you live.”



**This is about making it easy
to stay informed and
connected – no matter
where you live.**

Dr Charlotte Severne, Māori Trustee



Case study:

Working with owners to rejuvenate the land

We've been working with the owners with the goal of returning the lake back to its former glory.

Lake Poukawa, south of Hastings, sits on the Poukawa 13B whenua. While the majority of the 552-hectare block is used for cropping, the lake still takes up a significant portion of the whenua. The lake and its eel fishery are of great cultural importance to the Te Hauke people and the Ngai Te Rangikoianake hapū. Since the 1930s, the condition of the lake has deteriorated, but we've been working with the owners with the goal of returning the lake back to its former glory.

Te Tumu Paeroa Trust Specialist Jo Pleydell has been consulting with the Poukawa 13B Trust in recent years, to help them achieve this.

"The good thing is there's still quite a bit of life in the lake. But it's not as good as it used to be," says Jo.

The lake itself is shallow. It has a maximum depth of less than one metre after it was drained following the 1931 Hawke's Bay earthquake.

The Māori Trustee has commissioned a report by ecological consultancy company Wildlands, to find out what's required for the restoration of the wetlands and surrounding land at Lake Poukawa.

"Wildlands are experts in this field. They've been drafting a report that'll let us and the advisory trustees know what steps need to be taken to get the whenua back to where the owners want it to be. And it'll also look at the ongoing management of the whenua."

The trust has played a major role throughout the entire process. The owners and trustees are highly involved in the rejuvenation of their whenua. The owners also have a desire to take over the management of the whenua in the future.

"The Advisory Trustees have been involved every step of the way. We meet with them three or four times a year just because of that work we're doing around the lake restoration. And they're very engaged. At a meeting we had recently, over 60 people were in attendance."

For any future rejuvenation work on the whenua, including replanting – the owners plan to be involved in doing this.

"The understanding is that, when it comes to doing any of the hard work like the planting, the owners want to be involved in that. They're excited about this piece of work."

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 November 2018, replacing the previous Māori Trustee, Jamie Tuuta.

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:



Māori Trustee

Dr Charlotte Severne
(from November 2018)
Jamie Tuuta
(until November 2018)



Acting Chief Operating Officer

Brae Watkins
(from November 2018)



Chief Financial Officer

Stuart Allan
(until February 2019)

Chief Operating Officer

Nick McKissack *(until June 2018)*



Deputy Māori Trustee

Greg Shaw
(from November 2018)



General Manager Trusts

Basil Tapuke
*On 11 June 2019, Basil Tapuke
resigned as General Manager Trusts*



HR Manager

Peter Nilsen
(from January 2019)

Advisory Board

(until December 2018)

The Māori Trustee Advisory Board offered advice and guidance to the Māori Trustee until December 2018. We thank the members of the Advisory Board for their service:

Keith Sutton
Mark Tume
Bill Wilson

Committees

Specialist committees support our organisation's work.

Audit and Risk Committee

Provides insight and independent advice to ensure robust internal control systems and the management of risk across the organisation to improve its risk management and organisational performance. The members of the committee are Pat Waite (Chair), Kirsten Patterson and Tracey Hook.

Investment and Credit Committee

Monitors the investment portfolio to ensure the best return on the Common Fund and General Purposes Fund while maintaining an acceptable level of risk for the organisation. The Investment and Credit Committee was dissolved in December 2018. We would like to thank the independent members of this committee, Mark Tume (Chair) and Keith Sutton, for their service.

Our people

Te Tumu Paeroa employs 115 staff members across five different main offices throughout New Zealand, with its head office based in Wellington. Our team is made up of, but is not limited to, land development, trust management, property, law, registry and owner services, and other specialist

teams. Our employees are incredibly passionate and driven to ensure that the landowners we serve achieve their personal vision and aspiration for their whenua. It's evident that the people we serve are one of the main reasons why our employees love working here.

Moving into the future

It's our desire to enhance the passion and drive of our employees by positively transforming them through successfully supporting and helping them reach their true potential. If we can lift our people to higher ground, then naturally we'll be in a better position to lift and transform those we serve.

In moving forward, we've identified four key pillars that we believe will assist in growing our people. They are Attract, Engage, Great People, and an Enabling Environment.

Attract

Attract consists of a simple and clear recruitment process that plainly outlines who is responsible for what at each stage. Te Tumu Paeroa is committed to ensuring it has the best people possible working for and with it.

Engage

The engage pillar is about getting things right from the start. We want to equip all staff to succeed, while focusing on performance and development opportunities, and rewarding hard work.

Great People

Not only do we want to attract the best people, we also want to retain them and help them become better than they currently are. Great people is about providing our employees with relevant learning opportunities, succession and career planning, and supporting employees to reach their personal aspirations.

Enabling Environment

Once our employees are the best version of themselves, we want to create an enabling environment where employees can go and be their best in their mahi, while still offering a strong and supportive workplace environment.

We're committed to empowering and building our employees, after all, our employees are our greatest asset, and we cannot successfully do our job without them.



Section:

Our Performance

Statement of Responsibility

For the year ended 31 March 2019

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 judgements 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 2019, set out on pages 28 to 88, fairly reflect the financial position and operations of the Māori Trustee.



Dr Charlotte Severne

Māori Trustee

31 July 2019



Independent Auditor's Report

To the readers of the Māori Trustee and Group's financial statements and performance information for the year ended 31 March 2019

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, including 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 the Group on pages 50 to 88, that comprise the statement of financial position as at 31 March 2019, the statement of comprehensive revenue and expense, statement of changes in net assets/equity, statement of cash flows and statement of trust monies 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 88:
 - present fairly, in all material respects:
 - their financial position as at 31 March 2019; and
 - their financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards and

» the performance information on pages 28 to 48:

- presents fairly, in all material respects, the Trustee and the Group's performance for the year ended 31 March 2019, including:
 - for each class of reportable outputs:
 - their standards of performance achieved as required in the funding agreement with the Minister for Māori Development; and
 - their actual revenue and output expenses as compared with the forecasts included in the agreement with the Minister for Māori Development; and
 - what has been achieved with the appropriation; and
- complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 31 July 2019. 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.

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 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 Public Finance Act 1989, Crown Entities Act 2004 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 Group's approved budget.

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 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 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 Group to express an opinion on the financial statements and the performance information of the Group. We are responsible for the direction, supervision and performance of 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 22 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 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 2019 is summarised below.

	2019	
	Actual \$000	Budget \$000
Crown appropriation	11,261	11,261
Trust Services	6,891	8,533
Registry Services	2,876	3,872
Governance Development	-	79
Property Management	2,783	3,105
Common Fund Management	1,541	947
Land Development	2,892	1,341
Business Support	537	877
Enablement Funding	-	-
Total cost allocated	17,520	18,753
Shortfall in Crown Appropriation	(6,259)	(7,492)

Total expenditure is in excess of the appropriation provided by the Crown to provide trustee services.

This has been the case since 2012. The shortfall is made up from fees charged to trusts and a subsidy from the General Purposes Fund.

Scope of appropriation

This appropriation is limited to the purchase of trustee and land management functions from the Māori Trustee.

What's intended to be achieved with this appropriation?

This appropriation is intended to achieve progress towards Māori sustainably growing and developing their resources.

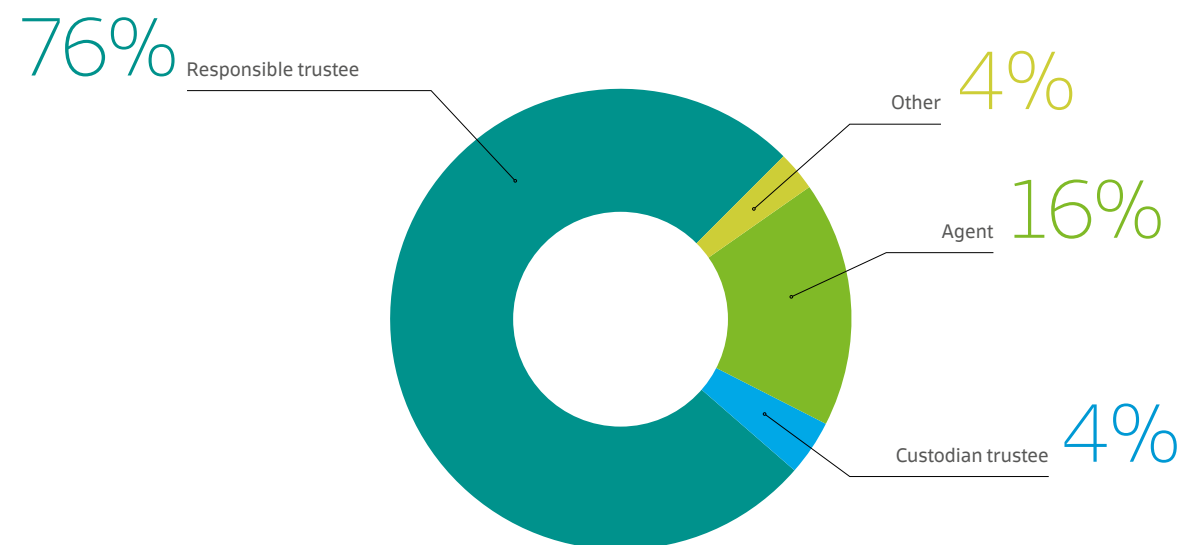
Performance measures for the Māori Trustee functions

Assessment of performance	2018/19	
	Budgeted standard	Actual
<p>Meet the performance expectations agreed in the funding agreement between the Minister for Māori Development and the Māori Trustee against the following outputs:</p> <ul style="list-style-type: none"> » 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%

Trust services

Appointment types

Trusts under administration

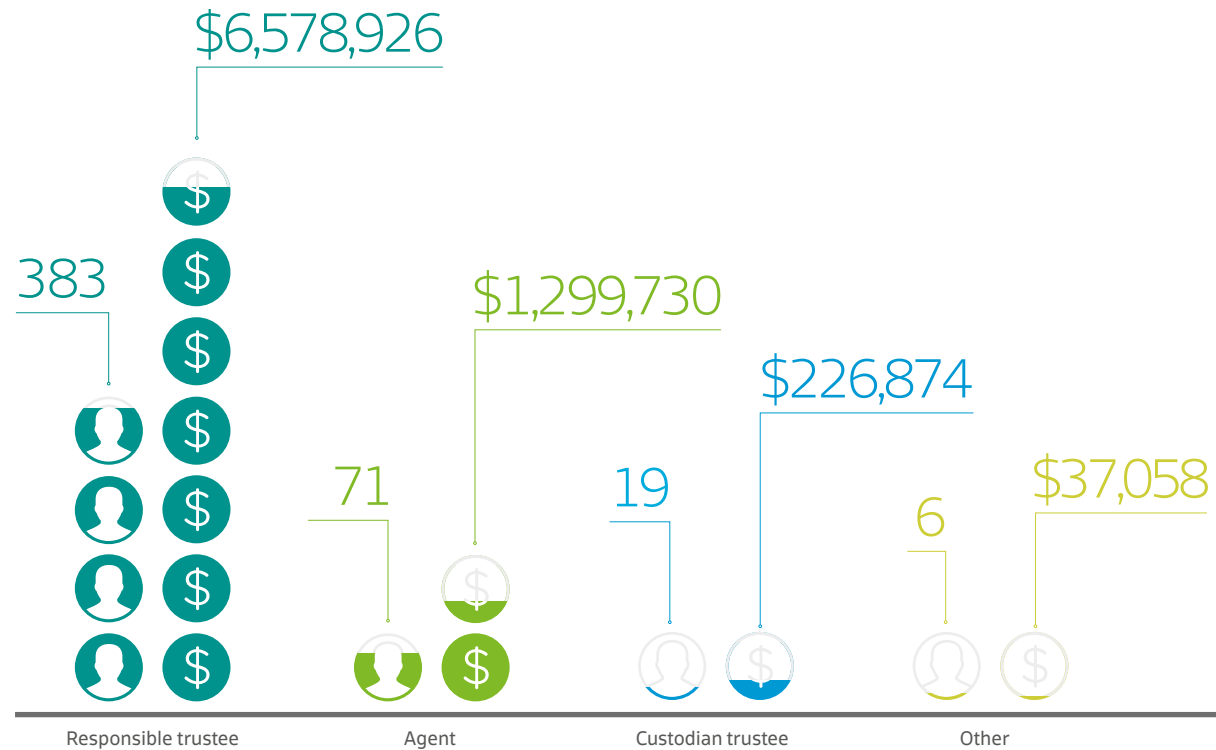


In our role as the Māori Trustee, we manage land and assets for Māori landowners throughout New Zealand and ensure accountability and oversight for 1,805 trusts and entities (2018 1,838). This year, we administered the distribution of \$8.14 million on behalf of 479 of these entities (2018 \$7.91 million on behalf of 535 entities).

“If our interests are to be administered by someone else, it is good to know you and others in Te Tumu Paeroa make a big effort to make things simple.”

— Donovan Joyce, Māori landowner

Number and value of distributions made by appointment types

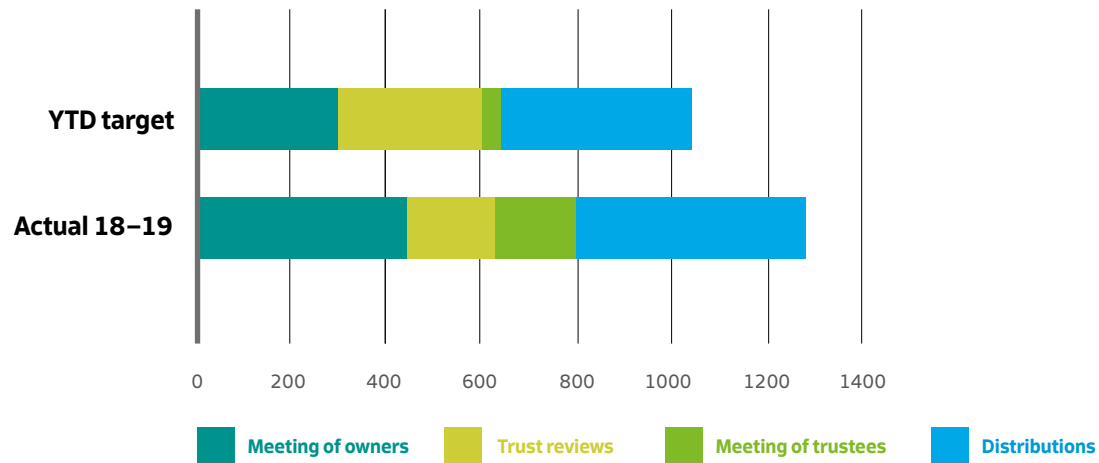


The Māori Trustee makes payments to owners where the Responsible Trustees have decided to distribute funds to owners rather than keeping monies for future investment in trust assets. This year we made 17,333 (2018 21,257) individual payments totalling \$6.34 million (2018

\$6.95 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.

Entity actions

Compliance actions completed and services delivered



We've continued to make good progress across our portfolio. We held 445 meetings of owners, completed 185 trust reviews and coordinated 169 meetings of trustees (2018 537 meetings of owners, 287 trust reviews, 269 meetings of trustees).

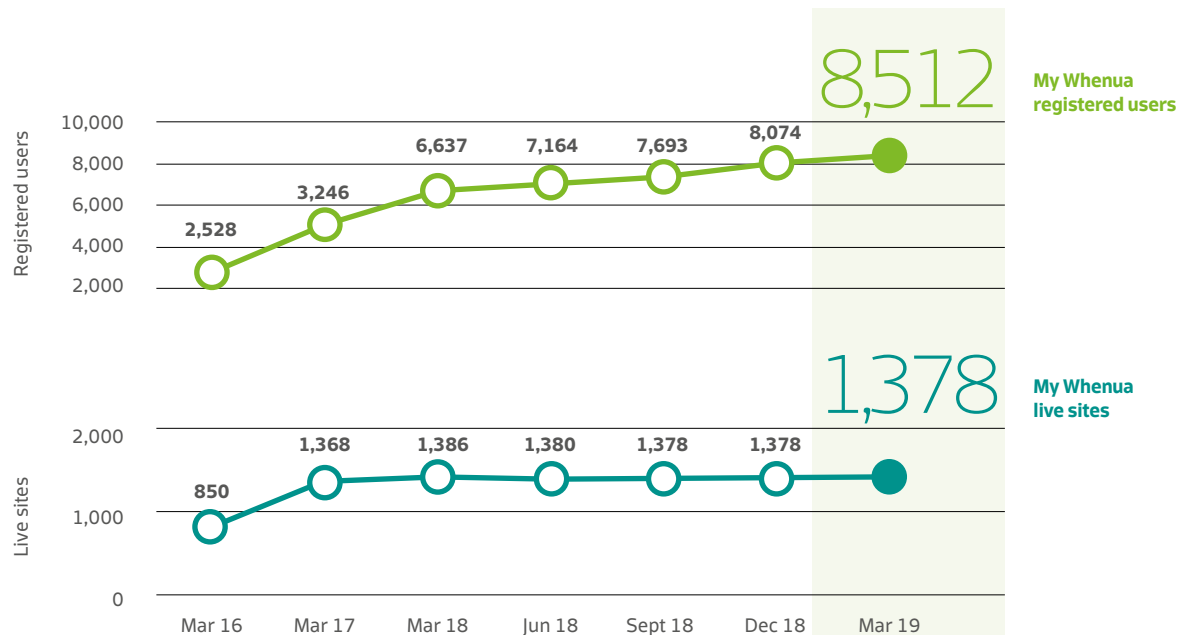
Although we were slightly below our target for trust reviews, we held significantly more meetings of owners and trustees. This shows an increased level of engagement with our owners and trustees, which reflects our commitment to growing capability to ultimately move towards increased self-governance.

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

Nearly 80% 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% said the meeting was useful and 97% said they would attend meetings in the future.

My Whenua

My Whenua live sites and registered users



With 10% of Māori landowners living overseas, and many more than that living away from the whenua, keeping up to date with the administration of their land can be challenging. To remove some of the barriers, we've significantly invested in My Whenua, our online portal for owners and their whānau. In March 2019 we launched a new version of the

service, to increase the information owners and whānau can access, make the information easier to find, and improve user experience.

With over 40% of visits to our website from people using mobile devices, My Whenua is now mobile-friendly. New features also include

whānau sign up, so that the next generation of Māori landowners can learn about their whenua, the latest in GIS mapping and, more automated notifications so owners can stay updated of the latest developments on their whenua.

At 31 March 2019, 8,512 (2018 6,637) owners have signed up to the service, and with nearly 50,000 site visits this year, it is one of our main channels for communicating with owners about their whenua.

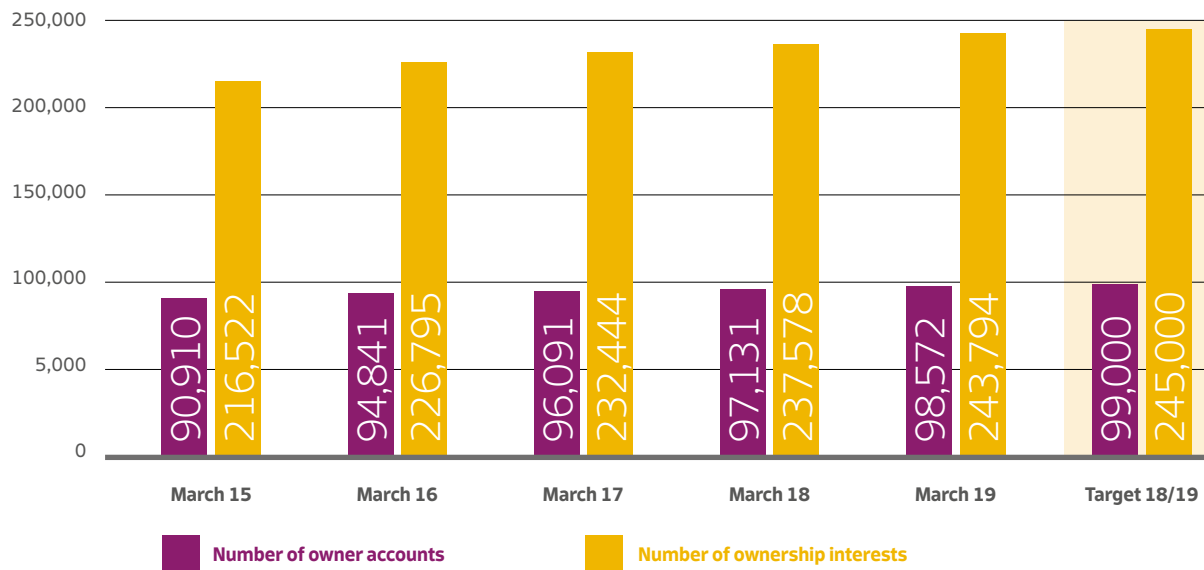
"This is a great tool for landowners that live away to have and in a sense stay connected."

"I've always dreamed this would happen, with technology and your innovated thinking, we thank you."

— Dianne Zougras, on behalf of Tamihana Heremaia Whānau Trust

Registry

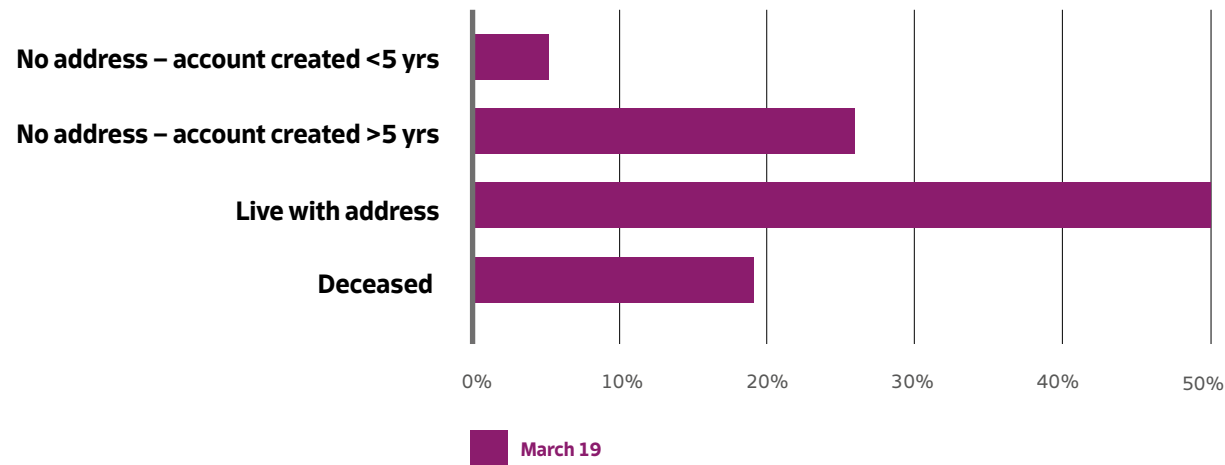
Owners and shareholding interests



The total number of shareholdings increased by 6,216 (2018 5,134) during the year, while the number of owner accounts increased by 1,441 (2018 1,040).

Addresses held – live owners

Contact status for owners

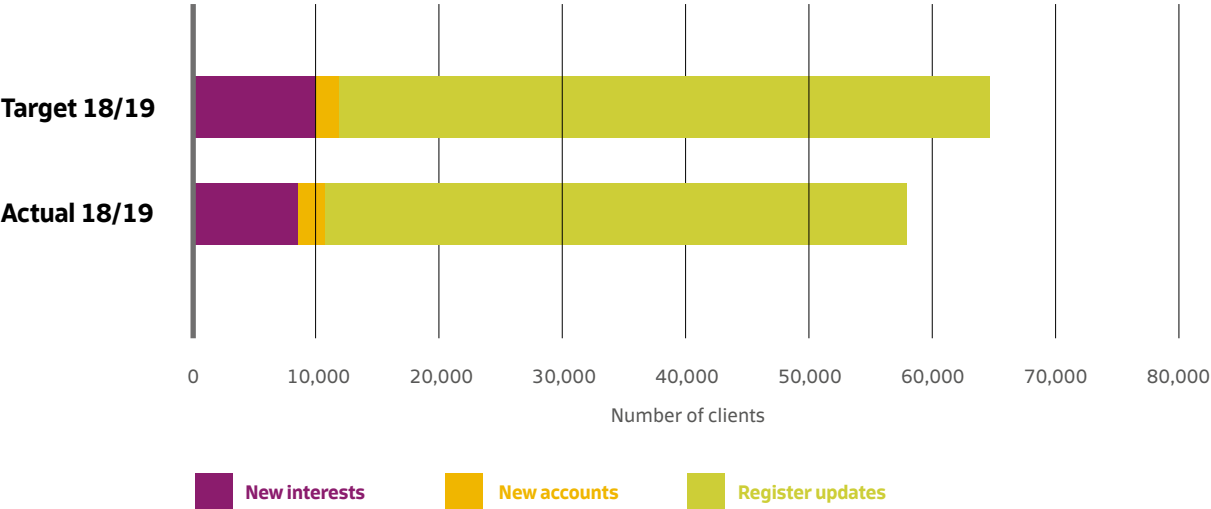


We maintain a register of 98,572 owner accounts. These owners have 243,794 ownership interests. This year, we completed 47,478 updates to our register.

Maintaining the quality of our contact information for owners is a priority, to meet our trustee obligations for reporting, consultation and payment of distributions.

The number of owners that we have contact details for increased to 49,500 (2018 48,779). New owner details are often difficult to find if the Māori Land Court is unable to supply them. To reduce the number of clients we're unable to contact, we regularly cross-check records against other organisations' data sources. This is to ensure that we have current postal addresses for clients.

Register maintenance



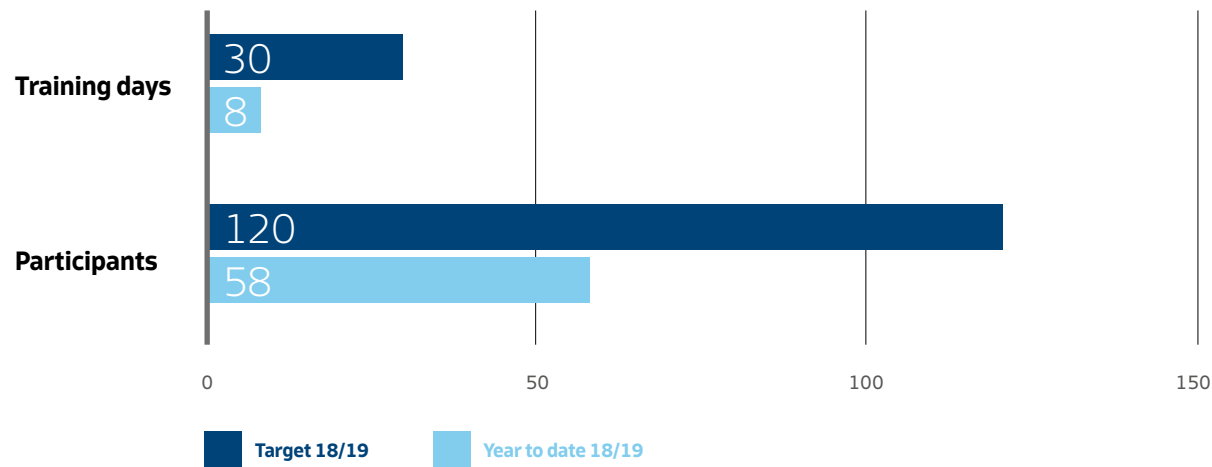
Every two months, we receive death data from Births, Deaths and Marriages. This information is then able to be matched against our owner accounts to identify any clients that are deceased.

Our succession project, which started in March 2018, aims to help whānau maintain their legal connection to the whenua across generations. Although Te Tumu Paeroa doesn't play a direct part in the succession process through the Māori Land Court, it's a major part of the journey for

Māori landowners before they contact us. We held workshops with staff at Te Puni Kōkiri and the Māori Land Court, along with owners and rangatahi, to understand the barriers and drivers for succession. We also conducted a survey with over 300 landowners. Twenty-five percent of the respondents said it took over 5 years for them to be ready to approach the Māori Land Court to begin their succession application.

Governance development

Governance training delivered



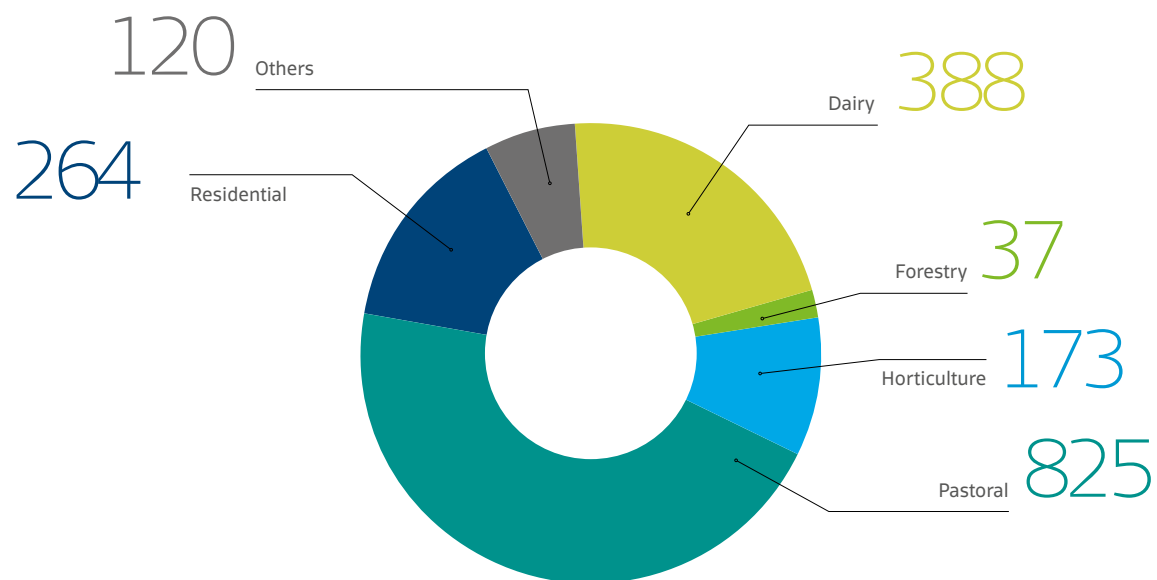
Te Tumu Whairawa is our two-day financial capability course. We were unable to secure external funding to deliver the targeted number of wānanga. We self-funded the delivery of four wānanga over eight days, and 58 participants completed the course.

Together with Toi Ohomai Institute of Technology and Ngāti Mutunga o Wharekauri Iwi Trust, we're working to develop capability on Chatham Island to

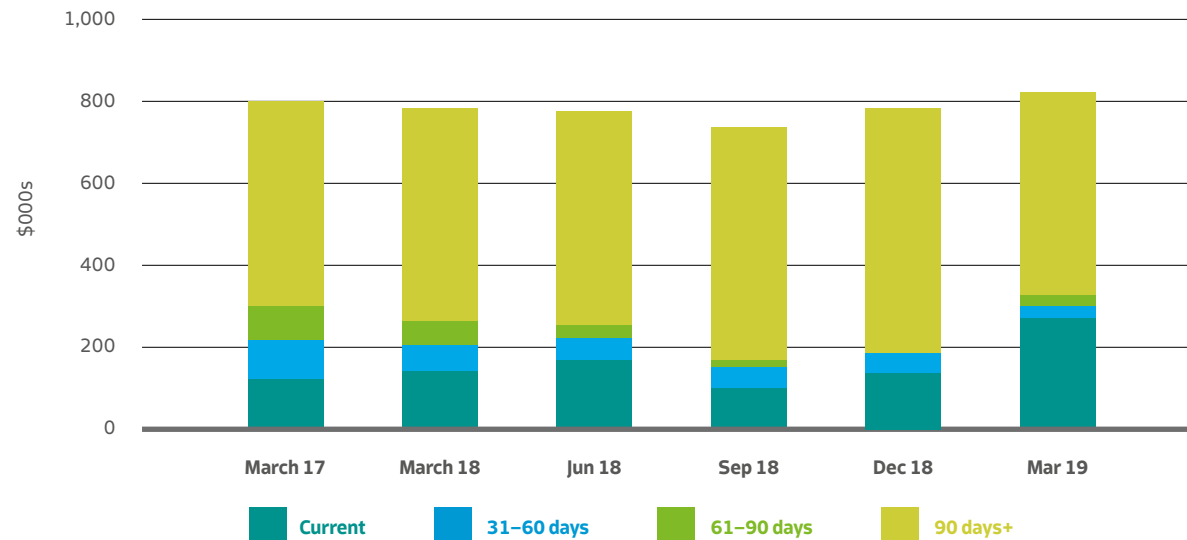
administer whenua Māori. There are about 150 Māori land blocks on the island. Te Tumu Paeroa administers nine of these blocks, and about 90% are not formally administered. A group of Chatham Islanders are enrolled in Level 4 Manu Taiko Māori Governance. Over the year, we travelled out to deliver the series of wānanga on the island.

Property management

Tenancies under management



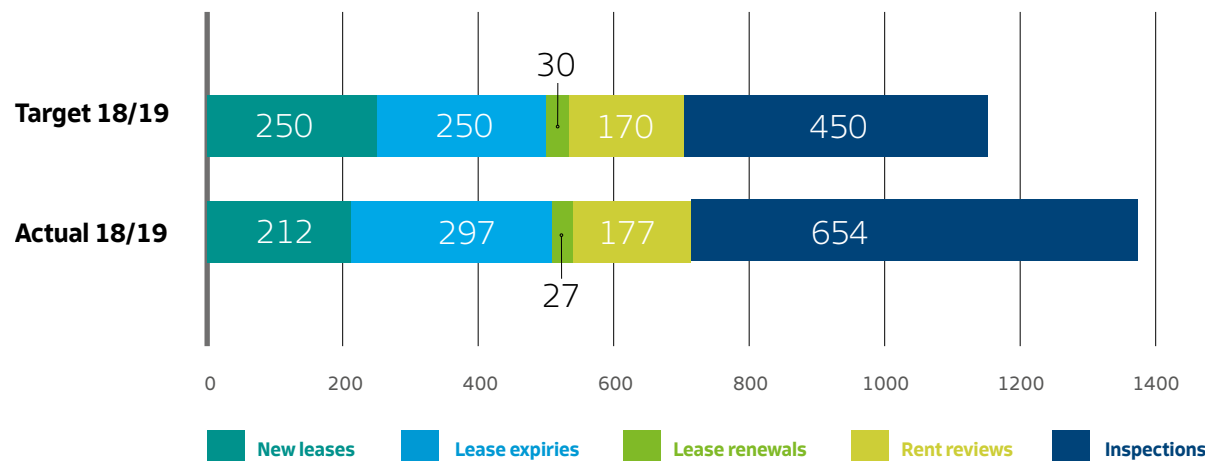
Common fund rental debtors



Property rental arrears have reduced from \$789,000 in the previous year to \$758,000.

Rental arrears are 4.3% of gross rental income of \$17.4 million per annum. Our annual target is to be in a range of 3–5% of gross rental income, which is an acceptable level for the blocks we manage. We continue to work with Baycorp and other private investigators to reduce arrears, and we use court processes where applicable to manage our debt recoveries for owners.

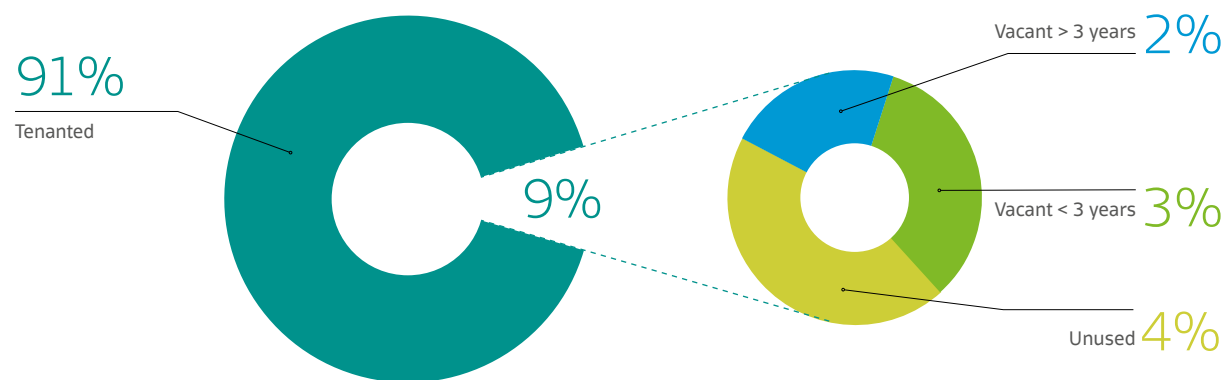
Lease actions completed



We completed rental reviews for Māori Reserved Land leases at Kawhia. Over 75 reviews were under negotiation in two large parcels since early 2014. A decision following arbitration for 33 lots was handed down in January 2018. We quickly completed the remaining reviews with the owners' Representative Association. We also completed a number of Māori Reserved Land rent reviews on the East Coast that fell due 12 months earlier, without need for arbitration. The outcome for owners is significant, in terms of having increased capital for future development of these lands.

Vacancies as at March 2019

Occupancy as at March 2019



Our total portfolio is now 1,807 active leases, with 224 new leases being established during the year (2018 233). As at 31 March 2019, 93 vacant blocks are under negotiation for new leases.

Our properties 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. However, because 67% of the rentals we manage are under 50 hectares, we're constrained in our ability to lift returns for owners and have limited land development options for these blocks which are classified as marginal economic blocks individually.

We've been working with the Department of Conservation to ensure the mauri of the whenua and native landscape and flora of blocks with Ngā Whenua Rahui covenants are being protected for generations to come. We look after 19 blocks, with kawenata preserving 2,772 hectares of land.

We're creating 1,400 Asset Management Plans by the end of March 2021 to improve how we capture the current state of the land and the assets we look after. These plans describe the current use of the land, identify developments or improvements that could improve the economic returns of the land, and identify upcoming actions to maintain or improve the land and related assets. Through this project, we're also improving how we use

our existing technology to support our asset management. At 31 March 2019, we have 250 plans completed. More resources have been committed to this project to ensure we can have all the required plans completed on time.

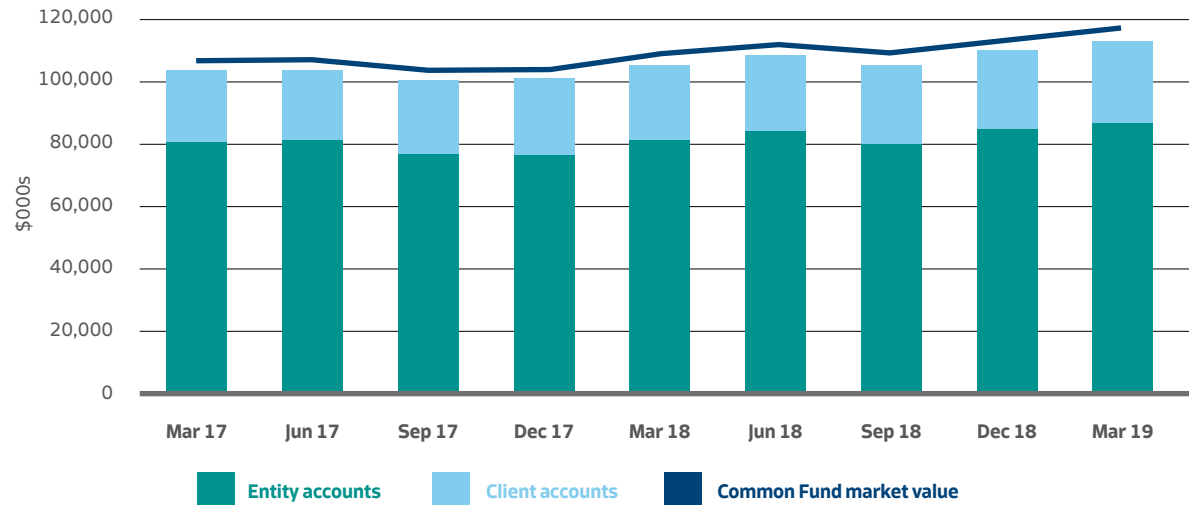
We're capturing drone footage to improve the owner experience at meetings and help with management of the whenua. We have over 500 drone flights in our video library, and intend to add a further 300 drone flights in the coming year so each block we manage has drone flight footage as part of its management plan.

We are also identifying land development opportunities for unused land blocks (land blocks not considered leaseable due to terrain or other difficulties, or that have not been leased in the past 5 years). With our GIS capability, we're adding more information to the review of these lands to ensure we have left no stone unturned in potential options to get these blocks productive and income producing in some form.

Work is also under way with 120 landlocked blocks we've identified in our portfolio. We're investigating what's required to get legal or negotiated access to these blocks so we can lease them independently of landowners who currently border these lands.

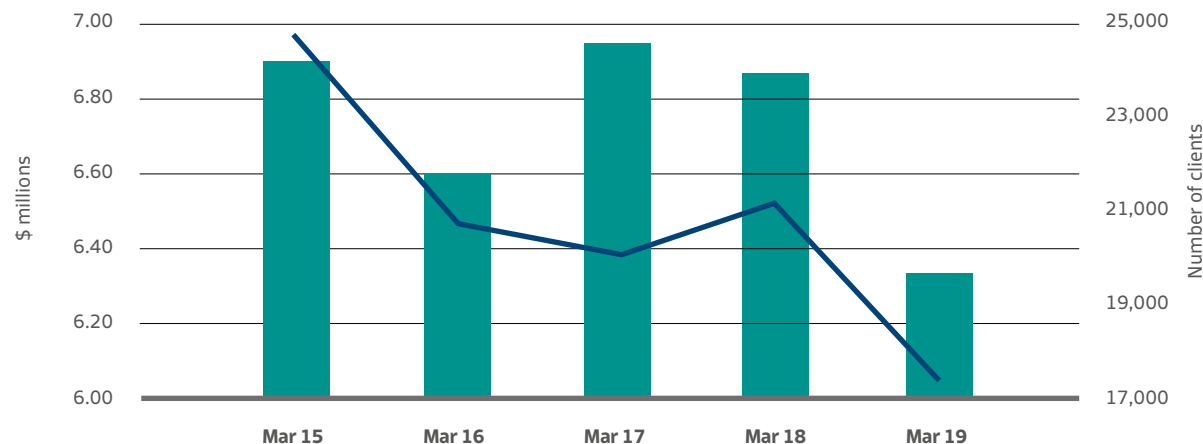
Common Fund management

Common Fund managed

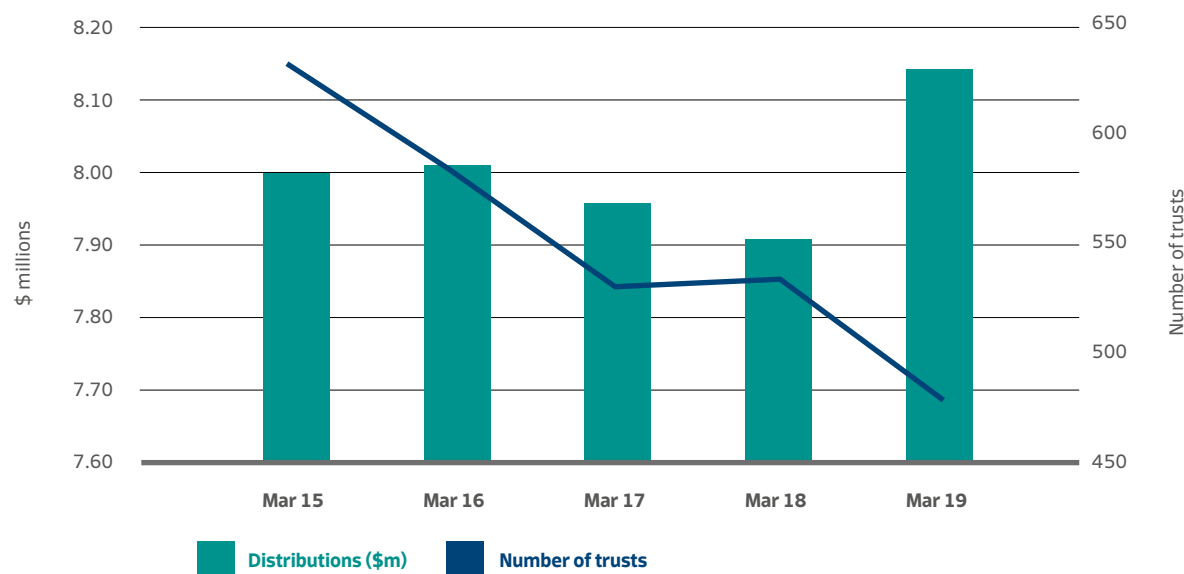


As of 31 March 2019, the Common Fund held \$117.2 million (2018 \$109.3 million) of client funds, representing around 115,000 individual accounts along with trust and property accounts. All client accounts in the Common Fund are eligible to receive distributable income in accordance with the Māori Trustee Act 1953.

Payments made to owners



Distributions

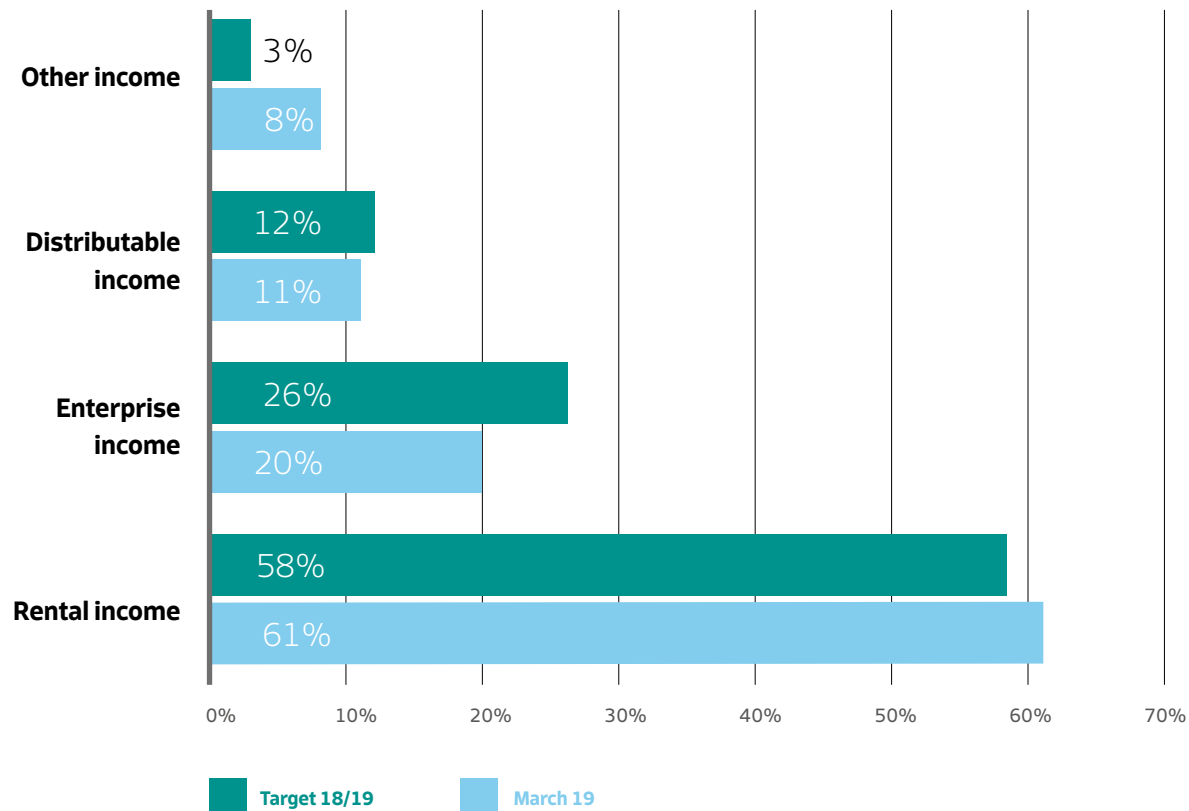


An important priority for us is the ongoing maintenance of current bank information, to ensure effective distribution to owners. This year, 583 (2018 840) payments with a value of \$183,000 (2018 \$141,000) were rejected because we hold incorrect bank account information. Under section 26 of the Māori Trustee Act 1953, distributable income is paid to all 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 (2018 \$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

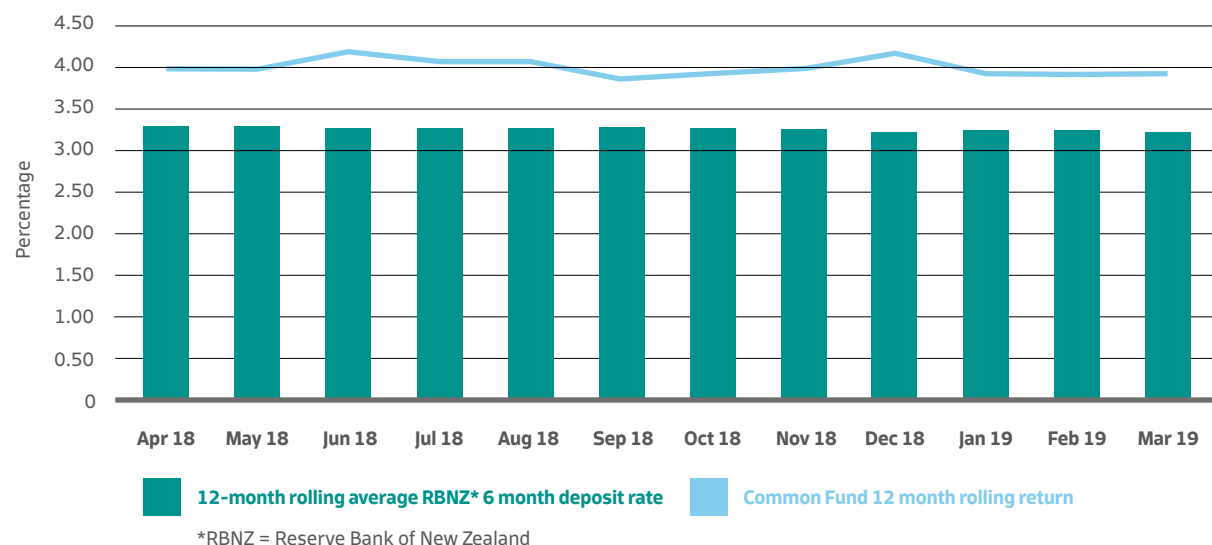


Common Fund asset allocation

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

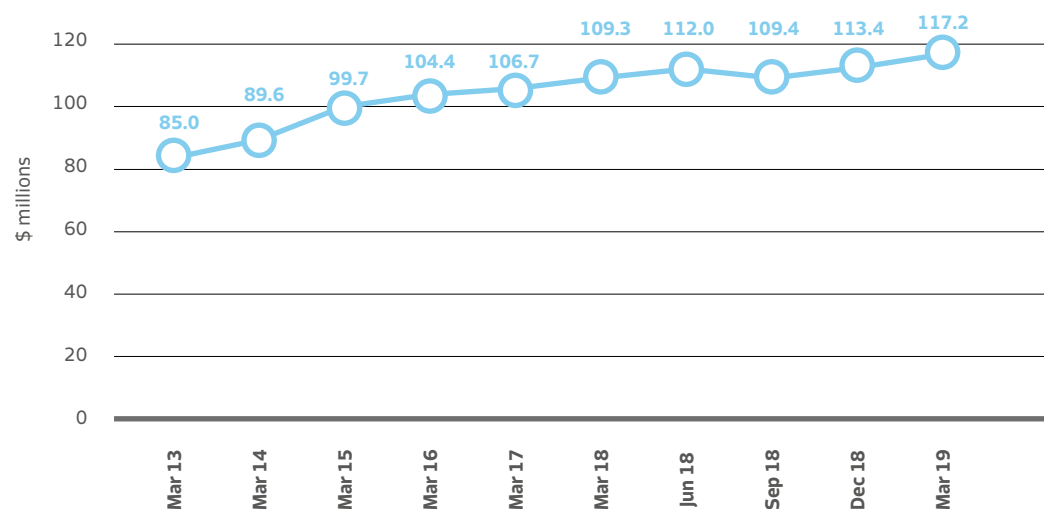
approved the SIPO, including any exceptions. Within this framework, the Māori Trustee takes a conservative approach to investment strategy and selections, with investments restricted to bank deposits and investment-grade bonds.

Gross performance of common fund



The investment performance of the Common Fund is above the benchmark, producing a rolling 12-month return of 3.94% as at 31 March 2019, while the benchmark 12-month rolling Reserve Bank of New Zealand six-month retail deposit reduced marginally to 3.26%. The Common Fund's returns have remained relatively static 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 for the coming year in response to the lowering of New Zealand interest rates across the board, which sees us with the lowest Official Cash Rate on record at 1.50%. The economy is experiencing a slow down, and there is still no upward inflationary pressure, so a benign market is expected for the foreseeable future.

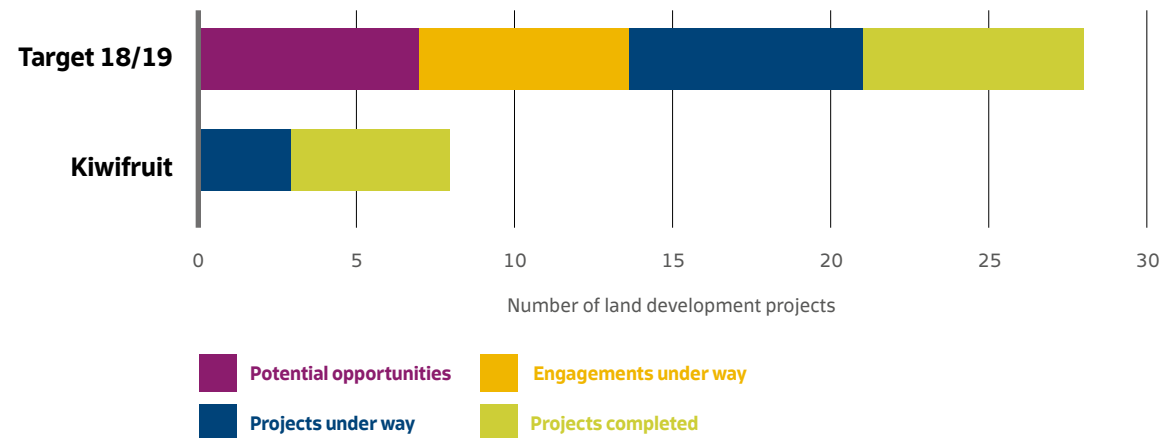
Common Fund market value



The value of the Common Fund as at March 2019 was \$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. This year has again seen outflows for investment in land development matched by proceeds from forest harvests.

Land development

Land development projects



We've completed construction on five orchards as part of a \$30 million kiwifruit investment programme. The results of this investment locally are already being seen. For example, Matakana 5 orchard employed over 30 people during planting in June 2018, and 15 people are employed full time on Matakana Island on our developments. Many of the people employed for these developments are locals on the island.

This season saw the first harvest from the vines of Whai Orchard on Matakana 9. This orchard was the original kiwifruit development, funded from the General Purposes fund, that kick-started this programme of investment.

Business support

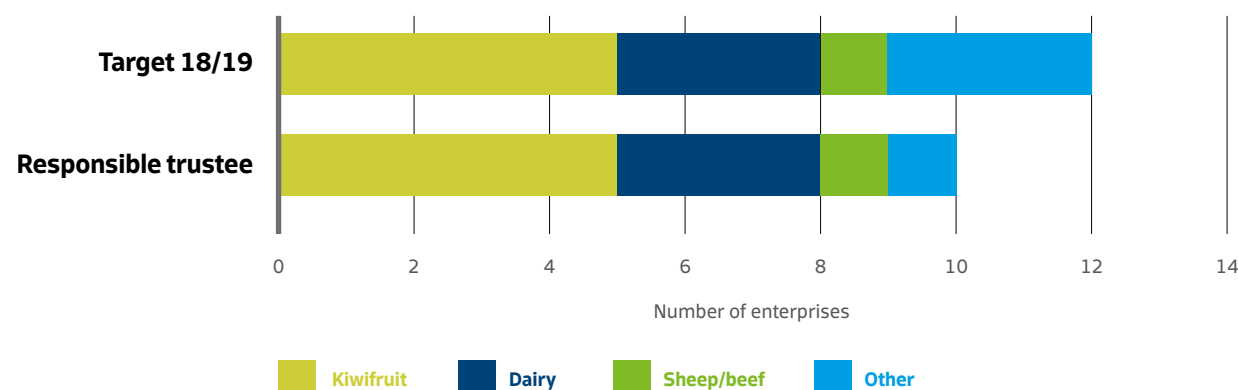
Consolidated businesses under management

Consolidated enterprise performance

Description	2018/19		
	Actual \$000	Budget \$000	Variance \$000
Income	7,003	7,229	(226)
Expenses	5,879	5,075	(804)
Enterprise surplus/(deficit)	1,124	2,154	(1,030)

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

Enterprises supported



Once again, our kiwifruit orchards are exhibiting strong production. We've had a very good kiwifruit season, despite the challenges due to the Edgecombe flood. We had some inundation on our orchards, which affected production. However, we recovered strongly and all blocks achieved Kiwistart extra incentives on top of the forecasted tray price. Kiwifruit income is a result of the early start and taste premiums on last season's crop. Costs were higher than budget because harvesting started earlier than planned, to target early start premiums payable in the next year.

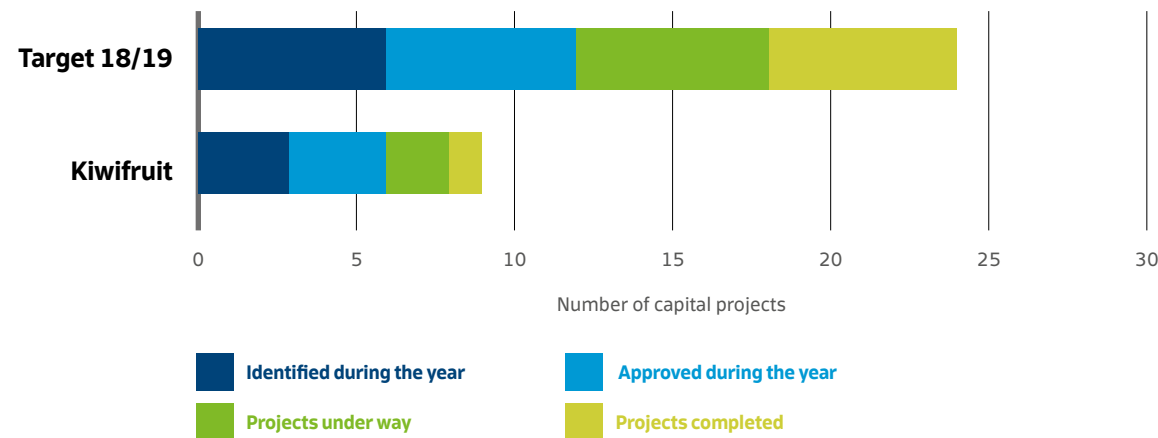
The farming enterprises we support continue to perform well, in spite of the impacts of market and climate over the year. After a number of seasons of depressed markets, our dairy portfolio has also outperformed our target.

At a portfolio level, we've achieved a net cash profit for the year of \$1.88 million against a target of \$1.78 million.

Through our membership of Mānuka Research Partnership (NZ) Limited, we've invested in the mānuka plantation programme alongside the Ministry for Primary Industries, with the goal of growing the yield and reliability of supply of medical-grade mānuka honey. The Hauhungaroa 7 mānuka plantation is establishing well since being planted in 2017. We're continuing pest

management to ensure the established plantation can thrive. This has included an extra aerial spray to release the trees from weeds. Leaf roller caterpillar caused some damage, but it's believed to be superficial and the trees should bounce back. We achieved a plant survival rate of 96% in a recent survey, which is an exceptional result.

Capital projects



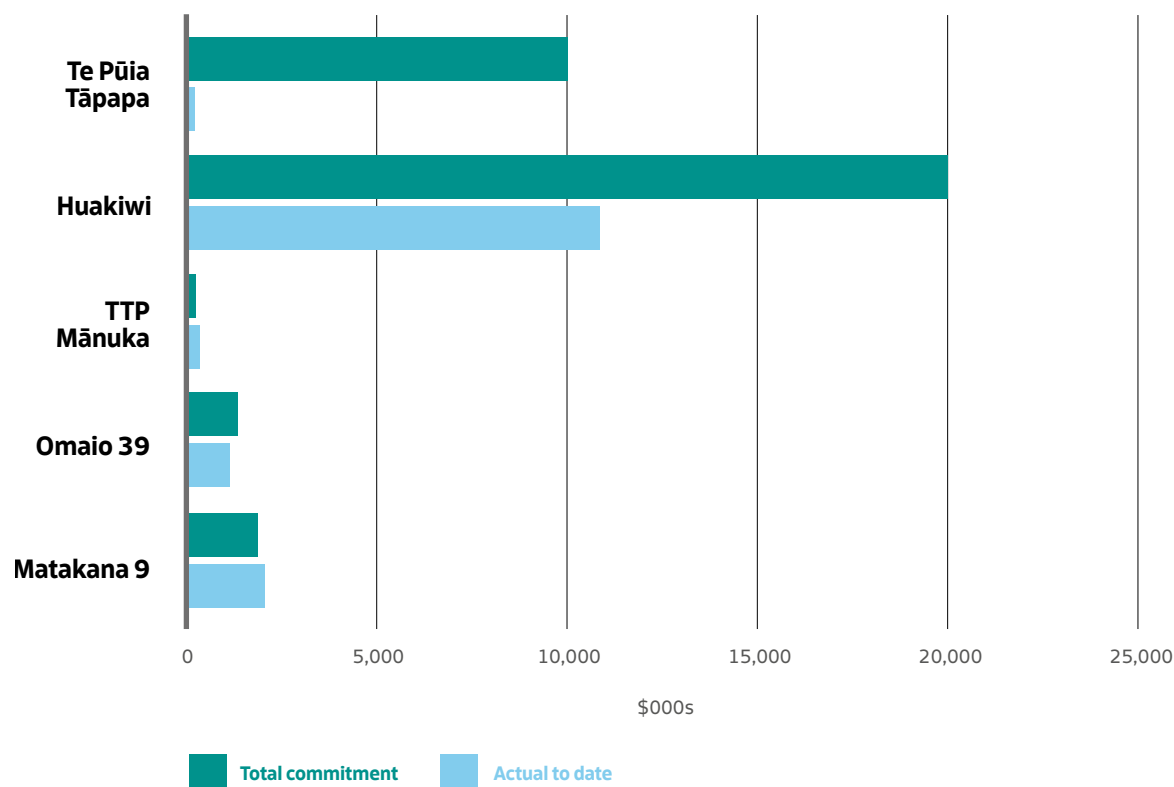
The Omataroa optimisation capital investment project is nearly complete, with a new irrigation system built using refurbished parts from the old system and the conversion from Green to Gold kiwifruit. The new stump grafts are now climbing up strings to be trained as new leaders in the winter.

The bore has been built for the Ratima optimisation and water testing has taken place.

Te Kaha 14B2's capital project has been completed. Te Kaha struggles for water for irrigation due to the harsh geology of the area. We've installed a small bore that provides enough water to supply half the orchard. There's been dry summer months from January to March and fruit from the irrigated blocks was averaging heavier weights during the stressed period.

Enablement funding

Investment funding



We provide investment funding and make 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 to help establish a new investment fund, Te Pūia Tāpapa, to grow iwi and Māori investment in economic areas where entry for Māori has been challenging.

Section:

Our Financial Statements

Statement of Comprehensive Revenue and Expense

For the year ended 31 March 2019

		Group			Parent	
	Notes	2019 Actual \$000	2019 Budget \$000	2018 Actual \$000	2019 Actual \$000	2018 Actual \$000
Revenue						
Fees and commissions		5,947	6,873	5,031	6,012	5,073
Revenue from Crown	1	11,261	11,261	11,261	11,261	11,261
Interest revenue		4,304	3,494	4,335	4,350	4,352
Farm revenue		1,441	2,500	1,356	-	
Dividends		-	95	9	344	110
Other revenue		122	947	572	482	771
Total revenue	2	23,075	25,170	22,564	22,449	21,567
Expenses						
Employee benefits	3	9,977	10,496	9,526	9,623	9,093
Depreciation	15	509	242	381	234	187
Amortisation	16	545	673	440	517	418
Farm and land expenses	4	1,365	2,839	1,050	-	-
Other expenses	5	8,322	8,334	6,967	8,396	6,882
Total operating expenses		20,718	22,584	18,364	18,770	16,580
Net surplus/(deficit) from operations		2,357	2,586	4,200	3,679	4,987
Other gains/(losses)						
Reversal of impairment		283	-	-	283	-
Impairment of investment in associates		(456)	-	-	(1,497)	-
Loss on investment property revaluation	14	-	-	-	(140)	(86)
Reduction in liability to Māori Education Trust (MET)		-	-	-	322	355
(Decrease)/increase in market value of shares		(214)	-	(152)	-	-
Share of associates' net surplus	11	(240)	-	88	-	-
Total other gains/(losses)		(627)	-	(64)	(1,032)	269
Net surplus/(deficit) before tax		1,730	2,586	4,136	2,647	5,256
Income tax expense	6	-	-	-	-	-
Net surplus/(deficit) after tax		1,730	2,586	4,136	2,647	5,256
Net surplus/(deficit) attributable to:						
Māori Trustee		1,730	2,586	4,136	2,647	5,256
Non-controlling interest		-	-	-	-	-
Other comprehensive revenue and expense						
Share of associates' other comprehensive revenue/(expense)	11	28	-	(107)	-	-
Increase in financial assets at fair value		2,615	907	2,352	2,615	2,352
Gain on asset revaluation		500	78	523	318	254
Impairment of investment in subsidiaries		-	-	-	(192)	-
Loss on disposal of a controlled entity		(256)	-	-	-	-
Total comprehensive revenue and expense		4,617	3,571	6,904	5,388	7,862
Total comprehensive revenue and expense attributable to:						
Māori Trustee		4,617	3,571	6,904	5,388	7,862
Non-controlling interest		-	-	-	-	-

Explanations of major variances against budget are provided in note 27.
These financial statements should be read in conjunction with the accompanying notes.

Statement of Changes in Net Assets/Equity

For the year ended 31 March 2019

	Group			Parent	
	2019 Actual \$000	2019 Budget \$000	2018 Actual \$000	2019 Actual \$000	2018 Actual \$000
Equity at beginning of year					
General Purposes Fund	159,601	156,831	151,006	161,796	151,974
Appropriation Account	(3,802)	(2,968)	764	(3,802)	764
Financial assets through other comprehensive revenue and expense	4,605	4,605	2,253	4,390	2,038
Asset revaluation reserve	1,473	1,473	950	982	728
Total equity at beginning of year	161,877	159,940	154,973	163,366	155,504
Transfers from statement of comprehensive revenue and expense for the year					
General Purposes Fund	7,702	10,033	8,595	8,655	9,822
Appropriation Account	(6,200)	(7,447)	(4,566)	(6,200)	(4,566)
Financial assets through other comprehensive revenue and expense	2,615	907	2,352	2,615	2,352
Asset revaluation reserve	500	78	523	318	254
Total comprehensive revenue and expense	4,617	3,571	6,904	5,388	7,862
Equity at end of year					
General Purposes Fund	167,303	166,863	159,601	170,451	161,796
Appropriation Account	(10,002)	(10,415)	(3,802)	(10,002)	(3,802)
Financial assets through other comprehensive revenue and expense	7,220	5,512	4,605	7,005	4,390
Asset revaluation reserve	1,973	1,551	1,473	1,300	982
Total equity at end of year	166,494	163,511	161,877	168,754	163,366

Explanations of major variances against budget are provided in note 27.

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

Statement of Financial Position

As at 31 March 2019

		Group			Parent	
		2019 Actual \$000	2019 Budget \$000	2018 Actual \$000	2019 Actual \$000	2018 Actual \$000
Notes						
Assets						
Current assets						
Cash and cash equivalents	7	1,669	2,722	1,976	1,270	991
Debtors and other receivables	8	4,980	4,743	4,663	4,877	4,423
Term deposits		70,760	42,000	71,850	70,750	71,850
Held-to-maturity investments	9	11,609	4,500	5,869	11,609	5,869
Loans and receivables	10	272	125	315	272	315
Biological assets	12	1,176	1,033	1,282	-	-
Equities	13	18,007	16,020	15,391	18,007	15,391
Inventory		-	-	146	-	-
Total current assets		108,472	71,143	101,492	106,784	98,839
Non-current assets						
Held-to-maturity investments	9	25,479	29,176	32,172	25,479	32,172
Loans and receivables	10	1,266	1,602	1,002	1,266	4,802
Investments		784	1,141	994	-	-
Investments in subsidiaries		-	-	-	6,796	4,479
Investments in associates	11	13,125	44,074	8,531	12,925	8,025
Other financial assets		1,402	1,515	1,515	1,402	1,515
Investment property	14	-	10,728	-	10,631	10,762
Property	15	10,631	-	10,762	-	-
Plant and equipment	15	1,992	2,572	2,743	444	412
Intangible assets	16	5,706	4,739	5,169	5,151	4,581
Total non-current assets		60,385	95,547	62,888	64,094	66,748
Total assets		168,858	166,690	164,380	170,879	165,587
Liabilities and equity						
Current liabilities						
Payables	17	1,475	1,847	1,243	1,236	961
Employee benefits	18	717	486	763	717	763
Total current liabilities		2,192	2,332	2,006	1,953	1,724
Non-current liabilities						
Employee benefits	18	13	10	16	13	16
Other non-current liabilities	19	159	837	481	159	481
Total non-current liabilities		172	847	497	172	497
Total liabilities		2,364	3,179	2,503	2,125	2,221
Net assets/equity						
Total equity attributable to Māori Trustee		164,521	161,960	160,404	167,454	163,384
Reserves		1,973	1,551	1,473	1,300	982
Non-controlling interest		-	-	-	-	-
Total equity		166,494	163,511	161,877	168,754	163,366
Total liabilities and equity		168,858	166,690	164,380	170,879	165,587

Explanations of major variances against budget are provided in note 27.
These financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows

For the year ended 31 March 2019

		Group			Parent	
		2019 Actual \$000	2019 Budget \$000	2018 Actual \$000	2019 Actual \$000	2018 Actual \$000
Notes						
Cash flows from operating activities						
		5,477	6,873	5,662	5,530	5,702
		11,261	11,261	11,261	11,261	11,261
		4,310	4,040	4,039	4,328	4,038
		657	1,160	813	827	799
		1,492	2,500	1,499	-	-
		(9,733)	(10,333)	(9,182)	(9,733)	(9,182)
		(7,282)	(8,570)	(7,127)	(7,256)	(6,469)
		(2,314)	(2,839)	(1,503)	-	-
		53	(684)	(47)	67	(57)
	20	3,922	3,408	5,415	5,023	6,093
Cash flows from investing activities						
		2,305	271	326	2,305	326
		5,500	5,500	4,950	5,500	4,950
		1,100	28,500	(44)	1,100	(44)
		-	-	365	-	365
		56	-	22	83	22
		-	-	-	(9)	(121)
		-	-	(288)	-	-
		(344)	(410)	(2,132)	(244)	(181)
		(716)	(1,116)	(1,312)	(716)	(1,408)
		(2,186)	-	(121)	(2,186)	(121)
		-	-	-	(643)	(3,206)
		(5,286)	(33,750)	(6,000)	(5,286)	(6,000)
		(4,591)	(2,500)	(2,300)	(4,591)	(2,300)
		-	-	2,831	-	2,831
		(67)	-	(1,118)	(57)	(1,174)
		(4,229)	(3,505)	(4,821)	(4,744)	(6,061)
Net cash flows from investing activities						
		(307)	(97)	594	279	32
Net increase/(decrease) in cash						
		1,976	2,819	1,382	991	959
Cash at beginning of year						
	7	1,669	2,722	1,976	1,270	991
Cash at end of year						

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 27.

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

Statement of Trust Monies

For the year ended 31 March 2019

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

The transactions through these accounts and the balances at 31 March 2019 are not included in the Māori Trustee's financial statements. Movements in these accounts were as follows.

	Notes	Common Fund		Special Investment Accounts	
		2019 \$000	2018 \$000	2019 \$000	2018 \$000
Funds held in trust		114,440	106,750	113	215
Represented by					
Cash		1,499	255	74	176
Bonds		45,691	47,995	39	39
Term deposits		67,250	58,500	-	-
		114,440	106,750	113	215

The Common Fund represents monies received by the Māori Trustee, under sections 23 and 25 of the Māori Trustee Amendment Act 2009, 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 Māori Trustee Amendment Act 2009.

Notes to the Financial Statements

For the year ended 31 March 2019

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 2019 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 2019 and were approved by the Māori Trustee on 31 July 2019.

Basis of preparation

Statement of compliance

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

In fulfilling its role in holding 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 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 that 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

Controlled entities

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%), Mg Limited (100%), Matakana 9 Limited Partnership (100%), O39 Limited (100%), Omaio 39 Limited Partnership (100%), TTP Services (Manuka) Limited (100%) and TTP

Manuka 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 2019 (2018 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 the Māori Education Trust, leaving the Māori Trustee as the only limited partner.

M9 Limited is a wholly owned and controlled entity of the Māori Trustee with no transactions for the year ended 31 March 2019 (2018 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 in New Zealand.

O39 Limited is a wholly owned and controlled entity of the Māori Trustee with no transactions for the year ended 31 March 2019 (2018 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 in New Zealand.

TTP Services (Manuka) Limited is a wholly owned and controlled entity of the Māori Trustee with

no transactions for the year ended 31 March 2019 (2018 Nil). TTP Services (Manuka) Limited is the general partner for TTP Manuka Limited Partnership, which was created in July 2017. As the general partner, TTP Services (Manuka) Limited has responsibility for the management and control of the business and partnership.

TTP Manuka 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.

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.

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.

Other financial assets

Other financial assets are measured initially at cost because the Māori Trustee has little or no control over the investments. At the end of each reporting period, the Māori Trustee will assess if there's any objective evidence of impairment for its investments.

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's 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 a 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 (2018 \$11,261,000).

	Group		Parent	
	2019 \$000	2018 \$000	2019 \$000	2018 \$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 the 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Revenue from non-exchange transactions				
Fees	4,281	3,364	4,346	3,425
Less fees forgiven/written off	(444)	(441)	(444)	(441)
Revenue from Crown	11,261	11,261	11,261	11,261
Interest revenue from lending	89	52	134	69
Total revenue from non-exchange transactions	15,187	14,236	15,297	14,314
Revenue from exchange transactions				
Commissions	1,266	1,313	1,266	1,293
Common fund management fees	843	796	843	796
Interest revenue from investment	4,215	4,283	4,215	4,283
Farm revenue	1,441	1,356	-	-
Dividends	-	9	344	110
Other revenue	123	571	484	771
Total revenue from exchange transactions	7,888	8,328	7,152	7,253
Total revenue	23,075	22,564	22,449	21,567

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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Salaries and wages	9,512	9,172	9,158	8,739
Defined contribution plan employer contributions	242	233	242	233
Increase/(decrease) in employee entitlements	16	(77)	16	(77)
Recruitment related costs	207	198	207	198
Total employee benefits	9,977	9,526	9,623	9,093

4. Farm and land expenses

	Group		Parent	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Administration expenses	94	92	-	-
Aerial assessment	-	-	-	-
Feed	275	295	-	-
Lease payments	12	17	-	-
Repairs and maintenance	113	158	-	-
Stock movement	(193)	(137)	-	-
Honey cost collection	280	64	-	-
Other farm expenses	784	561	-	-
Total farm and land expenses	1,365	1,050	-	-

5. Other expenditure

	Group		Parent	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Fees paid to auditors				
– Audit fees for Parent	155	156	155	156
– Audit fees for Subsidiary	27	36	-	-
(Reduction)/impairment of loans and receivables current year	186	(724)	998	(724)
Occupancy	804	797	804	797
Consultants' fees	2,704	2,761	2,702	2,736
Legal fees	161	41	151	41
Travel	567	559	562	548
Telecommunications	230	216	230	216
Printing and stationery	121	116	121	116
Insurance	74	58	72	58
Software licences and maintenance	1,270	1,063	1,264	1,056
Loss/(gain) on disposal/write-off assets	3	10	3	10
Bad debts – loans and receivables written off	724	678	74	678
Other operating costs	1,296	1,200	1,260	1,193
Total other expenditure	8,322	6,967	8,396	6,881

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	
	2019 \$000	2018 \$000
Reconciliation between tax expense and accounting surplus:		
Surplus before tax	1,730	4,136
Tax at 28% (2018 28%)	484	1,158
Tax effect of:	-	-
Parent company income not taxable	(741)	(1,472)
Non-taxable income	257	314
Tax expense/(benefit)	-	-

Figures above are presented only for the Group because the Parent is exempt from tax. There is zero tax expense (2018 \$Nil) and there is no offsetting movements (2018 \$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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Cash at bank and on hand	496	1,087	97	102
Deposits at call	1,173	889	1,173	889
Short-term deposits	-	-	-	-
Total cash and cash equivalents	1,669	1,976	1,270	991

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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Receivables from non-exchange transactions				
Trade debtors	715	228	715	228
Sundry receivables	2,815	2,815	2,815	2,815
Receivables from exchange transactions				
Interest receivable	964	1,015	964	1,015
Sundry receivables	486	605	383	365
Total debtors and other receivables	4,980	4,663	4,877	4,423

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 bonds and corporate 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Current portion				
Bank bonds	5,119	3,633	5,119	3,633
Corporate bonds	6,490	2,236	6,490	2,236
Total current portion	11,609	5,869	11,609	5,869
Non-current portion				
Bank bonds	6,500	11,527	6,500	11,527
Corporate bonds	18,979	20,645	18,979	20,645
Total non-current portion	25,479	32,172	25,479	32,172
Total held-to-maturity investments	37,088	38,041	37,088	38,041

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	2019 Impairment \$000	Net \$000	Gross \$000	2018 Impairment \$000	Net \$000
Current portion						
Loans and mortgages	413	(216)	197	456	(216)	240
Conversion Fund loans	75	-	75	75	-	75
Total current portion	488	(216)	272	531	(216)	315
Non-current portion						
Loans and mortgages	779	(98)	681	828	(61)	767
Conversion Fund loans	2,767	(2,335)	432	2,831	(2,599)	232
Other advances	156	(3)	153	18	(15)	3
Total non-current portion	3,702	(2,436)	1,266	3,677	(2,675)	1,002
Total loans and receivables	4,190	(2,652)	1,538	4,208	(2,891)	1,317

	Parent					
	Gross \$000	2019 Impairment \$000	Net \$000	Gross \$000	2018 Impairment \$000	Net \$000
Current portion						
Loans and mortgages	413	(216)	197	456	(216)	240
Conversion Fund loans	75	-	75	75	-	75
Total current portion	488	(216)	272	531	(216)	315
Non-current portion						
Loans and mortgages	1,699	(1,018)	681	4,628	(61)	4,567
Conversion Fund loans	2,767	(2,335)	432	2,831	(2,599)	232
Other advances	156	(3)	153	18	(15)	3
Total non-current portion	4,622	(3,356)	1,266	7,477	(2,675)	4,802
Total loans and receivables	5,110	(3,572)	1,538	8,008	(2,891)	5,117

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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Provision for impairment at 1 April	2,891	2,271	2,891	2,271
Additional provisions made during the year	44	620	964	620
Provisions reversed during the year	(283)	-	(283)	-
Provision for impairment at 31 March	2,652	2,891	3,572	2,891

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	2019 Impairment \$000	Net \$000	Gross \$000	2018 Impairment \$000	Net \$000
Not past due	1,086	(56)	1,030	1,086	(76)	1,010
Past due 1 – 30 days	-	-	-	-	-	-
Past due 31 – 60 days	-	-	-	-	-	-
Past due 61 – 90 days	1	-	1	-	-	-
Past due over 90 days	3,103	(2,596)	507	3,122	(2,815)	307
Total loans and receivables	4,190	(2,652)	1,538	4,208	(2,891)	1,317

	Parent					
	Gross \$000	2019 Impairment \$000	Net \$000	Gross \$000	2018 Impairment \$000	Net \$000
Not past due	1,086	(56)	1,030	4,886	(76)	4,810
Past due 1 – 30 days	-	-	-	-	-	-
Past due 31 – 60 days	-	-	-	-	-	-
Past due 61 – 90 days	1	-	1	-	-	-
Past due over 90 days	4,023	(3,516)	507	3,122	(2,815)	307
Total loans and receivables	5,110	(3,572)	1,538	8,008	(2,891)	5,117

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

11. Investments in associates

Accounting policy

Associates are entities over which the Māori Trustee has significant influence and that are neither controlled entities nor joint ventures. Significant influence is where the Māori Trustee has over 20% of the voting rights. The Māori Trustee investments in associates include Rangihamama Dairy Limited Partnership, RDF1 Limited, Mānuka Research Partnership (NZ) Limited, Opotiki Packing and Coolstorage Limited, Huakiwi Developments Limited Partnership, Huakiwi Services Limited, Farm Data Accreditation Limited and Te Tumu Miere Limited in Liquidation.

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

Investments in associates 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 associates 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 associates are prepared using consistent accounting policies.

		Group		Parent	
		2019 Actual \$000	2018 Actual \$000	2019 Actual \$000	2018 Actual \$000
Equity holding					
RDF1 Limited	(2018: 50%)	-	-	-	-
Rangihamama Dairy Limited Partnership	(2018: 50%)	318	346	227	227
Huakiwi Services Limited	(2018: 50%)	-	-	-	-
Huakiwi Developments Limited Partnership	(2018: 50%)	10,208	5,841	10,900	6,000
Mānuka Research Partnership (NZ) Limited	(2018: 6.78%)	-	-	-	-
Opotiki Packing and Coolstorage Limited	(2018: 10.1%)	2,599	2,344	1,798	1,798
Farm Data Accreditation Limited	(2018: 14.29%)	-	-	-	-
Te Tumu Miere Limited in Liquidation	(2018: 100%)	-	-	-	-
Total investments in associates		13,125	8,531	12,925	8,025

Movements in the carrying amounts of investments in associates are as follows.

		Group		Parent	
		2019 \$000	2018 \$000	2019 \$000	2018 \$000
Investments in associates at beginning of year		8,531	5,446	8,025	4,857
Transfer balance of former subsidiary to associate		-	-	1,041	-
Share of associates' net surplus/(deficit)		(240)	88	-	-
Share of associates' other comprehensive revenue/(expenditure)		28	(107)	-	-
Share of associate dividends distributed		(94)	(101)	-	-
Capital repayment during the year		-	(1,759)	-	(1,759)
New investments during the year		5,356	6,000	5,356	6,000
Impairment of investments in associates		(456)	-	(1,497)	-
Disposal of investments during the year		-	(240)	-	-
Distribution of assets		-	(796)	-	(1,128)
Gain on wind up of investment		-	-	-	56
		13,125	8,531	12,925	8,025

Summarised financial information of associates is as follows.

		Group	
		2019 \$000	2018 \$000
Assets		81,401	60,919
Liabilities		34,616	25,339
Net assets		46,785	35,580
Revenue		55,780	48,724
Total comprehensive revenue/(expenditure)		3,097	4,683
Share of associates' total comprehensive revenue			
Net surplus/(deficit) after tax		(240)	88
Other comprehensive revenue/(expenditure)		28	(107)
Total share of associates' comprehensive revenue		(212)	(19)

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% owned 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% owned by the Māori Trustee.

Mānuka Research Partnership (NZ) Limited

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 has purchased a block of 120 shares at \$1 per share equivalent of 6.78% (2016 9.94%) of the shares on issue. The Māori Trustee contributed \$120,000 over four years to Mānuka Research Partnership (NZ) Limited to be used for PGP-related research.

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 purchased 10.1% shares in Opotiki Packing and Coolstorage Limited in December 2015.

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.

Te Tumu Miere Limited in Liquidation (TTM)

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, because control of the entity was lost when it entered into liquidation. Any related opening balances have been removed from the Group accounts.

12. Biological assets

Accounting policy

Biological assets include livestock and kiwifruit bearer plants 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.

The method to determine the fair value of kiwifruit bearer plants depends on the degree of biological transformation (maturity of the fruit) at balance date.

When insufficient biological transformation has occurred, the fair value is the costs incurred at balance date to grow the crops (so long as the costs are considered recoverable).

When sufficient biological transformation has occurred, fair value is the estimated best market return less selling cost to market.

	Group		Parent	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Biological assets as at 1 April	1,282	1,033	-	-
Derecognise TTM biological assets	(200)	-	-	-
Increase due to purchases of hives and bees	-	201	-	-
Livestock losses	(36)	(24)	-	-
Reclassify kiwifruit bearer plants from property, plant and equipment	26	92	-	-
Change in fair value due to biological transformation	243	241	-	-
Change in fair value of livestock due to price changes	(13)	(81)	-	-
Increase/(decrease) due to sale	(126)	(180)	-	-
Biological assets as at 31 March	1,176	1,282	-	-

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 Manuka Limited Partnership hold kiwifruit 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 kiwifruit bearer plants have been reclassified from property, plant and equipment to biological assets, in accordance with PBE IPSAS 27 Agriculture. Because there has been insufficient biological transformation of the kiwifruit bearer plants at balance date, and the fair value cannot be reliably measured, the Group has initially recognised the kiwifruit bearer plants at its cost less accumulated depreciation.

13. 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 (eg, 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 \$18,007 million (2018 \$15,391 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.

14. Investment property

Accounting policy

Investment properties are properties that 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Opening balance at 1 April	-	-	10,762	10,728
Additions at cost	9	120	9	120
Fair value adjustment	(140)	(86)	(140)	(86)
Transfer to property, plant and equipment	131	(34)	-	-
Closing balance at 31 March	-	-	10,631	10,762

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 \$140,000 (2018 loss \$86,000).

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 because the dairy units are considered owner occupied from the Group's perspective.

	Group		Parent	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Rental revenue from investment property	-	-	345	216
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)	-	-	345	216

15. 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 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
Derecognise TTM assets	-	-	-	-	-	-	(250)	(250)
Additions	100	1	47	182	-	-	81	411
Transfer from investment property	-	-	-	-	-	(131)	-	(131)
Disposals	-	-	-	(161)	-	-	11	(150)
Impairment	(5)	-	-	-	-	-	(597)	(603)
Movement in work in progress	-	-	-	-	-	-	90	90
Bearer plants reclassified as biological assets	-	-	-	-	-	-	(39)	(39)
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)
Impairment	(61)	-	-	-	-	-	(109)	(170)
Bearer plants reclassified as biological assets	-	-	-	-	-	-	(13)	(13)
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

Group 2018								
	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	549	151	133	423	-	10,728	1,218	13,202
Additions	52	22	3	96	-	-	1,562	1,735
Transfer from investment property	-	-	-	-	-	34	-	34
Disposals	(5)	-	(3)	(67)	-	-	-	(75)
Bearer plants reclassified as biological assets	-	-	-	-	-	-	(103)	(103)
Cost at end of year	596	173	133	452	-	10,762	2,677	14,793
Accumulated depreciation at beginning of year	378	126	96	216	-	-	166	982
Depreciation	137	21	11	76	-	-	136	381
Depreciation on disposals	(2)	-	(3)	(59)	-	-	-	(64)
Bearer plants reclassified as biological assets	-	-	-	-	-	-	(11)	(11)
Accumulated depreciation at end of year	512	147	104	233	-	-	292	1,288
Net carrying value at end of year	84	26	29	219	-	10,762	2,385	13,505

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

Parent 2018								
	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	544	151	132	423	-	-	-	1,250
Additions	52	22	3	96	-	-	-	173
Disposals	(5)	-	(3)	(67)	-	-	-	(75)
Cost at end of year	591	173	132	452	-	-	-	1,348
Accumulated depreciation at beginning of year	375	126	96	216	-	-	-	813
Depreciation	79	21	11	76	-	-	-	187
Depreciation on disposals	(2)	-	(3)	(59)	-	-	-	(64)
Accumulated depreciation at end of year	452	147	104	233	-	-	-	936
Net carrying value at end of year	139	26	28	219	-	-	-	412

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.

16. Intangible assets

Accounting policy

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

Acquired computer software licences 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 the 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)	Indefinite	N/A

New Zealand Units (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 a 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 asset's 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					
	2019			2018		
	Carbon credits \$000	Other intangible assets \$000	Total \$000	Carbon credits \$000	Other intangible assets \$000	Total \$000
Cost at beginning of year	1,422	5,707	7,129	1,168	4,463	5,631
Additions	-	1,291	1,291	-	1,106	1,106
Disposals/write off	-	-	-	-	(412)	(412)
Impairment	-	(25)	(25)	-	-	-
Revaluation increase/(decrease)	318	-	318	254	-	254
Movement in work in progress	-	(510)	(510)	-	550	550
Cost at end of year	1,740	6,463	8,203	1,422	5,707	7,129
Accumulated amortisation at beginning of year	-	1,960	1,960	-	1,520	1,520
Amortisation	-	545	545	-	440	440
Impairment	-	(8)	(8)	-	-	-
Accumulated amortisation at end of year	-	2,497	2,497	-	1,960	1,960
Net carrying value at end of year	1,740	3,966	5,706	1,422	3,747	5,169

	Parent					
	2019			2018		
	Carbon credits \$000	Other intangible assets \$000	Total \$000	Carbon credits \$000	Other intangible assets \$000	Total \$000
Cost at beginning of year	1,422	5,077	6,499	1,168	4,080	5,248
Additions	-	1,279	1,279	-	858	858
Disposals/write off	-	-	-	-	(412)	(412)
Revaluation increase/(decrease)	318	-	318	254	-	254
Work in progress	-	(510)	(510)	-	550	550
Cost at end of year	1,740	5,846	7,586	1,422	5,077	6,499
Accumulated amortisation at beginning of year	-	1,918	1,918	-	1,500	1,500
Amortisation	-	517	517	-	418	418
Accumulated amortisation at end of year	-	2,435	2,435	-	1,918	1,918
Net carrying value at end of year	1,740	3,411	5,151	1,422	3,159	4,581

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

17. 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Payables under exchange transactions				
Creditors	543	318	543	334
Accrued expenses	721	756	462	466
Total payables under exchange transactions	1,264	1,074	1,005	800
Payables under non-exchange transactions				
GST payable	211	169	231	161
Total payables under non-exchange transactions	211	169	231	161
Total payables	1,475	1,243	1,236	961

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

18. 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Current portion				
Accrued salaries and wages	259	258	259	258
Severance	-	-	-	-
Annual leave	443	414	443	414
ACC liabilities	7	74	7	74
Retirement and long service leave	8	17	8	17
Total current portion	717	763	717	763
Non-current portion				
Retirement and long service leave	13	16	13	16
Total non-current portion	13	16	13	16
Total employee benefits	730	779	730	779

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 1.72% (2018 1.79%) and an inflation factor of 3.00% (2018 3.00%) were used based on historical salary inflation patterns.

19. Liability to Māori Education Trust

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. Subsequently, a gain-sharing arrangement was put in place between the Māori Trustee and Māori Education Trust that results in a non-current liability of \$159,000 (2018 \$481,000) payable to the Māori Education Trust when the farms in the partnership are sold.

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

	Notes	Group		Parent	
		2019 \$000	2018 \$000	2019 \$000	2018 \$000
Net Surplus		1,730	4,136	2,647	5,256
Add/(deduct) non-cash items					
Amortisation of premiums/discount		45	65	45	65
Depreciation	16	509	381	234	187
Amortisation of intangible assets	17	545	440	517	418
Impairment losses/(gains)		1,056	632	1,033	632
Share of associates' net deficit/(surplus)	12	240	(88)	-	-
Decrease in market value of shares		214	-	-	-
Loss on investment property revaluation		-	-	140	86
Reduction in liability to MET		-	-	(322)	(355)
Impairment of investments in associates		456	-	1,497	-
Reversal of impairment		(283)	-	(283)	-
Disposal of investments in associates		-	232	-	-
EMOO costs expensed		-	411	-	411
Interest income on loans and advances		(72)	(48)	(117)	(48)
Add/(deduct) investing activities					
(Gain)/loss on disposal of property, plant and equipment		(18)	(4)	(18)	(4)
Movement in other financial assets		115	-	115	-
Gain on sale of carbon units/shares		-	(68)	-	(68)
Loss on sale of non-current assets held for sale		2	-	2	-
Add/(deduct) movements in working capital					
(Increase)/decrease in debtors and other receivables		(416)	(577)	(479)	(430)
(Increase)/decrease in stock		146	(146)	-	-
Increase/(decrease) in payables		(347)	49	12	(57)
Net cash flows from operating activities		3,922	5,415	5,023	6,093

21. 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Lease commitments as lessee				
Less than 1 year	658	608	646	601
1 year to 2 years	624	526	612	519
2 years to 5 years	901	1,347	865	1,326
Greater than 5 years	85	63	-	-
Total lease commitments as lessee	2,268	2,544	2,123	2,446

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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Lease commitments as lessor				
Less than 1 year	-	136	371	352
1 year to 2 years	-	335	38	371
2 years to 5 years	-	64	-	64
Greater than 5 years	-	-	-	-
Total lease commitments as lessor	-	535	409	787

The Māori Trustee no longer sub-leases a portion of its head office premises to other parties. Also, 100% (2018 99%) of the commitment as lessor in the Parent figures relates to investment property.

22. 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 (2018 \$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 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 are 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.

Because 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 Programme (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, eg, 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 (2018 Nil). There have been no additional claims during the year (2018 Nil).

23. 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 has 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	
		2019 \$000	2018 \$000	2019 \$000	2018 \$000
	Notes				
Financial assets					
Cash and cash equivalents	7	1,669	1,976	1,270	991
Debtors and other receivables	8	4,980	4,663	4,877	4,423
Term deposits		70,760	71,850	70,750	71,850
Held-to-maturity investments	9	37,088	38,041	37,088	38,041
Loans and receivables	10	1,538	1,317	1,538	5,117
Equities		18,007	15,391	18,007	15,391
Total financial assets		134,042	133,238	133,530	135,813
Financial liabilities					
Payables	17	1,475	1,243	1,236	961
Employee benefits	18	730	779	730	779
Other non-current liabilities	19	159	481	159	481
Total financial liabilities		2,364	2,503	2,125	2,221

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.

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 \$37,088,000 as at 31 March 2019 (2018 \$38,041,000). 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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
0.5% increase/(decrease) in price would increase/(decrease) the other comprehensive revenue and expense	95	82	90	77

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 2019 year, TTPDLP supplied Fonterra with 211,028kg of milk with an average price of \$6.30. A 0.5% increase/(decrease) in the price of milk would increase/(decrease) the other comprehensive revenue and expense by \$6,647.

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	
		2019 \$000	2018 \$000	2019 \$000	2018 \$000
Cash and cash equivalents sensitivity analysis					
Weighted average effective interest rate	%	2.62	1.44	2.89	1.50
1% increase/(decrease) in interest rates would increase/(decrease) interest revenue and equity	\$000	15	13	15	13
Held-to-maturity investments sensitivity analysis					
Weighted average effective interest rate	%	-	3.17	-	3.17
1% increase/(decrease) in interest rates would increase/(decrease) interest revenue and equity	\$000	-	5	-	5

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 counterparty default rates.

	Group		Parent	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Cash and cash equivalents and term deposits				
AA-	63,669	61,841	63,520	61,842
A+	-	11,985	-	11,000
A	8,760	-	8,500	-
Total cash and cash equivalents and term deposits	72,429	73,826	72,020	72,842
Held-to-maturity investments				
AAA to A	12,620	17,687	12,620	17,687
A- to BBB	24,468	20,354	24,468	20,354
Total held-to-maturity investments	37,088	38,041	37,088	38,041

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	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Less than 6 months	1,475	1,243	1,236	961
6 – 12 months	717	763	717	763
Later than 12 months	172	497	172	497
Total financial liabilities	2,364	2,503	2,125	2,221

24. 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.

25. 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 Limited 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 (Manuka) Limited	Wholly owned entity
TTP Manuka Limited Partnership	Wholly owned entity
RDF1 Limited	Investment in associate
Rangihamama Dairy Limited Partnership	Investment in associate
Huakiwi Services Limited	Investment in associate
Huakiwi Developments Limited Partnership	Investment in associate
Mānuka Research Partnership (NZ) Limited	Investment in associate
Opotiki Packing and Coolstorage Limited	Investment in associate
Farm Data Accreditation Limited	Investment in associate
Te Tumu Miere Limited in Liquidation	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 \$345,000 rent for investment properties (2018 \$216,000), no additional capital contribution was made (2018 Nil) and no cash contributions were paid to the Māori Trustee (2018 \$250,000). The Māori Trustee received \$1,000 in director's fees (2018 \$Nil).

During the year, the Māori Trustee reimbursed \$8,000 (2018 \$117,000) to the partnership for development expenditure incurred on the farms. 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. During the year, the Māori Trustee advanced \$278,000 (2018 \$288,000) to the partnership to cover initial set-up costs and working capital requirements and received \$500 in director's fees (2018 \$Nil).

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 did not make any capital contribution during the year (2018 \$1,175,000) and received \$500 in director's fees (2018 \$Nil).

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

TTP Manuka Limited Partnership

The Māori Trustee holds a 100% interest in the partnership. During the year, the Māori Trustee advanced \$44,500 (2018 \$147,200) to the partnership to cover initial set-up costs and working capital requirements.

In the Parent financial statements, the Māori Trustee fully impaired the equity investment of \$191,700 (2018 \$Nil).

Rangihamama Dairy Limited Partnership

The Māori Trustee has a 50% interest in the partnership. The Māori Trustee did not make any capital contribution during the year (2018 \$Nil).

Huakiwi Developments Limited Partnership

The Māori Trustee has a 50% interest in the partnership. During the year, the Māori Trustee advanced \$4,900,000 (2018 \$6,000,000) to the partnership to cover initial set-up costs and working capital requirements and received \$27,000 in director's fees (2018 \$5,000).

Mānuka Research Partnership (NZ) Limited

The Māori Trustee has a 6.78% interest in the partnership. The Māori Trustee did not make any capital contribution during the year (2018 \$Nil).

Opotiki Packing and Coolstorage Limited

The Māori Trustee has a 10.1% interest in the company. During the year, the Māori Trustee received \$35,000 in director's fees (2018 \$34,000) and paid no further funds as capital contribution (2018 \$Nil).

Te Tumu Miere Limited in Liquidation (TTM)

The Māori Trustee has a 100% interest in the company. During the year, the Māori Trustee advanced \$320,000 (2018 \$555,000) to TTM. The Māori Trustee charged interest of \$45,730 (2018 \$17,760) at the rate of 9% per annum and \$43,510 (2018 \$Nil) at the default rate of 14%, after the company entered into liquidation. TTM repaid \$17,760 of interest this year (2018 \$Nil).

Loan advances made to TTM, including interest of \$964,240 (2018 \$Nil), have been fully provided for.

During the year, the Māori Trustee made a capital contribution of \$456,000 (2018 \$1,041,000). In the Parent financial statements, the Māori Trustee fully impaired the equity investment in TTM of \$1,497,000 (2018 \$Nil).

Crown

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

Appropriation revenue from the Crown of \$11,261,000 (2018 \$11,261,000) is provided pursuant to a funding agreement dated 24 March 2016 and a variation to the 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.

Statutory role

The core function of the Māori Trustee is to hold land as the trustee or administer land as the agent for Māori landowners. The Māori Trustee also administers other entities under statute, for example, the Māori Soldiers Trust, which owns and operates Hereheretau Station.

The Māori Trustee charges fees and commissions for managing trusts, agencies and properties, providing accounting and tax services and taking instructions for special investments. For the year ended 31 March 2019, the Māori Trustee earned \$5,612,000 in fees and commissions (2018 \$4,718,000).

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 management personnel compensation

	Group		Parent	
	2019 \$000	2018 \$000	2019 \$000	2018 \$000
Senior Leadership Team				
Remuneration	1,112	1,042	1,112	1,042
Full-time equivalent members	4.09	4.10	4.09	4.10
Total key management personnel remuneration	1,112	1,042	1,112	1,042
Total full-time equivalent members	4.09	4.10	4.09	4.10

Key management personnel comprise the Māori Trustee, Deputy Māori Trustee (appointed in November 2018), Chief Operating Officer, Chief Financial Officer and General Manager Trusts.

	Parent	
	2019 \$000	2018 \$000
\$100,000 – \$109,999	9	13
\$110,000 – \$119,999	3	3
\$120,000 – \$129,999	3	5
\$130,000 – \$139,999	3	3
\$140,000 – \$149,999	3	1
\$150,000 – \$159,999	1	1
\$160,000 – \$169,999	-	-
\$170,000 – \$179,999	-	1
\$180,000 – \$189,999	1	-
\$190,000 – \$199,999	1	-
\$200,000 – \$209,999	-	-
\$210,000 – \$219,999	-	1
\$220,000 – \$229,999	1	1
\$230,000 – \$239,999	1	2
\$240,000 – \$249,999	-	-
\$250,000 – \$259,999	-	-
\$260,000 – \$269,999	-	1
\$270,000 – \$279,999	-	-
\$280,000 – \$289,999	1	-
	27	32

26. Events after the balance date

There are no significant events after the balance date.

27. Explanation of significant variances against budget

Statement of comprehensive revenue and expense

Revenue

Interest revenue was higher than the budget because more funds were invested in term deposits rather than in associates. This was offset against a negative variance to budget for Fee income caused by the loss of project management fees for orchards, which were expected to be a part of Huakiwi Developments Limited Partnership, not going ahead.

Farm and land revenue was lower than budget due to Te Tumu Miere Limited's cease of operations.

Other revenue was \$825,000 lower than the budget mainly due to not earning our share of rent income from the Port Nicholson Block Settlement Trust as expected.

Expenditure

Employee benefits were \$519,000 less than the budget. This was mainly due to not recruiting all the staff budgeted for.

Farm and land expenses were below budget, because Te Tumu Paeroa Dairy Limited Partnership and Te Tumu Miere Limited costs were budgeted as a single line, whereas the actual costs were consolidated at an account level.

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

Impairment of investment in associates, share of associates' net surplus/(deficit), other comprehensive revenue/(expense) and gain on asset revaluation were higher than budget because these movements were not budgeted for.

Financial assets at fair value were higher than budget by \$1,708,000 because the market growth of equities we had invested in was much higher than budgeted.

Statement of financial position

Assets

Term deposits and held-to-maturity investments were higher than budget because funds expected to be invested in associates have been reinvested in term deposits and bonds.

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

Investment in associates was less than budget by \$30,949,000. This was due to the budget assumption to invest \$20,000,000 in the Port Nicholson Block Settlement since which the Māori Trustee has withdrawn support, \$2,750,000 in Te Puia Tapapa and \$11,000,000 in Huakiwi Developments Limited Partnership, of which only \$4,900,000 has been spent.

Investment property was higher than budget because of the expected opening position determined at the time of budgeting.

Intangible assets were higher than budget because, at the time of budgeting, the opening balance was unknown. The fair value adjustment for carbon credits was also higher than budget by \$240,000.

Liabilities

Other non-current liabilities were below budget by \$678,000 because the budget assumed the liability would remain static, in line with the value of the investment property.

Statement of cash flows

Net cash flows from investing activities varied from budget by \$846,000 mainly due to underspend in investment in associates offset by term deposits.

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