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Report of the  
**MĀORI TRUSTEE**  
for the year ended  
31 March 2004

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**Minister of Māori Affairs**

I have the honour to present to you the Annual Report for the Māori Trustee for the year ended 31 March 2004.



John E Paki  
Māori Trustee

**Ki te Minita mō ngā Take Māori**

He hōnore ki ahau te tuku atu i te pūrongo ā tau ō Te Kai-Tiaki Māori ki a koe mō te tau i mutu i te 31 o Māehe 2004.



John E Paki  
Kai-Tiaki Māori

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## THE YEAR IN REVIEW

**This report for the year to 31 March 2004 reveals the Māori Trust Office completed a number of significant achievements. These are detailed later in the report, however a few examples underline the role of the Trustee and the impact of this activity on the Māori community.**

The Māori Trust Office's Client Services Unit maintains over 113,000 client accounts. \$6.28M was paid to clients during the year, up by \$1.10M from the previous year.

In the Tairāwhiti region we have seen a continuing improvement in returns from the Gisborne cropping initiative and a further 271.7287 hectares have been planted in forestry. The Māori Trustee now has entered 11 blocks in this joint venture forest with a total planted area of 1,300 hectares representing almost 20% of the total area of the forest.

In Te Kaha, the first significant harvest of kiwifruit gold was produced under a joint venture development which has also provided employment opportunities for the local people.

In the area of risk management, electronic duplication of around 1,200,000 pages of paper-based historical account records was completed. The records can now be accessed on-line by all Māori Trust Office staff.

The Office of the Auditor General carried out a performance audit of the Māori Trustee and the Māori Land Court. The findings were that overall the Māori Trustee is providing clients with a good level of service, despite the complications of working within the Māori land system. The report also pointed to areas where improvements could be made.

The new taxation legislation for Māori Authorities comes into effect for the 2005 tax year. The main advantage of this legislation to clients is that the marginal tax rate on distributed income received from a Māori authority will now be 19.5%. Up until the new legislation came into force payments were taxed as much as 33%. It has been identified that the property management and accounting system needs to be upgraded to reflect the changes required by the legislation. A heavy workload will be required to ensure the Māori Trustee complies with the new taxation legislation.

## STATEMENT OF PURPOSE

### Purpose

The Māori Trustee exists:

- (a) To protect and enhance the interests of Māori clients and their resources;
- (b) To manage the adverse effects of fragmented and multiple ownership of Māori land; and
- (c) To provide fair, proper and prudent administration and management of clients' assets within the principles and obligations of trusteeship and agency.

### Clients

The Māori Trustee's clients comprise individuals, whanau, hapu and trusts whose assets the Māori Trustee administers.

In managing these assets the Māori Trustee also provides services to the Māori Land Court, lessees, grantees and others.

### An Independent Trustee and Agent

The Māori Trustee is accountable directly to Māori clients, and is required by law to act independently from the Crown.

This independence is necessary so that the Māori Trustee:

- Can give professional and objective advice to clients for whom he acts as agent or trustee; and
- Is not influenced by political or other factors that may not be in the interests of clients.

As trustee the Māori Trustee is obliged to act in the interests of the beneficiaries of the trust and can be brought to account through the Māori Land Court or other forum for any breach of trust.

Similarly, as agent, the Māori Trustee must act for Māori clients within the agency contract which binds them together and can be brought to account for any breach of contract.

## **VISION, VALUES AND MISSION**

### **VISION**

**To provide a productive and sustainable framework for the development and utilisation of Māori resources that the Māori Trustee administers.**

### **VALUES**

The Māori Trustee is guided by client expectations to participate in decisions and judgments affecting them and their right to exercise responsibility over their own interests.

The Māori Trustee is committed to building a relationship with clients that helps them to retain and improve their resources, guided by the following principles:

- Client priority;
- Integrity, competence and professionalism;
- Impartiality, loyalty and understanding;
- Ability to work with one another and with the client;
- Providing quality services to clients with regard to accuracy, timeliness, accessibility and legal compliance.

### **MISSION**

The mission of the Māori Trustee is to build a client focussed business that provides superior service through business competence, teamwork and professionalism.

## STRATEGIC GOALS

The Māori Trustee has developed four Strategic Goals to enable him to achieve the Vision, Mission and Values.

These Goals relate to development and growth of:

- Client Assets;
- Māori Trustee Assets;
- Māori Trustee Capability.

### Strategic Goal 1

**To manage clients' assets to best advantage through sound and prudent management practices.**

In doing this the Māori Trustee will:

- Have active and regular consultation with clients;
- Provide quality information to enable clients to make sound business decisions;
- Empower clients to achieve their development aspirations;
- Increase the value of client assets;
- Make timely payment of client funds.

### Strategic Goal 2

**To manage Fund assets to best advantage for clients.**

In managing these assets, the Māori Trustee will:

- Seek to maximise the return on investments consistent with prudential investment standards;
- Adopt an asset management framework that encompasses:
  - Maintenance and Growth Objectives;
  - Risk/Return Profiles;
  - Diversification/Asset Classes.

### **Strategic Goal 3**

**To unlock the potential of Māori assets by identifying opportunities and by lending for new and existing land and business development.**

The Māori Trustee will do this by:

- Identifying and investigating opportunities for clients to increase the value of their assets;
- Facilitating client access to funding, advisory and mentoring support services;
- Lending to small and medium sized enterprises on a commercial basis.

### **Strategic Goal 4**

**To strengthen operational capability by developing staff and improving efficiency and effectiveness.**

The Māori Trustee will do this by:

- Developing and extending staff to utilise their talents, contribute to strong teamwork and provide a superior service to clients;
- Continuing to improve the efficiency and effectiveness of systems and processes.

## PERFORMANCE HIGHLIGHTS

The Māori Trustee continues to provide a valuable service by assisting in the management of clients' land and other resources.

The consolidated statement of financial performance shows an operating surplus of \$1,034,668 was generated in the Māori Trustee's General Purposes Fund. This represents an increase of some \$527,106.

Revenue increased from \$5,066,182 (2003) to \$5,768,574 (2004).

Operating expenditure increased from \$4,558,620 (2003) to \$4,733,906 (2004).

## LAND DEVELOPMENT INITIATIVES

One of the Māori Trustee's goals is to unlock the potential of Māori assets by identifying opportunities for development. As part of this goal the Māori Trustee has identified some properties with development potential that will provide greater returns for owners than traditional leasing arrangements.

In the past year development initiatives have involved:

- Harvest of the first significant crop of kiwifruit gold from Joint Venture developments in Te Kaha. Both the volumes and returns were above budget. The Joint Venture development has created employment in the area. A number of local people, who have been involved in the development and maintenance of these blocks, have been able to find similar work in the Bay of Plenty.
- The Māori Trustee accepted appointment as Agent for owners of a neglected Matakana Island block which had been informally grazed over recent years. A lease has been entered into which provides for development of the land to a high standard for milk production with fencing, water supply, regrassing and fertilizing required within the first five years of the lease. Such improvements will become assets of the owners upon expiry of the lease.
- Over the last few years Gisborne cropping blocks have been managed to make as much of the land as possible available for lease at the same time. This has resulted in greater interest in blocks tendered for lease and the competition has resulted in improved returns as follows:
  - Seven blocks have been entered into a Joint Venture with an area of 58 hectares under lease. In this initial year rental returns have increased by 105% which represents an extra \$640 per hectare.
  - A further 6 blocks of 57 hectares have been leased collectively resulting in an extra \$600 per hectare. This represents an increase of 103%. The value of these lands in terms of cropping is reflected in the high number of enquiries that have been received and the competitive market, including interest from those outside the Gisborne district.

- As well as improved returns lessees have agreed to undertake and maintain soil fertility for future generations.
- The commercial opportunities within the eel industry are currently being investigated and assessed.
- An investigation was undertaken of Acacia trees as a development option for some Taitokerau blocks. As yet no owners' group has committed to planting Acacias due to it being a new venture. Further investigation into the risks of planting costs and returns is required.
- After several years of negotiations settlement has been reached over the unauthorised disposal of rubbish on two blocks in Hawkes Bay. The Māori Trustee already acted for the owners of one block and after meeting with owners of the second block was subsequently appointed to represent them also. A significant payment will be made to the owners and provision has been made for the capping and future monitoring of the sites.
- Negotiations have been ongoing regarding conservation agreements on virgin forests with Nature Heritage Fund. Several blocks have been offered for consideration by the Nature Heritage Fund. To date one block of 60 hectares has been placed under a perpetual conservation covenant.
- Discussions on an agreement for the Indigenous Forest Unit to draw up sustainable management plans for 9 West Rowallan Silver Beech blocks continues.
- The Wanganui office has encouraged owners to appoint Advisory Trustees to work with the Māori Trustee when the Māori Trustee is appointed Responsible Trustee. Having Advisory Trustees allows for improved liaison between owners and the Māori Trustee, and prepares owners to take up appointment as Responsible Trustee for their land.
- Legal access to a block near Morrinsville has been lost by changes over many years to the course of the Waitoa River. An agreement has been entered into with an adjoining landowner to purchase sufficient land to enable access to be obtained.

## **ISSUES FACING THE MĀORI TRUSTEE**

### **REVIEW OF THE MĀORI TRUSTEE AND THE MĀORI TRUST OFFICE**

In the period under review, no significant progress has been made on concluding the review of the Māori Trustee and the Māori Trust Office. As a result a number of issues still remain unresolved, and as such have a perceived impact on the financial position of the Māori Trustee.

## REVIEW BY THE CONTROLLER AND AUDITOR GENERAL

In 2003-2004 the Office of the Auditor General carried out a performance audit, under the authority of sections 14 and 16 of the Public Audit Act 2001. The audit investigated whether the Māori Land Court and the Māori Trustee were being effective in assisting their clients to overcome the difficulties faced by Māori land owners in administering their land interests.

The audit was presented in March 2004 which reported that overall the Māori Trustee is providing his clients with a good level of client service, despite the complexities of working within the Māori land system.

However, four areas were identified where improvements could be made to the Māori Trustee's client service performance:

- Establish more qualitative land management performance measures – particularly in relation to rent collection and review.
  - Addressed by asking all valuers employed by the Māori Trustee, when reporting on rental levels, to provide details of other comparative rentals. With this information staff can better assess any rent offers made by lessees and show owners that at least market rentals are being obtained.
  - Performance measures will be assessed and adopted as appropriate.
- Providing more reports to owners on their land.
  - Addressed by targeting, in the current Business Plans, an increased number of written reports to owners, where a meeting has not been held for some time or where a meeting of owners is not appropriate because of, for example, very low income, or widely geographically scattered owners. In addition the policy on reports to owners will be reviewed and the Māori Trust Office Manual of Operating Instructions will be updated accordingly.
- Maintaining client account records by actioning the Māori Land Court succession orders on hand.
  - The Māori Trust Office will work closely with the Māori Land Court to see how this service can be improved and will review its processes, systems and performance measures to find a way forward to improve output.
- Implementing a time recording system to record the costs and time taken to administer particular blocks of land.
  - This will be considered during the coming year.

The full report can be found on the website of the Office of the Controller and Auditor General. [http://www.oag.govt.nz/HomePageFolders/Publications/Māori\\_Land\\_Court.htm](http://www.oag.govt.nz/HomePageFolders/Publications/Māori_Land_Court.htm)

## MĀORI AUTHORITY TAX – THE IMPACT OF THE CHANGE IN LEGISLATION

New taxation legislation for Māori Authorities came into effect for the 2005 tax year from 1 April 2004 as a consequence of the Taxation (Māori Organisations, Taxpayer Compliance and Miscellaneous Provisions) Act 2004. The tax legislation affects approximately 98% of the 2,263 entities the Māori Trustee administers. The impact of the change on the Māori Trustee means many of the financial systems and processes need to be changed.

A financial systems review was undertaken and identified that fundamental changes were required for the Māori Trustee to:

- Meet the income tax obligations of the new taxation legislation for Māori authorities;
- Allow the distribution of income to the 2,263 entities administered;
- Meet the objective of being a leading trustee administrator.

The review also identified the:

- Need to develop communication with owners;
- Need to develop communication with IRD;
- Importance of staff training.

## INFORMATION TECHNOLOGY

The property management and accounting system has been implemented successfully and is now in regular use throughout the Māori Trust Office.

## FINANCIAL RESULTS OVERVIEW

### GENERAL PURPOSES FUND

The audited financial statements for the financial year ended 31 March 2004 are contained on pages 25 to 39 of the Māori Trustee's Annual Report.

#### **Statement of Financial Performance – Māori Trustee's General Purposes Fund**

The consolidated statement of financial performance shows an operating surplus of \$1,034,668 was generated in the Māori Trustee's General Purposes Fund. This represents an increase of some \$527,106.

Revenue increased from \$5,066,182 (2003) to \$5,768,574 (2004). Operating expenditure increased from \$4,558,620 (2003) to \$4,733,906 (2004).

Most income continues to be generated from investment activities. Income from this source represents 77.92% of gross income. The Māori Trustee's remaining income of \$1,273,940 is derived mainly from commissions and then fees. Fees collected for the year increased by \$47,388.

Overall operating costs for the reporting period increased by \$175,286 from \$4,558,620 (2003) to \$4,733,906 (2004).

#### **Statement of Financial Position – Māori Trustee's General Purposes Fund**

The consolidated statement of financial position as at 31 March 2004 shows total assets of \$49,005,268. Overall total assets increased by some \$4,519,725.

The Māori Trustee continues to re-align the General Purposes Fund investment portfolio. As a result, the majority of the Māori Trustee's assets, 82.53% are classified as non-current.

Non-current assets comprise 63.2% in long term fixed interest securities, 31.35% in shares, 3.83% in lending and 1.62% in fixed assets.

Consolidated General Purposes Fund net assets represent 5.92% of the total asset base primarily due to no significant progress being made in relation to a number of issues associated with the review of the Māori Trustee and the Māori Trust Office.

#### **Statement of Financial Position – Māori Trustee's Common Fund**

All money collected by the Māori Trustee from various sources on behalf of Māori owners is administered within the Common Fund. Sources of funds include rental, royalties, interest and income from primary sector industries.

The Common Fund carries a Crown guarantee in accordance with Section 27 of the Māori Trustee Act 1953.

The total fund administered by the Māori Trustee within the Common Fund on behalf of Māori clients was \$30,496,499 as at 31 March 2004. This represents an increase in funds held of \$1,149,556 over the position at 31 March 2003 of \$29,346,943.

## **TRUSTEE FUNDS**

Funds administered on behalf of clients are held in two accounts. These are the Special Investment Account and the Common Fund Account. Overall total trustee funds held on behalf of clients within the two accounts total \$37,655,537.

Funds held in the two accounts have increased by \$1,810,731 from \$35,844,806 in 2003. This represents an increase of some 5.05% over 2003.

## **SPECIAL INVESTMENT ACCOUNT**

Funds held by the Māori Trustee in Special Investments are governed by Section 24 of the Māori Trustee Act 1953.

Funds invested by the Māori Trustee with outside financial institutions on behalf of and at the direction of individual clients increased by \$661,175 from \$6,497,863 (2003) to \$7,159,038 (2004). Over the same period the number of individual accounts did not increase.

During this period the level of funds increased as clients chose to retain and move funds held on deposit within the Māori Trustee's Common Fund to wholesale financial markets due to the higher rate of interest available.

## 2004 OPERATIONAL RESULTS

The main functions of the Māori Trustee are:

- (A) Property Management Services;
- (B) Client Services Unit;
- (C) Funds Management;
- (D) Other Management and Administration Services.

### (A) PROPERTY MANAGEMENT SERVICES

**Property Management Services aims are:**

- **Active and regular consultation with clients;**
- **Maximising returns on land and related assets;**
- **Empowering clients to achieve their asset development aspirations.**

A major part of the Māori Trustee's work is the administration of Māori land. This function includes:

- Arranging for the land to be leased or otherwise utilised;
- Collecting rental and other income;
- Monitoring the lessee's compliance with the terms of the lease;
- Providing owners with information on their land, including land use development reports, and management and financial reports;
- Calling meetings of owners when decisions are required.

A breakdown of rental properties administered by the Māori Trustee in terms of income, area and ownership is provided in Table 1 below.

**TABLE 1 – ILLUSTRATION OF PROFILE OF RENTAL PROPERTIES ADMINISTERED AS AT 31 MARCH 2004**

\$Rental Range Only	Gross \$Rental per Annum	Number of Properties	Number of Hectares	Number of Owners
0	0	464	23,876	34,933
Up to 1,000	324,798	485	8,232	31,088
1,001-5,000	2,002,608	704	30,776	56,511
5,001-10,000	2,481,504	352	15,629	33,124
10,001-15,000	1,365,373	116	9,936	13,843
15,001-20,000	1,068,875	60	7,045	8,640
20,001-25,000	583,844	27	3,020	3,777
Over 25,000	2,188,421	55	5,734	9,420
<b>TOTAL</b>	<b>10,015,423</b>	<b>2,263</b>	<b>104,248</b>	<b>191,336<sup>1</sup></b>

<sup>1</sup> Note: As many clients have shares in more than one property, this number is higher than the number of individual Client Accounts.

To ensure that land is managed to the best advantage of owners, key targets are scheduled over the life of the lease (generally no more than 10 years) including:

- *Inspections*: In most cases these are carried out every three years and are a check on the condition of the land and the compliance of the lessee with the terms of the lease;
- *Rent reviews*: Usually undertaken every three to five years, they enable a current market rental to be determined and the best return obtained for owners consistent with their wishes for the land;
- *Renewals*: They provide an opportunity for the condition of the land to be assessed and an extension of the lease to be negotiated on best terms for owners;
- *Meetings of owners*: Are held prior to expiry of a lease as well as when there are significant issues to resolve during the term of a lease. Owners meetings are:
  - A key point of contact and consultation with owners;
  - An opportunity for owners to respond to any issue and to nominate advisory trustees;
  - A forum for the Māori Trust Office to provide information to owners, such as inspection reports on the condition of the land, reports on utilisation options for the land and financial reports on the funds received.
- *Expiries*: This involves the final action under the old lease before any new land utilisation is arranged.

In 2004, Property Management Services targets were set for these processes. Results achieved are set out in Table 2 below.

**TABLE 2 – PROPERTY MANAGEMENT SERVICES TARGETS AND RESULTS**

Key Services Objectives for 2003/2004	2003/2004 Projections	2003/2004 Results	2002/2003 Results
<b>Arrears</b>			
To ensure that the number of accounts in arrears does not exceed 6% of total accounts	6%	8%	8%
To reduce the overall percentage of gross annual rental in arrears	2%	2.5%	2%
To reduce the average rent collection days	8	12	12
<b>Property Management Tasks</b>			
To complete scheduled property management tasks by 31 March 2004:			
• Rent reviews	194	201	276
• Lease renewals	85	93	75
• Inspections of property	715	694	640
• Meetings of owners	452	450	262
• Lease expiries	232	206	259
• Meetings with advisory and responsible trustees	211	115	231

## COMMENTARY ON RESULTS ACHIEVED

- Good results in arrears management continues even though arrears were slightly up to 2.5% as against 2% for the previous year.
- Held 565 meetings with owners and their representatives.
- Meetings with advisory and responsible trustees were significantly less than anticipated. Better forecasting will be required for the forthcoming year.
- Fees collected increased by \$47,388 to \$413,448.
- Overall performance was satisfactory.

**(B) CLIENT SERVICES UNIT****Client Services Unit aims are:**

- **Active and regular consultation with clients;**
- **To provide a timely payments and information service to clients;**
- **To maintain and improve the integrity and accuracy of the client database.**

The Māori Trustee currently maintains over 113,000 Client Accounts. The profile of which is set out in Table 3 below:

**TABLE 3 – CLIENT SERVICES UNIT PROFILE**

	<b>2003/2004 Position</b>	<b>2002/2003 Position</b>
Number of Client Services Unit Accounts	113,055	110,985
Funds held on Client Services Unit Accounts	\$9,256,597	\$8,688,388
Number of Client Services Unit Accounts with valid addresses or bank accounts	41,131	40,564
Percentage of Client Services Unit Accounts with valid addresses or bank accounts	36.4%	36.55%

Each owner who has shares in a property has a Client Account containing information on land ownership and funds held. Client Account funds are held in the Common Fund.

After deduction of income tax, net income is placed in a Client Account in proportion to a client's share in a property.

At least once a month the Māori Trustee makes payments by cheque or direct credit to clients where there is a current address or bank account number. There are minimum levels set for payment: \$5 for direct credit payments and \$50 for cheque payments to clients resident in New Zealand; and \$100 for cheque payments to clients resident overseas. Most years, in March, the minimum payment threshold is reduced to \$2 for direct credit payments and \$20 for cheque payments to New Zealand clients.

Client Accounts (if not already held) are set up for successors to any land interests and/or funds once succession orders have been received from the Māori Land Court.

The cornerstone to providing quality client services is an up to date database of client land ownership, funds held and (where available) contact details.

Maintaining the accuracy and integrity of the database involves:

- Processing Māori Land Court succession (ownership) or payment orders;
- Continually updating current addresses and/or bank account numbers;
- Proactively seeking clients for whom the Māori Trust Office has no current address and/or bank account numbers, in particular those with large balances; and
- Providing information to clients.

In 2004, Client Services Unit targets were set for these processes. Results achieved are set out in Table 4 below.

**TABLE 4 – CLIENT SERVICES UNIT TARGETS AND RESULTS**

Key Services Objectives for 2003/2004	2003/2004 Projections	2003/2004 Results	2002/2003 Results
To provide timely and accurate information to Māori Land Court Registries on funds held and known land interests for deceased estates to enable Succession Orders and Orders for Payment to be issued: • Number of MLC searches received and completed	Estimated 1,560	1,580	1,489
To make regular payments to clients with current addresses/bank accounts: • Number of payments to clients • \$ Amount paid out to clients	Estimated 45,000 Not estimated	51,980 \$6,285,666	39,484 \$5,189,038
To update client records in the computer database to enable timely payments to clients: • Number of client record forms received and completed	Estimated: 12,600	14,631	12,586
To trace clients with unknown addresses or their successors and pay to them unclaimed monies held on their behalf: • \$Amount paid out to clients • Number of clients successfully traced • Average payout per client	Estimated: \$300,000 Not estimated Not estimated	\$649,093 482 \$1,347	\$162,820 113 \$1,440
To provide clients with timely, accurate, up to date information in response to written requests: • Number of letters received and completed	Estimated: 1,320	1,720	1,274

## COMMENTARY ON RESULTS ACHIEVED

- The number of payments to clients, 51,980, and the amount paid out, \$6.28M, continues to increase.
- The Unclaimed Monies area received temporary additional staffing resources which resulted in the amount of funds paid out significantly exceeding the previous year's total.
- Major efforts have been made to capture clients' IRD numbers. The numbers are required due to changes in taxation legislation relating to Māori Authorities.
- The processing of Māori Land Court Orders remains a challenge. Continual improvement is required and a review of processes, systems and performance measures together with establishing a better working relationship with the Māori Land Court will help improve output.

## (C) FUNDS MANAGEMENT

### (i) CLIENT FUNDS MANAGEMENT AIMS ARE:

- **To consult with trustees, advisory trustees and owners and obtain the best return in line with clients' investment aspirations and prudential investment standards.**

Owners and trustees are increasingly recognising the need to retain funds for future developments.

Where funds are to be held in trust for owners and not immediately distributed, they may be placed either in a Common Fund deposit account or in Special Investments. The minimum level of investment with outside institutions is generally set at \$10,000. All funds in the Common Fund (but excluding Special Investments) are guaranteed by the Crown.

Similarly, investments in the Special Investment Fund must comply with the statutory provisions of the Trustee Act 1956 and the Māori Trustee Act 1953. Most investments in the Special Investment Fund are fixed interest investments.

The range of return on investments is dependent on:

- The level of funds on deposit;
- The term of the investment, for example on call, 7 days through to 365 days;
- The rates of return offered on the day of investment; and
- The investment type.

**(ii) COMMON FUND INVESTMENTS**

**Common Fund Investment aims are:**

- **To ensure that the nominal capital of the Common Fund remains intact – no erosion takes place in the capital base; and**
- **To maximise the investment rate of return over the Common Fund portfolio of investments.**

All investments in the Common Fund are fixed interest investments. Investments are highly regulated and must comply with the statutory provisions of the Trustee Act 1956 and the Māori Trustee Act 1953.

## 2004 GENERAL PURPOSES FUND

**The General Purposes Fund is the Māori Trustee's account. The Māori Trustee is dependent on income generated by investments in the General Purposes Fund and other income from commission, fees and interest from Common Fund investments to contribute to funding the activities of the Māori Trustee.**

Statutory authorities contained in the Māori Trustee Act 1953 enable the Māori Trustee to be much more flexible with the type of security and return on investments made in the General Purposes Fund.

Investments are made in accordance with the Māori Trustee's investment policy; a policy which is conservative by general standards.

### **General Purposes Fund Investment aims are:**

- To preserve the real value of capital invested in cash, fixed term securities and mortgages; and
- To manage all existing non-performing investments with the aim of protecting the current capital value of the asset and exiting these investments in a timely and prudent manner.

### **LENDING AIM:**

- To develop a portfolio of between \$10M and \$20M in loans on commercial terms. Money for this purpose is to be invested in cash and fixed term securities in the meantime.

### ***Historical Position***

In recent years the Māori Trustee's lending has mainly been to those Trusts where the Māori Trustee has been administering a lease which required a payment of compensation for the value of improvements to the lessee. In some cases the Māori Trustee was obliged by statute to lend; in other cases the Māori Trustee lent because no other institution was willing to lend.

### ***Current and Future Direction***

Through the strategic planning process the Māori Trustee has identified an opportunity to assist in the acceleration of Māori development through the provision of a lending service. The objective of the service is to work closely with Te Puni Kōkiri, Māori Business Facilitation Service, Poutama Trust and the Māori Trustee's own clients to identify opportunities in which the Māori Trustee can best assist Māori seeking funds for personal, trust or business development.

Māori Trustee lending is based on a commercial approach and involves term lending where the average loan size is \$50,000. Terms are generally

for 5 years or less. Lending is flexible and tailored strongly to the needs of the borrower. Loans are assessed on character, cashflow and collateral.

The total lending enquiry to date represents 63 individual cases as shown in Table 5.

**TABLE 5 – LENDING ENQUIRIES**

Interest did not proceed beyond initial enquiry	24	39%
Incomplete applications that did not proceed	12	20%
Applications declined	9	14%
Loans advanced within the year	8	12%
Loans approved but not taken	2	3%
Loans approved yet to be drawn	4	6%
Loans under evaluation	4	6%

Loans totalling over \$500,000 have been drawn down for farm development and commercial property purchase.

## **(D) OTHER MANAGEMENT AND ADMINISTRATION SERVICES**

**Other Management and Administration aims are:**

- **To administer special trusts in accordance with the terms of the trust and the directions of trustees.**

The Māori Trustee provides administration services to a small number of special trusts including:

- Māori Soldiers' Trust;
- Ngarimu VC and 28<sup>th</sup> Māori Battalion Memorial Scholarship Fund;
- Māori Purposes Fund.

### **MĀORI SOLDIERS' TRUST**

Under the Māori Soldiers' Trust Act 1957, the Māori Trustee administers the Trust including a farming property (Hereheretau Station), the Soldiers' Fund Account for the benefit of WWI Māori veterans and their dependents, and the Sir Apirana Ngata Memorial Scholarship Fund.

Hereheretau Station is an asset of the Māori Soldiers' Trust administered by the Māori Trustee. This hill country sheep and cattle operation comprises some 1,360 effective hectares presently wintering 13,512 stock units. The Trust negotiated an unconditional contract to acquire 489 hectares of adjoining farmland carrying 4,000 stock units, with purchase price of land and improvements being \$1.65M. Settlement date on the new property is scheduled for 30 June 2004 with livestock and plant being purchased at valuation. The expanded Hereheretau operation will provide for economies of scale and deliver improved performance outcome. Economic farm surplus achieved over the past three years is analysed in Table 6. Easing market prices for cattle and wool receipts see a \$10.88 decrease in total income per stock unit for the 2002-2003 period compared to the previous year. Better returns are anticipated for the year ended 30 June 2004.

**TABLE 6 – ECONOMIC FARM SURPLUS**

	<b>2000-2001</b>	<b>2001-2002</b>	<b>2002-2003</b>
Total stock units	11,888	12,642	13,512
Stock units per effective hectare	8.7	9.3	9.9
Economic Farm Surplus per effective hectare	\$231.35	\$248.41	\$145.00
Economic Farm Surplus per stock unit	\$26.47	\$26.72	\$14.59
Total income per stock unit	\$57.69	\$60.05	\$49.17

#### NGARIMU VC AND 28<sup>TH</sup> MĀORI BATTALION MEMORIAL SCHOLARSHIP FUND

Under the Ngarimu VC and 28<sup>th</sup> Māori Battalion Memorial Scholarship Fund Act 1945 and its amendments, the Māori Trustee acts as banker and thereby holds and invests funds as directed by the Ngarimu VC and 28<sup>th</sup> Māori Battalion Memorial Scholarship Fund Board.

#### MĀORI PURPOSES FUND

Under the Māori Purposes Fund Act 1934-35 and its amendments, the Māori Trustee acts as banker and thereby holds and invests funds as directed by the Māori Purposes Fund Board.

## MANAGEMENT PERFORMANCE INFORMATION

### *Legal Responsibilities*

The legal authorities of the Māori Trustee are contained within a number of statutes. The main statutes are:

- Māori Trustee Act 1953
- Trustee Act 1956
- Māori Vested Lands Administration Act 1954
- Māori Reserved Land Act 1955
- Māori Soldiers' Trust Act 1957
- Māori Affairs Restructuring Act 1989
- Ministry of Māori Development Act 1991
- Te Ture Whenua Māori Act 1993

and other minor Acts.

### *Management Structure*

Senior officers in the Māori Trust Office during the period reported were:

Māori Trustee	John Paki
Financial Controller	Andrea Williams
Manager Client Services	Tai Taitoko
Manager Operations	Isobel McIntyre
Regional Operations Manager Whangarei	Merran O'Hagan
Regional Operations Manager Hamilton	John Hutcheson
Regional Operations Manager Rotorua	Timi Wi Rutene
Regional Operations Manager Gisborne	Maui Tangohau
Regional Operations Manager Whanganui	Novena McGuckin

### *Human Resources*

As at 31 March 2004:

Human Resources	31 March 2004	31 March 2003
Staff		
• Permanent	47	44
• Temporary	8	8
<b>Total</b>	<u>55</u>	<u>52</u>

**MĀORI TRUSTEE  
CONSOLIDATED GENERAL PURPOSES FUND STATEMENT  
OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED  
31 MARCH 2004**

	Notes	2004 \$	2003 \$
<b>INCOME</b>			
Investment Income	1	4,494,634	3,806,491
Commission		857,884	891,154
Fees		413,448	366,060
Other Income	2	2,608	2,477
Total Income		<u>5,768,574</u>	<u>5,066,182</u>
<b>EXPENDITURE</b>			
Operating Costs	3	4,091,072	3,987,649
Interest Paid and Allowed on Trust Funds	4	675,286	623,707
Bad and Doubtful Debts	5	(26,139)	(10,258)
Net (Gain)/Loss on Conversion Operations		(9,313)	(45,478)
Grants	6	3,000	3,000
Total Operating Expenditure		<u>4,733,906</u>	<u>4,558,620</u>
Net Surplus for the year		<u><u>1,034,668</u></u>	<u><u>507,562</u></u>

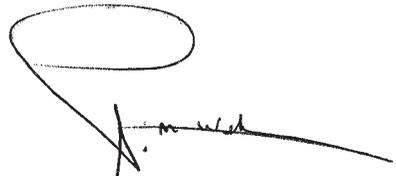
This Statement is to be read in conjunction with the accompanying Statement of Accounting Policies and Notes to the Financial Statements.

**MĀORI TRUSTEE  
CONSOLIDATED GENERAL PURPOSES FUND STATEMENT  
OF FINANCIAL POSITION AS AT 31 MARCH 2004**

	Notes	2004	2003
		\$	\$
<b>THE MĀORI TRUSTEE ADMINISTRATORS</b>			
<b>Current Assets</b>			
Bank, Petty Cash and Cash in Transit		14,607	25,005
Call Deposits	9	520,025	1,153,701
Sundry Debtors and Prepayments	7	187,973	125,326
Interest Accrued		1,298,611	1,198,373
Fixed Term Deposits	9	2,578,530	3,765,000
Government Stock and Commercial Bonds	9	3,960,608	500,580
Total Current Assets		<u>8,560,354</u>	<u>6,767,985</u>
<b>Non Current Assets</b>			
Advances to Stations, Properties and Clients	7	59,094	31,250
Loans	7	1,464,142	1,251,054
Conversion Fund Loans	7	26,845	39,488
Government Stock	9	5,055,194	7,317,818
Local Authority and Commercial Bonds	9	20,504,443	15,692,693
Company Shares	8	12,680,468	12,680,468
Fixed Assets	10	654,728	704,787
Total Non Current Assets		<u>40,444,914</u>	<u>37,717,558</u>
Total Assets		<u>49,005,268</u>	<u>44,485,543</u>
<b>FUNDED BY</b>			
<b>Current &amp; Non Current Liabilities</b>			
Sundry Creditors and Accruals	11	46,103,452	42,618,395
Total Liabilities		<u>46,103,452</u>	<u>42,618,395</u>
<b>General Purposes Fund</b>			
Balance held by Māori Trustee		<u>2,901,816</u>	<u>1,867,148</u>
Total Liabilities and Equity		<u>49,005,268</u>	<u>44,485,543</u>



J E Paki  
Māori Trustee



A M Williams CA, BBS  
Financial Controller  
Māori Trust Office

This Statement is to be read in conjunction with the accompanying Statement of Accounting Policies and Notes to the Financial Statements.

**MĀORI TRUSTEE**  
**CONSOLIDATED GENERAL PURPOSES FUND STATEMENT OF**  
**MOVEMENTS IN EQUITY FOR THE YEAR ENDED 31 MARCH 2004**

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
General Purposes Fund Opening Balance	1,867,148	1,359,586
Net Surplus/(Deficit) for the year (Total recognised revenue and expenses)	1,034,668	507,562
General Purposes Fund Closing Balance	<u>2,901,816</u>	<u>1,867,148</u>

This Statement is to be read in conjunction with the accompanying Statement of Accounting Policies and Notes to the Financial Statements.

**MĀORI TRUSTEE**  
**CONSOLIDATED GENERAL PURPOSES FUND STATEMENT OF**  
**CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2004**

	Notes	2004 \$	2003 \$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Dividend Income		300,000	0
Interest Income		4,201,332	3,870,194
Fees and Commissions from Clients		1,211,382	1,275,634
Other Income		2,179	33,262
Goods and Services Tax		<u>6,575</u>	<u>0</u>
		5,721,468	5,179,090
<b>Cash was applied to:</b>			
Suppliers and Employees		(59,925)	(96,965)
Interest Payments to Clients		(677,542)	(621,500)
Legal Settlements		(30,310)	(49,569)
Grants		(3,000)	(3,000)
Goods and Services Tax		<u>0</u>	<u>(30,641)</u>
		(770,777)	(801,675)
<b>Net Cash flow from Operating Activities</b>	14	<u>4,950,691</u>	<u>4,377,415</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Cash was provided from:</b>			
Loan Repayments		463,333	226,404
Conversion Fund Repayments		14,984	44,515
Investment Maturities and Sales		500,000	0
<b>Cash was applied to:</b>			
Fixed Asset Purchases		(467,594)	(171,209)
Loan Advances		(651,139)	(568,117)
Investments		(6,616,083)	(7,324,565)
Repayments of Advances on Overdraft		<u>(24,736)</u>	<u>(11,152)</u>
<b>Net Cash flows from Investing Activities</b>		<u>(6,781,235)</u>	<u>(7,804,124)</u>
Net Increase/(Decrease) in Cash Held		(1,830,544)	(3,426,709)
Opening Cash Brought Forward		<u>4,943,706</u>	<u>8,370,415</u>
Ending Cash		<u>3,113,162</u>	<u>4,943,706</u>
<b>Represented by:</b>			
Bank and Petty Cash		14,607	25,005
Call Deposits		520,025	1,153,701
Term Deposits		<u>2,578,530</u>	<u>3,765,000</u>
		<u>3,113,162</u>	<u>4,943,706</u>

This Statement is to be read in conjunction with the accompanying Statement of Accounting Policies and Notes to the Financial Statements.

**MĀORI TRUSTEE  
COMMON FUND AND SPECIAL INVESTMENTS ADMINISTERED  
BY THE MĀORI TRUSTEE AS AT 31 MARCH 2004**

	Notes	2004 \$	2003 \$
Special Investments			
Specific Deposits on behalf of Māori clients		<u>7,159,038</u>	<u>6,497,863</u>
FUNDED BY			
Special Investments			
Investments under Specific Direction		<u>7,159,038</u>	<u>6,497,863</u>
Common Fund Investments			
Short Term Deposits including Bank	9	4,277,486	5,643,113
Government Stock	9	11,742,464	10,730,000
BIL Finance Investment	9	0	998,805
Company Debentures Stocks and Bonds	9	14,476,549	11,975,025
Total Investments		<u>30,496,499</u>	<u>29,346,943</u>
FUNDED BY			
Common Fund			
Capital Gains from Common Fund Investment		2,615,963	2,672,336
Proceeds from Alienation of Land		17,888,000	17,560,404
Sundry Estates and Trusts		759,316	756,122
Miscellaneous Deposits and Funds		7,567,196	6,873,756
Stations		<u>1,666,024</u>	<u>1,484,325</u>
Total Funds		<u>30,496,499</u>	<u>29,346,943</u>

This Statement is to be read in conjunction with the accompanying Statement of Accounting Policies and Notes to the Financial Statements.

**MĀORI TRUSTEE  
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR ENDED  
31 MARCH 2004**

**Accounting Entity**

These are the consolidated financial statements of the Māori Trustee. The Group consists of the Office of the Māori Trustee and its subsidiary, Te Māori Lodges.

These statements are prepared in terms of Section 23 of the Māori Trustee Act 1953 for the following separate funds or accounts:

- The General Purposes Fund
- The Common Fund
- Special Investment Accounts

The General Purposes Fund represents funds held by the Māori Trustee in his own right. Common Fund monies are received by the Māori Trustee under Sections 23 and 25 of the Māori Trustee Act 1953, (“the Act”) in trust for persons entitled to receive them. All Common Fund monies are guaranteed by the Crown under Section 27 of the Act. Special Investments are investments made in accordance with Section 24 of the Act.

**Accounting Policies**

**Measurement Base**

The measurement base used is the historic cost system with the exception of certain items for which specific accounting policies are identified.

**Basis of Consolidation**

The consolidated financial statements include Te Māori Lodges Limited (TML). This is accounted for using the purchase method.

**Revenue**

Interest and rent are recognised on an accrual basis. Dividends are recognised when declared. Fees and Commissions owing to the General Purposes Fund from the Common Fund are recognised on a cash basis as the Māori Trustee can only deduct his fee and/or commission upon actual receipt of trust monies which are primarily derived from the rental of Māori land.

**Fixed Assets**

The Māori Trust Office has three classes of fixed assets:

- EDP Equipment
- Furniture and Fittings
- Office Equipment

All fixed assets are recorded at cost.

## Depreciation

Depreciation is provided on a straight line basis on all tangible fixed assets, at rates calculated to allocate the assets' cost over their estimated useful lives. Assets are depreciated at the following rates:

EDP – Equipment	33%
Furniture and Fittings	20%
Office Equipment	20%

## Investments

Government stock, convertible notes, company debentures and bonds are stated at the lower of cost, adjusted for the amortisation of any premium or discount, or net realisable value. The premium or discount is amortised over the life of the investment on a straight line basis.

Loans and other advances are stated at their net realisable value. Provisions are made for doubtful debts where full recovery is not expected. Investments in shares are valued at the lower of cost or market value.

## Receivables

Receivables are stated at their estimated realisable value after providing for doubtful and uncertain debts.

## Financial Instruments

The Māori Trustee's General Purposes Fund, Common Fund and Special Investment Accounts are party to financial instrument arrangements as part of its normal operations which have been recognised in these financial statements.

The financial instruments include:

- Cash and Bank
- Debtors
- Investments
- Overdrafts
- Creditors
- Shares

In total, the fair values of company shares and government stock exceed the carrying values. The fair value of all other investments is equivalent to the carrying amount disclosed in either the Māori Trustee's General Purposes Fund Statement of Financial Position, or the Māori Trustee's Statement of Administration of the Common Fund and Special Investment Accounts.

All revenues and expenses in relation to financial instruments disclosed in the Māori Trustee's General Purposes Fund are recognised in the Statement of Financial Performance for the General Purposes Fund.

**Income Taxation**

The Māori Trustee is defined as a Public Authority under Part OB1 of the Income Tax Act 1994 and as such is exempt from income taxation under CB 3 (a) of the Income Tax Act 1994.

**Statement of Cashflows**

Cash means cash balances on hand, held in bank accounts, and short term deposits held with various financial institutions.

Operating Activities include cash received from all income sources by the Māori Trustee and record the cash payments made for the supply of goods and services.

Investing Activities are those activities relating to the acquisition and disposal of non-current assets.

Financing activities comprise repayment of capital to the Crown.

**Goods and Services Tax**

Goods and Services Tax is excluded from the Statement of Financial Performance and the Statement of Financial Position except for sundry debtors and sundry creditors which are GST inclusive. GST receivable or payable is included in debtors or creditors whichever is applicable.

**Changes in Accounting Policies**

There have been no changes in accounting policies. All policies have been applied on the same bases as those used in previous years.

**MĀORI TRUSTEE**  
**NOTES TO THE ACCOUNTS FOR THE YEAR ENDED**  
**31 MARCH 2004**

	<b>2004</b>	<b>2003</b>
<b>1. Investment Income</b>	<b>\$</b>	<b>\$</b>
Dividends Company Shares	300,000	0
Income Earned on Investments	4,301,563	3,893,839
Interest Earned Other	7	(61)
Amortisation of Premiums	(106,936)	(87,287)
	<u>4,494,634</u>	<u>3,806,491</u>

Included within interest earned on investments is approximately \$2,821 (2003 \$836) relating to mortgages which are considered doubtful and have a significant provision against them which is reflected in Note 7.

	<b>2004</b>	<b>2003</b>
<b>2. Other Income</b>	<b>\$</b>	<b>\$</b>
Miscellaneous Receipts	2,608	60
Bad Debts Recovered	0	2,417
	<u>2,608</u>	<u>2,477</u>

	<b>2004</b>	<b>2003</b>
<b>3. Operating Costs</b>	<b>\$</b>	<b>\$</b>
Fees Paid To Auditors		
Audit Fee	60,000	60,000
Subsidiary Audit Fee	3,393	4,031
Directors Fees	18,000	6,750
Depreciation		
EDP Equipment	258,961	220,925
Office Equipment	11,135	1,715
Furniture and Fittings	9,594	5,269
Building Rental Expense	356,361	338,420
Salaries and Wages	2,244,366	2,094,073
Superannuation Subsidy	17,598	15,258
Other Administration Costs	1,111,664	1,241,208
	<u>4,091,072</u>	<u>3,987,649</u>

	<b>2004</b>	<b>2003</b>
<b>4. Interest</b>	<b>\$</b>	<b>\$</b>
Interest Paid and Allowed on Trust Funds	675,286	623,707

	<b>2004</b>	<b>2003</b>
<b>5. Bad and Doubtful Debts</b>	<b>\$</b>	<b>\$</b>
Bad Debts Written Off	4,685	30,946
Increase/(Decrease) in Provision for Bad & Doubtful Debts	<u>(30,824)</u>	<u>(41,204)</u>
	<u>(26,139)</u>	<u>(10,258)</u>

	<b>2004</b>	<b>2003</b>
<b>6. Grants</b>	<b>\$</b>	<b>\$</b>
Māori Education Trust QEII	3,000	3,000

The Māori Trustee is required by Section 3 of the Queen Elizabeth II Postgraduate Fellowship of New Zealand Act 1963 to make an annual payment of \$3,000.

	<b>2004</b>	<b>2003</b>
<b>7. Provisions for Doubtful Debts</b>	<b>\$</b>	<b>\$</b>
Sundry Debtors and Prepayments	187,973	125,326
Provision for Doubtful Debts	<u>0</u>	<u>0</u>
	<u>187,973</u>	<u>125,326</u>
Advances to Stations, Properties and Clients	168,287	145,958
Provision for Doubtful Debts	<u>(109,193)</u>	<u>(114,708)</u>
	<u>59,094</u>	<u>31,250</u>
Loans	1,779,448	1,591,642
Provision for Doubtful Debts	<u>(315,306)</u>	<u>(340,588)</u>
	<u>1,464,142</u>	<u>1,251,054</u>
Conversion Fund Loans	4,444,472	4,466,428
Provision for Doubtful Debts	<u>(4,417,627)</u>	<u>(4,426,940)</u>
	<u>26,845</u>	<u>39,488</u>

The Conversion Fund was abolished by the Māori Affairs Amendment Act 1987 which effectively vested the Conversion Fund assets in the Māori Trustee. The "Net Gain on Conversion Fund" mentioned in the 2003/2004 statement of financial performance reflects the reduction in the provision for bad debts made during the year in terms of the amended Sections 151, 153 and 154, of the Māori Affairs Act 1953.

## **8. Financial Instruments**

The Māori Trustee as part of his General Purposes Fund and Common Fund is party to financial instrument arrangements as part of his everyday operations. These include instruments such as bank balances, investments, accounts receivable, trade creditors, short term and long term loans.

### **Credit Risk**

Credit risk is the risk that a third party will default on its obligations to the Māori Trustee, causing the Māori Trustee to incur a loss. In the normal course of his business, the Māori Trustee incurs credit risk from trade debtors, transactions with financial institutions and short and long term loan recipients.

### **Significant Concentrations of Credit Risk**

There are no significant concentrations of credit risk with respect to debtors.

The Māori Trustee has significant exposure within his General Purposes Fund in respect of his shareholding in Quantum Limited. Investments are monitored by the Māori Trust Office Investment Committee. The Māori Trustee has established guidelines, strategies and ratios which aim to minimise exposure to risks. The Māori Trustee considers that sufficient provisions have been made to meet any known credit risk.

### **Security in Respect of Credit Risk**

Advances to Stations, Properties, and Clients and Loans have been made under Section 32 of the Māori Trustee Act 1953 and Section 248 of the Māori Affairs Act 1953.

Advances under Section 32 of the Māori Trustee Act 1953 may or may not be secured. Where advances under Section 32 of the Māori Trustee Act 1953 are secured the security may be a first or a second mortgage security over a freehold interest in land, a memorial of charge against land or a debenture.

Advances under Section 248 of the Māori Affairs Act 1953 may or may not be secured. Where advances under Section 248 of the Māori Affairs Act 1953 are secured the security is a memorial of charge over land.

The Conversion Fund loans are “deemed advances” and are not secured but the Māori Trustee owns shares in the land to which the Conversion Fund loans relate.

There are substantial provisions made for these Advances and Conversion Fund loans which are reflected in Note 7.

Security for other financial instruments is either unobtainable, due to the nature of the instrument, or is not sought due to the instrument being invested in high credit quality organisations.

### **Fair Value**

With the exception of company shares and government stock, the fair values of which exceed the carrying values, the fair value of all other investments is equivalent to the carrying amount disclosed in the Māori Trustee’s General Purposes Fund Statement of Financial Position and the Statement of Common Fund and Special Investments.

### ***General Purposes Funds***

The investment in Government stock, Local Authority and Commercial bonds held by the General Purposes Fund had a current market value of \$30,773,091 as at 31 March 2004 (2003 \$24,661,948).

The investment in Company Shares has no quoted market price and it is not practicable to estimate a market value due to certain restrictions that may exist if divestment were to occur. All current estimates, taking into account these possible restrictions, indicate a market value in excess of the current value as recorded in these accounts.

### *Common Fund*

The investments in Government stock, BIL Finance and company debentures, stocks and bonds held by the Common Fund had a current market value of \$27,654,673 as at 31 March 2004 (2003 \$25,123,016).

## 9. Currency and Interest Rate Risk

Currency risk is the risk that debtors and creditors due in foreign currency will fluctuate because of changes in foreign exchange rates.

The Māori Trustee has no exposure to foreign currency fluctuations.

Interest rate risk is the risk that the Māori Trustee's return on funds he has invested will fluctuate due to changes in the market interest rates.

There is a negligible interest rate risk as the interest received by the Māori Trustee exceeds the interest payable on clients' funds by a substantial margin.

### **Repricing Maturities - General Purposes Fund - 2004**

	Less Than 1 Year	1 to 2 Years	2 to 5 Years	More Than 5 Years	Total
	\$	\$	\$	\$	\$
Call Deposits	520,025	0	0	0	520,025
Fixed Term Deposits	2,578,530	0	0	0	2,578,530
Government Stock	3,251,734	0	1,548,161	3,507,033	8,306,928
Corporate Bonds	0	3,024,120	4,506,488	2,085,044	9,615,652
Stated Owned Enterprises	0	1,011,159	3,341,335	1,513,658	5,866,152
Local Government Bonds	0	0	3,016,811	0	3,016,811
Bank Bonds	708,874	0	2,005,828	0	2,714,702
	<u>7,059,163</u>	<u>4,035,279</u>	<u>14,418,623</u>	<u>7,105,735</u>	<u>32,618,800</u>

### **Repricing Maturities - Common Fund - 2004**

	Less Than 1 Year	1 to 2 Years	2 to 5 Years	More Than 5 Years	Total
	\$	\$	\$	\$	\$
Short Term Deposits	4,277,486	0	0	0	4,277,486
Government Stock	2,750,045	0	2,528,745	6,463,674	11,742,464
Corporate Bonds	0	1,518,090	3,007,507	2,035,625	6,561,222
State Owned Enterprises	0	505,668	1,849,435	1,490,832	3,845,935
Local Government Bonds	0	0	1,993,822	0	1,993,822
Bank Bonds	1,001,590	0	1,003,980	0	2,005,570
Capital Notes	0	70,000	0	0	70,000
	<u>8,029,121</u>	<u>2,093,758</u>	<u>10,383,489</u>	<u>9,990,131</u>	<u>30,496,499</u>

	<b>Original Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Carrying Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>10. Fixed Assets 2004</b>			
EDP Equipment	1,453,988	(865,479)	588,509
Office Equipment	79,122	(49,742)	29,380
Furniture and Fittings	77,684	(40,845)	36,839
	<u>1,610,794</u>	<u>(956,066)</u>	<u>654,728</u>
	<b>Original Cost</b>	<b>Accumulated Depreciation</b>	<b>Net Carrying Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Fixed Assets 2003</b>			
EDP WIP Software	17,388	0	17,388
EDP WIP Hardware	131,952	0	131,952
EDP WIP Duplication Project	158,381	0	158,381
EDP Equipment	962,743	(652,625)	310,118
Office Equipment	84,947	(44,432)	40,515
Furniture and Fittings	77,684	(31,251)	46,433
	<u>1,433,095</u>	<u>(728,308)</u>	<u>704,787</u>

## 11. Sundry Creditors and Accruals

The funds to be reimbursed by the Māori Trustee pursuant to Section 41 of the Māori Trustee Act 1953 arise from an obligation by the Ministry of Māori Development to fund the operating costs of the Office of the Māori Trustee from the departmental appropriation of the Ministry of Māori Development.

Agreement was reached with officials of the Ministry of Māori Development to defer the reimbursement of the expenses that were incurred and not reimbursed by the Māori Trustee up to and including 30 June 1994.

The Māori Trustee agreed to use his best endeavours to reimburse the Crown for expenses incurred by the Ministry of Māori Development on behalf of the Māori Trustee since 1 July 1994.

The level of reimbursement has been subject to the Māori Trustee's financial situation and the requirement to meet his trustee obligations.

By letter dated 10 June 1996, Crown Law have also expressed the view that whether or not, pursuant to his power under Section 41 to do so, the Minister of Finance requisitions a sum or sums from the Māori Trustee, may depend upon all the circumstances at the time, including considerations such as the amount held in the General Purposes Fund and the Māori Trustee's ability, given his income and expenditure commitments in relation to that Fund, to make such a payment.

Further decisions on the reimbursement of expenses are to be made in conjunction with the review being undertaken by officials on the future of the Māori Trustee and the Office of the Māori Trustee.

During the year ended 31 March 2004 the Māori Trustee did not make any reimbursement to the Crown (\$NIL, 31 March 2003).

As at 31 March 2004 the monies paid by the Ministry of Māori Development on behalf of the Māori Trustee that have not been reimbursed to the Crown totalled \$44,531,096 (GST exclusive) and at 31 March 2003, \$40,867,521 (GST exclusive).

## **12. Related Party**

The Māori Trustee has a wholly owned subsidiary, Te Māori Lodges Limited (TML). The Māori Trustee significantly influences the role of TML. The Māori Trustee provides management services to TML. These have been fully eliminated on consolidation of the Māori Trustee and TML financial results.

The business conducted by TML is that of a holding company which holds shares in Quantum Limited.

## **13. Contingent Liabilities**

### ***Unclaimed Monies (1963 to 1993)***

This Contingent Liability of \$7.6M (2003 \$7.6M) relates to beneficiary monies paid out by the Māori Trustee under Statutory direction to the Māori Education Trust, the Māori Purposes Fund Board and the New Zealand Māori Council. These funds are still owing to beneficiaries and are liable to be paid by the Māori Trustee should such a claim be made.

### ***Compensation Leases***

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

In some of these cases the Māori Trustee is required by the Māori Vested Land Administration Act 1954 to advance to the owners the funds required to meet compensation payments upon resumption, as the level of funds required to be set aside during the course of the lease is insufficient. The value of advances which the Māori Trustee may be required to make upon resumption of a lease is not quantifiable at this time.

In other cases where the lease provides for compensation to be paid, and there is insufficient funds held on behalf of the owners, the Māori Trustee is not required by statute to provide these funds. However, the Māori Trustee is often the only institution which will provide the finance required. The value of advances is not quantifiable at this time.

### ***Other Contingent Liabilities***

The Māori Trustee has received or is aware of various potential claims totalling \$0.15M (2003 \$0.13M). The Māori Trustee denies liability and will defend these actions in most cases.

The Māori Trustee is presently considering an issue related to Conversion Fund loans. However, the Māori Trustee does not acknowledge any liability in respect of this matter which is as yet unquantified.

	<b>2004</b>	<b>2003</b>
	<b>\$</b>	<b>\$</b>
<b>14. Reconciliation of Net Reported Operating Surplus with Net Cashflows from Operating Activities</b>		
Reported Operating Surplus	1,034,668	507,562
Add non cash items		
Interest Income	0	(576)
Amortisation of Premiums	106,936	87,287
Depreciation	279,690	227,909
Loss/(Gain) on Sale of Fixed Assets	2,067	0
Bad and Doubtful Debts	(30,824)	(105,005)
Gain on Conversion Fund Operations	(9,313)	45,478
Add/(Less) movements in other Working Capital items		
(Increase)/Decrease in Debtors, Prepayments and Accrued Interest	(162,886)	(1,348)
Increase/(Decrease) in Creditors	3,730,353	3,616,108
Net Cashflows from Operating Activities	<u>4,950,691</u>	<u>4,377,415</u>
	<b>2004</b>	<b>2003</b>
<b>15. Commitments</b>	<b>\$</b>	<b>\$</b>
Capital Commitments		
Less than 1 year	0	238,405
Leasing and Operating Commitments		
Less than 1 year	305,751	333,998
1 year to 2 years	258,353	261,607
2 years to 5 years	706,361	654,802
Greater than 5 years	317,760	502,339
Total	<u>1,588,225</u>	<u>1,991,151</u>



**AUDIT REPORT**  
**TO THE READERS OF**  
**THE MAORI TRUSTEE GROUP'S FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 MARCH 2004**

The Auditor-General is the auditor of the Maori Trustee Group (the Group). The Auditor General has appointed me, Ajay Sharma, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Group, on his behalf, for the year ended 31 March 2004.

**Unqualified opinion**

In our opinion the financial statements of the Group on pages 25 to 39:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Group's financial position as at 31 March 2004; and
  - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 11 November 2004, and is the date at which our opinion is expressed.

The basis of the opinion is explained below. In addition, we outline the responsibilities of the Maori Trustee and the Auditor, and explain our independence.

**Basis of opinion**

We carried out the audit in accordance with the Auditor-General's Auditing Standards, which incorporate the New Zealand Auditing Standards.

We planned and performed our audit to obtain all the information and explanations we considered necessary in order to obtain reasonable assurance that the financial statements did not have material misstatements, whether caused by fraud or error.

Material misstatements are differences or omissions of amounts and disclosures that would affect a reader's overall understanding of the financial statements. If we had found material misstatements that were not corrected, we would have referred to them in the opinion.

Our audit involved performing procedures to test the information presented in the financial statements. We assessed the results of those procedures in forming our opinion.

Audit procedures generally include:

- determining whether significant financial and management controls are working and can be relied on to produce complete and accurate data;
- verifying samples of transactions and account balances;
- performing analyses to identify anomalies in the reported data;
- reviewing significant estimates and judgements made by the Maori Trustee;
- confirming year-end balances;
- determining whether accounting policies are appropriate and consistently applied; and
- determining whether all financial statement disclosures are adequate.

We did not examine every transaction, nor do we guarantee complete accuracy of the financial statements.

We evaluated the overall adequacy of the presentation of information in the financial statements. We obtained all the information and explanations we required to support the opinion above.

### **Responsibilities of the Maori Trustee and the Auditor**

The Maori Trustee is responsible for preparing consolidated financial statements that show the financial position of the Maori Trustee Group as at 31 March 2004 and the results of its operations and cash flows for the year ended on that date. The Maori Trustee's responsibilities arise from the Maori Trustee Act 1953.

We are responsible for expressing an independent opinion on the financial statements and reporting that opinion to you. This responsibility arises from section 15 of the Public Audit Act 2001.

### **Independence**

When carrying out the audit we followed the independence requirements of the Auditor General, which incorporate the independence requirements of the Institute of Chartered Accountants of New Zealand.

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

A handwritten signature in black ink that reads "Ajay Sharma". The signature is written in a cursive style with a large, stylized initial 'A' and a horizontal line underlining the name.

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

### **Matters relating to the electronic presentation of the audited financial statements**

This audit report relates to the financial statements of the Maori Trustee Group for the year ended 30 June 2004 included on Te Puni Kokiri's website. The Chief Executive is responsible for the maintenance and integrity of Te Puni Kokiri's website. We have not been engaged to report on the integrity of Te Puni Kokiri's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

We have not been engaged to report on any other electronic versions of the Maori Trustee Group's financial statements, and accept no responsibility for any changes that may have occurred to electronic versions of the financial statements published on other websites and/or published by other electronic means.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 11 November 2004 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.