



TE RIPOATA A TAU a te
TE KAI-TIAKI MAORI
Aperira 2005– Maehe 2006

ANNUAL REPORT of the
MAORI TRUSTEE
April 2005 – March 2006



Report of the
MĀORI TRUSTEE
for the year ended
31 March 2006

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 2006.



John E Paki
Māori Trustee

Ki te Minita mō ngā Take Māori

He hōnore ki ahau te tuku atu i te pūrongo ā tau o Te Kai-Tiaki Māori ki a koe mō te tau i mutu i te 31 o Māehe 2006.



John E Paki
Kai-Tiaki Māori

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PERFORMANCE HIGHLIGHTS

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

The Māori Trustee acted as trustee or agent for 186,500 owners of 2,125 properties, covering just over 105,000 hectares of Māori land. While the number of properties has decreased slightly, related income has increased by 6.16% from \$10,579,984 to \$11,232,351 in the period under review.

A major priority of the Māori Trustee is to manage clients' assets to best advantage, and to do this by actively and regularly consulting with clients and so empowering clients to achieve their development aspirations.

There was a pleasing increase in the number of meetings held with owners and their representatives and in the number of reports sent to owners on the condition of their land and financial position of their trust/agency.

Of equal importance is unlocking the potential of Māori assets under administration. During the year the Māori Trustee identified further properties with development potential that will provide greater returns for their owners than traditional leasing arrangements. These included:

- Negotiating improved access to two previously landlocked properties to provide owners with greater options for land use and enabling them to further enhance the returns from their land.
- As responsible trustee for a number of properties aggregated and subject to a forestry joint venture with the Rodney District Council since 1984, the Māori Trustee facilitated an agreement between the owners, the Rodney District Council and Transpower to form a harvesting road over one of the properties. This is a major forestry venture involving over 300 hectares of land, which is due to come into timber production from 2012 onwards.
- Development of a proposal to custom design a fish warehouse site to diversify the owners' income base and provide them with better returns.
- On behalf of a trust arranging the purchase of adjacent general land to enable the trust to expand its kiwifruit operations. In the long term this will provide owners with better returns.
- Investigating the purchase of eel quota. Over the next three years the Māori Trustee will be monitoring the annual tonnage of eels with a view to assessing the viability of acquiring quota for properties with eeling potential.
- In conjunction with the owners of four trusts the Māori Trustee provided a loan facility to meet the partnership agreement under a

Joint Venture arrangement. The trusts' land (together with two other properties) has since 1999 been developed into successful kiwifruit operations producing some 400,000 trays annually.

In previous years, we have noted the aggregation of cropping leases in the Gisborne region providing improved returns. This approach continues to show strong returns to owners. The larger hectare area now available for leasing has attracted interest from major companies outside Gisborne.

A first this year for the Māori Trustee was the successful application to the Māori Land Court to approve an exchange of land. Following extensive consultation with owners in 2004/2005, the Māori Trustee applied on their behalf to the Court, and in November 2005 the Court made an order to give effect to the exchange of land. The making of this exchange order will open up a significant opportunity for the owners to undertake a development project that will ultimately improve their income and equity substantially beyond what was possible from the original land. A significant amount of work is still required to help owners take advantage of the opportunity presented by this exchange.

A joint application for a Sustainable Farming Fund grant was made successfully by the Māori Trustee and the NZ Farm Forestry Association. The purpose of the grant is to allow the University of Canterbury to undertake research into expanding the economic viability for sustainably managed indigenous beech forests and associated industry.

The number of Client Accounts with valid addresses has increased slightly. With a fairly mobile client base, this is an achievement and testimony to the Māori Trustee's commitment to paying funds to clients through actively seeking addresses at points of contact with clients.

There has been a decrease in the amount of correspondence from owners which may be attributed to the better reporting and information provided. This decrease has enabled the Māori Trustee to achieve a faster response time to clients' correspondence.

During the period under review, both investment portfolios exceeded the Māori Trustee's objective of performing as well as or better than the NZX Composite A Grade Bond Index. The average yield for the Common Fund was 7% and for the General Purposes Fund 6.9% which compares favourably with the NZX Composite A Grade Bond Index of 5.94% for the same period.

After initial work in the previous year, the transition to the new Māori Authority tax regime has now been completed. Over 1,800 tax returns (in place of the one return previously required) were filed ahead of the IRD deadlines and the first annual distribution to owners was made in October – December 2005. The new regime seems to have been generally accepted by clients.

ISSUES FACING THE MĀORI TRUSTEE

REVIEW OF THE MĀORI TRUSTEE AND THE MĀORI TRUST OFFICE

In the period under review, the review of the Māori Trustee and the Māori Trust Office had not yet been concluded. As a result a number of issues still remain unresolved, and as such continue to have an impact on the financial position of the Māori Trustee.

FUNDS MANAGEMENT PORTFOLIOS

Demand continues to outstrip the supply of quality issues in the New Zealand fixed interest market making it difficult to purchase good quality stock and bonds in line with the Māori Trustee's investment strategies and investment criteria.

NEW CHARITIES COMMISSION LEGISLATION

As at 1 July 2006 the rules and regulations associated with charitable entities have changed. The Māori Trust Office administers several such entities and scholarship funds that were registered under the old legislation and these will need to be re-registered under the new Charities Act 2005 by 30 June 2007. Any other operational changes required to meet the new legislation will be implemented.

IMPLEMENTATION OF INTERNATIONAL FINANCIAL ACCOUNTING STANDARDS (IFRS)

The application of IFRS standards to the Māori Trustee and entities he looks after is being reviewed with a view to determining what aspects will need to be implemented from Accounting Periods ending after 1 April 2007. The application to the Māori Trustee's accounts is not in question but there is some debate about the application to the accounts produced for all the trusts under the Māori Trustee's administration. The issue will be resolved in time to implement suggested changes from 1 April 2007.

TAXATION ISSUES

As already noted, the new Māori Authority tax regime has resulted in a significant increase in the number of tax returns that need to be filed. The Māori Trustee is continuing to work with the Inland Revenue Department on a more efficient method of producing and bulk filing income tax, resident withholding tax on distribution and Māori Authority Credit returns to reduce these compliance costs.

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
- Providing quality services to clients with regard to accuracy, timeliness, convenience 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, Values and Mission.

Strategic Goal 1

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

In doing this the Māori Trustee will:

- Actively and regularly consult with clients
- Provide quality information to enable clients to make sound business decisions
- Empower clients to achieve their aspirations
- Increase the value of clients' assets
- Make timely payment of clients' funds.

Strategic Goal 2

To manage fund assets to best advantage for clients.

In managing these assets, the Māori Trustee will:

- Seek to improve the return on investments consistent with investment standards
- Apply 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.

FINANCIAL RESULTS OVERVIEW

The audited financial statements for the financial year ended 31 March 2006 are contained on pages 25 to 41 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 \$1,443,275 was generated in the Māori Trustee's General Purposes Fund. This represents an increase of \$33,858.

Revenue increased from \$5,929,028 (2005) to \$6,892,399 (2006). Operating expenditure increased from \$4,519,611 (2005) to \$5,449,124 (2006).

Most income continues to be generated from investment activities. Income from this source represents 81.2% of gross income. The Māori Trustee's remaining income of \$1,294,577 is derived mainly from commissions and fees. Commissions collected for the year increased by \$50,563. Fees collected for the year decreased by \$36,165.

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

The consolidated statement of financial position as at 31 March 2006 shows total assets of \$60,109,336. Overall total assets increased by \$5,525,607.

The split of Māori Trustee assets is: 23.2% of assets are current assets (i.e. maturing within 12 months) and 76.8% are non-current assets (i.e. maturing after 12 months).

Non-current assets comprise 58.2% in long term fixed interest securities, 32.9% in shares, 7.9% in lending and 1.0% in fixed assets.

Consolidated General Purposes Fund net assets represent 9.6% 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.

The 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 activities.

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 \$38,842,656 as at 31 March 2006. This represents an increase in funds held of \$4,616,180 over the position at 31 March 2005 of \$34,226,476.

CLIENT FUNDS

Funds administered on behalf of clients are held in two accounts. These are the Special Investments Account and the Common Fund Account. Overall total funds held on behalf of clients within the two accounts total \$48,855,167.

Funds held in the two accounts have increased by \$6,129,721 from \$42,725,446 in 2005.

SPECIAL INVESTMENTS 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 depositors increased by \$1,513,541 from \$8,498,970 (2005) to \$10,012,511 (2006).

2006 OPERATIONAL RESULTS

The main functions of the Māori Trustee are:

- (A) Property Management Services
- (B) Client Services Unit
- (C) Client Funds Management – Special Investments and Deposit Account
- (D) Funds Management Portfolios – Common Fund and General Purposes Fund
- (E) Other Management and Administration Services.

(A) Property Management Services

Property Management Services aims are:

- To maintain active and regular consultation with clients
- To maximise returns on land and related assets
- To empower 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 regular reports on their land, including land use development reports, and management and financial reports
- Calling meetings of owners when decisions are required.

A breakdown of 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 PROPERTIES ADMINISTERED AS AT 31 MARCH 2006

\$Annual Rental Range	Total Gross \$Rental p.a.	Number of Properties	Number of Hectares	Number of Owners
0	0	397	19,893	22,951
Up To 1,000	304,924	424	7,135	27,744
1,001-5,000	1,957,777	671	32,292	63,077
5,001-10,000	2,467,910	317	16,600	29,829
10,001-15,000	1,508,522	125	9,223	14,110
15,001-20,000	1,350,445	80	7,951	9,370
20,001-25,000	850,675	38	4,279	7,695
OVER 25,000	2,792,098	73	7,665	11,724
TOTAL	11,232,351	2,125	105,038	186,500 ¹

¹ 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 tasks 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.
- *Lease Renewals*
These 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*
These are held at expiry of a lease as well as at any time when there are significant issues to resolve during the term of a lease. Meetings are:
 - A key point of contact and consultation with owners
 - An opportunity for owners to respond to any issue and nominate advisory or responsible trustees or to take over administration of the property themselves and
 - 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 a lease before any new land utilisation is arranged.
- *Meetings with advisory trustees and responsible trustees*
More frequent meetings with owner representatives are held during the course of a lease to provide progress reports and consult on any important issues.
- *Reports to Owners*
Where there has not been a meeting of owners within the last three years, the Māori Trustee sends a written report to owners on the current state of the land and financial position of their trust/agency.

- *Trust Reviews*
The Māori Land Court requires periodic reviews of each ahu whenua trust. The review process gives the Court and beneficial owners an opportunity to see how well the trustees have performed and what improvements or changes may be needed.
- *Arrears Management*
The Māori Trustee follows up all rent arrears with lessees as soon as they occur to ensure owners receive the money they are entitled to.

Operational results for these key service areas are set out in Table 2 below.

TABLE 2 – PROPERTY MANAGEMENT SERVICE TARGETS AND RESULTS

Key Services Objectives for Year Ending 31 March	2006 Targets	2006 Results	2005 Results
Rent reviews	151	128	107
Lease renewals	91	60	86
Inspections of property	568	603	625
Meetings of owners	378	363	331
Lease expiries	216	200	187
Meetings with advisory and responsible trustees	230	227	187
Reports to Owners	234	233	94
Trust Reviews	145	112	101
Arrears			
• To ensure that the number of accounts in arrears does not exceed 8% of total accounts	8%	11%	10%
• The overall percentage of gross annual rental in arrears be held at or below	4%	5%	4%
• The average rent collection days be held at or below	21	16	18

COMMENTARY ON RESULTS ACHIEVED

Arrears

While arrears have increased slightly, this is due primarily to disputed rental assessments in one region. The properties in question are coastal properties which have seen large increases in rental as a result of new property valuations. If these cases are taken out of the equation arrears results met or exceeded target.

Rent Reviews and Lease Renewals

Lessees are tending to dispute or query an assessed new rental more often than was the case in the past. As a result the number of rent reviews and lease renewals able to be concluded during the year was less than projected.

Consultation with Clients

In line with Strategic Goals, the Māori Trustee regularly reports to and consults with clients. In 2005/2006 there were 590 meetings held with owners/trustees – an increase of 72 or 14% over the previous year. The Māori Trustee also provides a written report to owners in a block where there has not been a meeting of owners within the last three years. In 2005/2006, the Māori Trustee reported to owners of 233 such blocks providing them with updated information on their land, its current condition, income, lease arrangements, financial position, funds held and any significant issues. Also included is a list of owners for whom no confirmed address is held with a request that owners advise the Māori Trust Office of addresses where they are able to.

Gross Annual Rentals

Total annual rental has increased by 6.16% to \$11,232,351 as at 31 March 2006 (from \$10,579,984 as at 31 March 2005).

Other Results

Performance in other key service areas has been satisfactory – inspections exceeding target and trust reviews and expiries slightly less than targeted.

(B) Client Services Unit

The Client Services Unit aims are:

- To provide a timely payments and information service to clients and
- To maintain and continually improve the integrity and accuracy of the client database.

The Māori Trustee keeps a client account (within the Common Fund) for every owner who has shares in land that is currently administered by the Māori Trustee or that was once administered and for whom funds are still held – either because there is no confirmed address for payment or because the owner is deceased and his or her successors have not yet succeeded to the land interests and/or funds.

Each client account records a client's ownership/s in land, funds held on his/her behalf and last known address or bank details for payment of these funds, along with other information. The Māori Trustee currently maintains over 113,000 such accounts, the profile of which is set out in Table 3 below.

TABLE 3 – CLIENT ACCOUNTS PROFILE

As at 31 March	2006	2005
Number of Client Accounts	113,898	112,949
Funds held on Client Accounts	\$9,538,039	\$9,428,746
Number of Client Accounts with valid addresses or bank accounts	42,062	41,777
Percentage of Client Accounts with valid addresses or bank accounts	37%	37%

Once a year, after tax has been paid on the net income from the land, a distribution is made to the owner's client account based on the owner's shareholding in the land concerned.

While an owner can be paid the amount owing as soon as the annual distribution has been made, there are three major factors affecting the ability of the Māori Trustee to pay. These are:

- **The lack of a confirmed address or valid bank account number:**
This happens as a result of clients changing address or bank accounts and failing to notify their new address/bank account details. In this respect the Māori Trustee appears to have a fairly mobile client base.
- **The lack of succession to a deceased client's interests:**
Where two or three generations have passed, the transfer of the original owner's interests can be a time consuming process and may be a disincentive to the whanau concerned especially if the balance of funds held is small. In this latter respect, continued fragmentation of interests will result in smaller and smaller balances held.
- **Small balances of funds held:**
For reasons of efficiency, the Māori Trustee has set minimum levels of payment of client account balances: that is, \$5 for direct credit and \$50 for cheque payments to clients resident in New Zealand; and \$200 for cheque payments to clients resident overseas. Periodically, minimum levels of payment to New Zealand based clients are reduced to \$2 and \$20 respectively.

As can be seen from Table 3 above, only 42,062 or 37% of Client Accounts have confirmed addresses or bank accounts. These are for the most part clients receiving regular payments and they will probably also have a reasonable level of income which in itself is a strong motivator to notify the Māori Trustee of any change of address or bank account.

The remaining 63% of Client Accounts (with no confirmed addresses or bank account details) are accounts with low balances and/or accounts for whom there have been no succession orders issued by the Māori Land Court.

To maximize the amount paid out each year to owners, the Māori Trustee proactively seeks current addresses at points of contact with clients. For example:

- When writing to owners regarding a forthcoming meeting, the Māori Trustee routinely includes with the letter a list of owners in the block without a valid address or who are deceased with no known successors and asks addressees to provide addresses or the names of potential successors wherever they can.
- At meetings of owners convened by the Māori Trustee, an important agenda item is the circulation of the list of owners (in a particular block) without a valid address or who are deceased with no known successors. Where they can, attendees provide addresses or the names of potential successors.
- The Māori Trustee publishes and distributes an annual Unclaimed Moneys book. This is publicly available at all Māori Trust Office, Te Puni Kōkiri and Māori Land Court offices where visitors are encouraged to read the list and wherever possible provide addresses of those on the list. It is also distributed to over 150 Māori organisations and libraries, and to Māori Members of Parliament.
- The Māori Trustee also publishes the Unclaimed Moneys List on-line (www.tpk.govt.nz/about/structure/mto/unclaimed_moneys.asp)
- Staff check electoral rolls and/or directly contact other whanau members to try and obtain current addresses.
- As part of the normal processing of Māori Land Court succession (ownership) or payment orders, the Māori Trustee routinely checks and updates client addresses where they are available.

As a result, the Māori Trustee has been able to maintain current levels of payment and valid addresses/bank account numbers. Cumulatively, since 2000, this pro-active approach has resulted in the increase of Client Accounts with valid addresses/bank account numbers from 33% to 37%.

While it is possible that further improvements can be made through access to electronic databases such as the electoral rolls, in practice, privacy issues have frustrated these options.

Client Services Unit results achieved in 2005/2006 are set out in Table 4 below.

TABLE 4 – CLIENT SERVICES UNIT RESULTS

Key Objectives for year ending 31 March	2006 Results	2005 Results
To provide timely and accurate information to the Māori Land Court on funds held and known land interests for deceased estates to enable Succession Orders and Orders for Payment to be issued: • Number of Māori Land Court searches received and completed	1,407	1,434
To update client records in the Māori Trust Office database to enable timely payments to clients: • Number of client record forms received and completed	12,026	16,987
To provide clients with timely, accurate, up to date information in response to written requests: • Number of letters received and completed	885	1,853
• Response times		
• <i>Within 10 working days</i>	83%	69%
• <i>Within 20 working days</i>	92%	84%
To maximize payments to clients: • Number of payments by cheque/direct credit	23,809	28,365
• \$amount paid by cheque/direct credit	4,313,315	4,438,193

COMMENTARY ON RESULTS ACHIEVED

The number of Māori Land Court searches of Māori Trust Office records has remained constant. These searches are important in enabling the Māori Land Court to issue succession orders which in turn enables the Māori Trustee to pay money owing to successors (provided the Māori Trustee is able to trace the successor/s).

The decrease in correspondence/requests for information may be a reflection of the better reporting and information provided to owners. This decrease has been matched by an improvement in turnaround response times to clients.

While fewer payments were made to clients during the year the total amount paid remained virtually the same. These figures need to be treated with some caution, however, partly due to the effects of transition relating to the Taxation Act 2003 (2006/2007 will be the first normal year under the new Act) and partly to an increase in Special Investment funds deposited on behalf of trusts.

(C) CLIENT FUNDS MANAGEMENT

Client funds can be held in two accounts, namely the Common Fund Deposit Account and the Special Investments Account.

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 (at a rate of return prescribed by regulation) or in a Special Investments Account (at a market rate of return with outside institutions). The minimum level of funds placed with outside institutions is generally set at \$10,000. All funds in the Common Fund (but excluding the Special Investments Account) are guaranteed by the Crown.

Investments must comply with the statutory provisions of the Trustee Act 1956 and the Māori Trustee Act 1953. Most Special Investments and all Common Fund Deposit Account investments are fixed interest investments. The range of return on a client account is dependent on:

- The level of funds on deposit;
- The term, for example on call, 7 days through to 365 days;
- The rates prevailing on the day of a special investment.

The Māori Trustee's aim is to manage funds to clients' best advantage based on professional and prudent investment principles and in a manner consistent with clients' cultural values, objectives and agreed risk levels.

All funds are placed in accordance with an express direction given by the depositor. 96% of funds held as special investments are placed in the money market.

During the year there was an increase in funds held in Special Investments as a result of owners/trustees continuing to retain funds for long term objectives and the move in 2005 to annual distributions of rent held.

(D) FUNDS MANAGEMENT PORTFOLIOS

The Māori Trustee's objective for both Common Fund and General Purposes Fund investment portfolios is to perform as well as or better than the NZX Composite A Grade Bond Index over a comparable period.

Key tasks commenced during the year were:

- Portfolio objectives review and risk profile analysis
- Peer group asset allocation, risk and strategy comparison
- Portfolio comparison against bond market weighting
- Comprehensive portfolio policy and sector weighting review.

Common Fund Investments

All Common Fund money comprises funds held on behalf of trusts and agencies, funds awaiting distribution to Client Accounts and funds that have been distributed to Client Accounts. Interest accruing from these funds is credited to the Māori Trustee's General Purposes Fund.

The Māori Trustee continues to be dependent upon income generated from these investments to contribute to funding his responsibilities as contained in the Māori Trustee Act 1953. Investment is made in accordance with the Māori Trustee's investment strategy, policy and oversight of an investment committee and investment advisors and in accordance with other statutory requirements.

All Common Fund investments are fixed interest securities. Investments must comply with the statutory provisions of the Trustee Act 1956 and the Māori Trustee Act 1953. Accordingly, the portfolio is conservative with a strong emphasis toward high quality securities, and investment aims are:

- To ensure that the nominal capital of the Common Fund remains intact and that no erosion takes place in the capital base and
- To maximise the yield.

In the period under review the Māori Trustee obtained an average yield of 7%. This compares favourably with the NZX Composite A Grade Bond Index of 5.94% for the same period.

General Purposes Fund Investments

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 meeting certain expenditure as specified in the Māori Trustee Act 1953, e.g. for lending purposes.

Statutory authorities contained in the Māori Trustee Act 1953 enable the Māori Trustee to be more flexible with the type of security, type of instrument and return on investments made for the General Purposes Fund. Investments are made in accordance with the Māori Trustee's investment strategy and policy which is conservative by general standards. The investment aim is to preserve the real value of the capital invested in cash and fixed term securities.

As at 31 March 2006 the average yield of General Purposes Fund investments was 6.9%. This compares favourably with the NZX Composite A Grade Bond Index of 5.94% for the same period.

Lending Portfolio

A part of the General Purposes Fund is set aside for lending to Māori. This includes enterprises where it can be demonstrated that there is a benefit for Māori. The long term objective is to develop a portfolio of between \$10-20 million in loans on commercial terms.

Māori Trustee lending is based on a commercial approach and involves term lending with an average loan size of \$49,500. Terms are generally for 5 years or less. Lending is flexible and tailored strongly to the needs of the borrower. The decision to lend is assessed on character, cash flow and collateral.

In the 2005/2006 year loans totaling over \$526,000 were drawn down for horticultural and commercial property purchases.

(E) OTHER MANAGEMENT AND ADMINISTRATION SERVICES

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

- Māori Soldiers' Trust
- Ngarimu VC and 28th Māori Battalion Memorial Scholarship Fund
- Māori Purposes Fund.

The Māori Trustee aims to administer these trusts in accordance with the terms of the trust and the directions of trustees.

Māori Soldiers' Trust

Under the Māori Soldiers' Trust Act 1957, the Māori Trustee administers the Soldiers' Fund Account for the benefit of WWI Māori veterans and their dependents. There are only two surviving widows.

The Sir Apirana Ngata Memorial Scholarship Fund is also administered by the Trust. The fund allows for education grants to be awarded with preference given to the descendants of WWI Māori veterans. Grants totaling \$28,000 were awarded to 13 applicants in 2005/2006.

The major asset of the trust is Hereheretau Station, a farming property situated in the Wairoa district. The farm is a typical North Island hill country sheep and cattle breeding property comprising 1,839 effective hectares presently wintering 17,800 stock units. The economic farm surplus achieved over the past three years is set out in Table 6.

TABLE 6 – ECONOMIC FARM SURPLUS

Year ending 30 June	2005	2004	2003
Total stock units	17,770	13,680	13,512
Stock units per effective hectare	9.7	9.9	9.9
Economic Farm Surplus per effective hectare	\$229.19	\$170.58	\$145.00
Economic Farm Surplus per stock unit	\$23.72	\$17.21	\$14.59
Total income per stock unit	\$56.21	\$55.11	\$49.17

Ngarimu VC and 28th Māori Battalion Memorial Scholarship Fund

Under the Ngarimu VC and 28th 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 28th 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
- Māori Reserved Land Amendment Act 1998

and other minor Acts.

Management Structure

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

Māori Trustee	John Paki
Financial Controller	Geoff Miller
Manager Asset Management and Asset Development	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	Tina Ngatai
Regional Operations Manager Gisborne	Maui Tangohau
Regional Operations Manager Wanganui	Novena McGuckin

Human Resources

Māori Trust Office staff, employees of Te Puni Kōkiri, negotiated and signed a Collective Employment Agreement with Te Puni Kōkiri.

TABLE 7 – FULL-TIME EQUIVALENT MĀORI TRUST OFFICE STAFF

For the year ending	31 March 2006	31 March 2005
Staff		
• Permanent	46.50	44
• Temporary	8.75	10
Total	54.25	54

**MĀORI TRUSTEE
CONSOLIDATED GENERAL PURPOSES FUND STATEMENT
OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED
31 MARCH 2006**

	Notes	2006	2005
		\$	\$
INCOME			
Investment Income	1	5,597,822	4,649,723
Commission		892,655	842,092
Fees		400,641	436,806
Other Income	2	1,281	407
Total Income		<u>6,892,399</u>	<u>5,929,028</u>
EXPENDITURE			
Operating Costs	3	4,783,172	4,702,773
Interest Paid and Allowed on Trust Funds		831,505	770,666
Bad and Doubtful Debts	4	(100,122)	1,640
Net (Gain)/Loss on Conversion Operations	4	(68,431)	(958,468)
Grants	5	3,000	3,000
Total Operating Expenditure		<u>5,449,124</u>	<u>4,519,611</u>
Net Surplus for the year		<u><u>1,443,275</u></u>	<u><u>1,409,417</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
 MOVEMENTS IN EQUITY FOR THE YEAR ENDED
 31 MARCH 2006**

	2006	2005
	\$	\$
General Purposes Fund Opening Balance	4,311,233	2,901,816
Net Surplus/(Deficit) for the year (Total recognised revenue and expenses)	1,443,275	1,409,417
General Purposes Fund Closing Balance	<u>5,754,508</u>	<u>4,311,233</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 2006**

	Notes	2006 \$	2005 \$
THE MĀORI TRUSTEE ADMINISTRATORS			
Current Assets			
Bank, Petty Cash and Cash in Transit		11,093	3,888
Call Deposits	8	2,082,890	412,482
Sundry Debtors and Prepayments	6	183,414	195,013
Interest Accrued		1,279,483	1,257,068
Fixed Term Deposits	8	3,499,700	6,764,959
Government Stock and Commercial Bonds	8	6,908,740	4,002,875
Total Current Assets		<u>13,965,320</u>	<u>12,636,285</u>
Non Current Assets			
Advances to Stations, Properties and Clients	6	38,077	150,354
Loans	6	3,568,394	4,116,219
Conversion Fund Loans	6	35,458	18,970
Government Stock	8	4,007,311	5,539,367
Local Authority and Commercial Bonds	8	22,874,320	18,944,776
Company Shares	7	12,680,468	12,680,468
Other Investments – Shares	10	2,500,000	0
Fixed Assets	9	439,988	497,290
Total Non Current Assets		<u>46,144,016</u>	<u>41,947,444</u>
Total Assets		<u>60,109,336</u>	<u>54,583,729</u>
FUNDED BY			
Current and Non Current Liabilities			
TPK Creditor	11	52,824,394	48,594,033
Sundry Creditors and Accruals		1,496,490	1,659,054
Net GST Liability		33,944	19,409
Total Liabilities		<u>54,354,828</u>	<u>50,272,496</u>
General Purposes Fund		<u>5,754,508</u>	<u>4,311,233</u>
Balance held by Māori Trustee		<u>5,754,508</u>	<u>4,311,233</u>
Total Liabilities		<u>60,109,336</u>	<u>54,583,729</u>



J E Paki
Māori Trustee



Geoff Miller
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 STATEMENT OF CASH FLOWS FOR THE YEAR
ENDED 31 MARCH 2006**

	2006	2005
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash was provided from:		
Interest Income	5,596,756	4,570,548
Dividend Income	140,700	0
Fees and Commissions from Clients	1,315,684	1,287,908
Other Income	1,281	829
Goods and Services Tax	<u>11,496</u>	<u>0</u>
	7,065,917	5,859,285
Cash was applied to:		
Suppliers and Employees	(71,556)	(117,402)
Interest Payments to Clients	(984,928)	(774,641)
Legal Settlements	(254,126)	(268,380)
Grants	0	(3,000)
Goods and Services Tax	<u>0</u>	<u>(12,082)</u>
	(1,310,610)	(1,175,505)
Net Cash Flows from Operating Activities	<u><u>5,755,307</u></u>	<u><u>4,683,780</u></u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash was provided from:		
Loan Repayments	1,325,261	757,630
Conversion Fund Repayments	51,943	966,343
Investment Maturities and Sales	4,130,088	3,950,000
Repayments of Advances on Overdraft	15,365	12,527
Cash was applied to:		
Fixed Asset Purchases	(229,780)	(156,390)
Loan Advances	(879,086)	(3,138,603)
Investments	<u>(11,756,744)</u>	<u>(3,007,120)</u>
Net Cash Flows from Investing Activities	<u>(7,342,953)</u>	<u>(615,613)</u>
Net Increase/(Decrease) in Cash Held	(1,587,646)	4,068,167
Opening Cash Brought Forward	<u>7,181,329</u>	<u>3,113,162</u>
Ending Cash	<u><u>5,593,683</u></u>	<u><u>7,181,329</u></u>
Represented by:		
Bank and Petty Cash	11,093	3,888
Call Deposits	2,082,890	412,482
Term Deposits	<u>3,499,700</u>	<u>6,764,959</u>
	<u><u>5,593,683</u></u>	<u><u>7,181,329</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
COMMON FUND AND SPECIAL INVESTMENTS ADMINISTERED
BY THE MĀORI TRUSTEE AS AT 31 MARCH 2006**

	Notes	2006 \$	2005 \$
Special Investments			
Specific Deposits on behalf of Māori clients		<u>10,012,511</u>	<u>8,498,970</u>
FUNDED BY			
Special Investments			
Investments under Specific Direction		<u>10,012,511</u>	<u>8,498,970</u>
Common Fund Investments			
Short Term Deposits including Bank		9,382,881	9,301,158
Government Stock		9,477,069	9,487,111
Company Debentures Stocks and Bonds		19,901,019	15,438,207
Investment in Joint Ventures		81,687	0
Total Investments		<u>38,842,656</u>	<u>34,226,476</u>
FUNDED BY			
Common Fund			
Capital Gains from Common Fund Investment		2,574,231	2,565,148
Proceeds from Alienation of Land		26,812,281	22,048,639
Sundry Estates and Trusts	17	0	681,737
Miscellaneous Deposits and Funds		8,089,208	7,206,885
Stations		1,366,936	1,724,067
Total Funds		<u>38,842,656</u>	<u>34,226,476</u>

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

**MĀORI TRUSTEE – GROUP FINANCIAL STATEMENTS
STATEMENT OF ACCOUNTING POLICIES FOR THE YEAR
ENDED 31 MARCH 2006**

Accounting Entity

These are the consolidated financial statements of the Māori Trustee.

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

- The General Purposes Fund
- The Common Fund
- Special Investments Account

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 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.

Measurement Base

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

Accounting Policies

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.

Consolidated Financial Statements

The consolidated financial statements incorporate the financial statements of the Māori Trustee and his wholly owned subsidiary company, Te Māori Lodges Limited (TML), as at 31 March 2006. The wholly owned subsidiary is accounted for under FRS 37 using the purchase method which involves adding together corresponding assets, liabilities, revenues and expenses on a line by line basis. The principal activity of Te Māori Lodges is that of a holding company which holds shares in Quantum Limited.

All significant inter-party transactions have been eliminated.

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.

Mortgages 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 uncollectable debts.

Financial Instruments

The Māori Trustee's General Purposes Fund, Common Fund and Special Investments Account 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 Investments Account.

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 the Income Tax Act 2004 and as such is exempt from income taxation.

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 2006

	2006	2005
	\$	\$
1. Investment Income		
Income Earned on Investments	5,343,531	4,740,069
Dividends Company Shares	140,700	0
Interest Earned – Other Sources	66,982	0
Amortisation of Premiums	46,609	(90,346)
	<u>5,597,822</u>	<u>4,649,723</u>

The investment premiums are amortised on a straight-line basis over the life of the investment.

	2006	2005
	\$	\$
2. Other Income		
Miscellaneous Receipts	0	407
Bad Debts Recovered	1,281	0
	<u>1,281</u>	<u>407</u>

	2006	2005
	\$	\$
3. Operating Costs		
Fees Paid To Auditors		
Audit Fee	76,087	72,465
Subsidiary Audit Fee	3,109	3,438
Accounting fee	3,701	0
Directors Fees	2,250	5,625
Depreciation		
EDP Equipment	257,779	304,192
Office Equipment	17,044	9,450
Furniture and Fittings	9,985	9,594
Building Rental Expense	354,458	346,438
Salaries and Wages	2,574,555	2,498,484
Superannuation Subsidy	53,103	29,372
Other Administration Costs	1,431,101	1,423,715
	<u>4,783,172</u>	<u>4,702,773</u>

	2006	2005
4. Bad and Doubtful Debts	\$	\$
Bad Debts Written Off	3,535	5,495
Increase/(Decrease) in Provision for Bad & Doubtful Debts	<u>(103,657)</u>	<u>(3,855)</u>
	<u>(100,122)</u>	<u>1,640</u>

The loss or gain on the Conversion Fund is the change in the provision for those loans year on year. In 2005 legislation changes meant the provision was significantly reduced.

	2006	2005
5. Grants	\$	\$
Māori Education Trust QEII	<u>3,000</u>	<u>3,000</u>

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.

	2006	2005
6. Provisions for Doubtful Debts	\$	\$
Sundry Debtors and Prepayments	183,414	195,013
Provision for Doubtful Debts	<u>0</u>	<u>0</u>
	<u>183,414</u>	<u>195,013</u>
Advances to Stations, Properties and Clients	147,594	261,583
Provision for Doubtful Debts	<u>(109,517)</u>	<u>(111,229)</u>
	<u>38,077</u>	<u>150,354</u>
Loans	3,721,715	4,371,486
Provision for Doubtful Debts	<u>(153,321)</u>	<u>(255,267)</u>
	<u>3,568,394</u>	<u>4,116,219</u>
Conversion Fund Loans	3,426,186	3,478,129
Provision for Doubtful Debts	<u>(3,390,728)</u>	<u>(3,459,159)</u>
	<u>35,458</u>	<u>18,970</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.

7. 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 via Te Māori Lodges Ltd (TML). This investment risk is managed by the Māori Trustee being on the Board of Quantum Ltd. While the TML shareholding in Quantum is a minority one the Board membership is considered to be a satisfactory control mechanism. Other investments of the Māori Trustee are monitored by the Māori Trust Office Investment Committee that has established strategies, guidelines and ratios 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 Mortgages 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 6.

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 Fund

The investment in Government stock, Local Authority and Commercial bonds held by the General Purposes Fund had a current market value of \$34,469,090 as at 31 March 2006 (2005 \$28,974,013).

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 and company debentures, stocks and bonds held by the Common Fund had a current market value of \$30,227,001 as at 31 March 2006 (2005 \$25,587,050).

8. 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

	Less Than 1 Year \$	1 to 2 Years \$	2 to 5 Years \$	More Than 5 Years \$	Total \$
Call Deposits	2,082,890	0	0	0	2,082,890
Fixed Term Deposits	3,499,700	0	0	0	3,499,700
Government Stock	1,511,500	0	2,483,565	1,523,746	5,518,811
Corporate Bonds	1,500,000	3,503,082	2,296,247	4,069,330	11,368,659
Stated Owned Enterprises	0	2,320,183	1,509,588	1,000,000	4,829,771
Local Government Bonds	999,033	2,010,325	0	0	3,009,358
Bank Bonds	2,898,207	4,665,464	502,116	500,000	8,565,787
Capital Notes	0	0	0	497,985	497,985
Other Investments - Putake	0	0	0	2,500,000	2,500,000
	<u>12,491,330</u>	<u>12,499,054</u>	<u>6,791,516</u>	<u>10,091,061</u>	<u>41,872,961</u>

Repricing Maturities - Common Fund

	Less Than 1 Year \$	1 to 2 Years \$	2 to 5 Years \$	More Than 5 Years \$	Total \$
Short Term Deposits and Cash in Common Fund	3,891,979	0	0	0	3,891,979
Short Term Deposits and Cash in Stations Fund	435,218	0	0	0	435,218
Fixed Term Deposits	5,055,683	0	0	0	5,055,683
Government Stock	2,506,864	0	5,446,459	1,523,746	9,477,069
Corporate Bonds	2,004,698	1,495,909	1,994,111	3,284,225	8,778,943
State Owned Enterprises	0	1,822,179	993,564	500,000	3,315,743
Local Government Bonds	999,033	999,969	0	0	1,999,002
Bank Bonds	974,566	2,833,197	0	1,501,584	5,309,347
Capital Notes	0	0	0	497,985	497,985
	<u>15,868,041</u>	<u>7,151,254</u>	<u>8,434,134</u>	<u>7,307,540</u>	<u>38,760,969</u>

9. Fixed Assets 2006	Original Accumulated Net Carrying	
	Cost	Value
	\$	\$
EDP Equipment	1,779,061	(1,427,451)
EDP Equipment – in progress	0	0
Office Equipment	131,054	(62,699)
Furniture and Fittings	80,447	(60,424)
	<u>1,990,562</u>	<u>(1,550,574)</u>

Fixed Assets 2005	Original Accumulated Net Carrying	
	Cost	Value
	\$	\$
EDP Equipment	1,550,016	(1,169,671)
EDP Equipment – in progress	53,070	0
Office Equipment	95,821	(59,191)
Furniture and Fittings	77,684	(50,439)
	<u>1,776,591</u>	<u>(1,279,301)</u>

10. Other Investments – Equity

During 2006 the Māori Trustee purchased shares in Putake, an investment vehicle for Māori business. The purchase was for 2,500,000 shares at \$1.00 each. This represents a 50% share of Putake. Putake has invested the shareholding money in Money Market instruments to 31 March 2006 and has earned \$18,842 for the Māori Trustee for the year ended to 31 March 2006. The income has been reflected in the Statement of Financial Performance and the Statement of Financial Position. The shares had a fair value of \$2,532,538 at 31 March 2006 (2005 \$Nil).

11. 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 2006 the Māori Trustee did not make any reimbursement to the Crown (\$NIL, 31 March 2005).

As at 31 March 2006 the monies paid by the Ministry of Māori Development on behalf of the Māori Trustee that have not been

reimbursed to the Crown totalled \$52,824,394 and at 31 March 2005, \$48,594,033.

As at 31 March 2006 sundry creditors were \$1,530,434 (2005 \$1,678,463).

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 for \$40,500 (2005 \$67,500) and receives interest payments on the loans it has made to TML of \$4.2M (2005 \$3.5M). These management fees and interest income 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 (2005 \$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.

Shares in Māori Forestry Companies

The Māori Trustee holds uncalled shares in a Māori forestry company totaling \$426,900 (2005 \$426,900). The Māori Trustee is of the view that the shares in the Māori forestry company are held in trust for the shareholders. Action is being taken to find the most effective way for the Māori Trustee to exit his involvement with this Māori forestry company.

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 Lands 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 \$0.19M (2005 \$0.15M). 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.

	2006	2005
	\$	\$
14. Reconciliation of Net Reported Operating Surplus with Net Cash Flows from Operating Activities		
Reported Operating Surplus	1,443,275	1,409,417
Add non cash items		
Interest Income	(18,842)	(211,065)
Amortisation of Premiums	(46,609)	90,346
Operating Expenses	18,056	0
Depreciation	284,808	323,236
Loss/(Gain) on Sale of Fixed Assets	2,273	0
Change in DD provision	(103,657)	0
Bad and Doubtful Debts	3,535	1,640
Gain on Conversion Fund Operations	(68,431)	(958,468)
Add/(Less) movements in other Working Capital items		
(Increase)/Decrease in Debtors, Prepayments and Accrued Interest	11,855	10,670
Increase/(Decrease) in Creditors	4,229,044	4,018,004
Net Cash Flows from Operating Activities	<u>5,755,307</u>	<u>4,683,780</u>
	2006	2005
	\$	\$
15. Commitments		
Capital Commitments		
Less than 1 year	0	85,000
Investment Commitments		
At Call	2,500,000	0
Leasing and Operating Commitments		
Less than 1 year	375,119	310,775
1 year to 2 years	369,860	255,736
2 years to 5 years	1,097,822	557,550
Greater than 5 years	2,213,179	78,486
Total	<u>6,555,980</u>	<u>1,287,547</u>

16. Transition to New Zealand Equivalents to International Financial Reporting Standards

The Māori Trustee will be adopting NZ IFRS for the first time in the audited financial statements for the year ending 31 March 2008.

The Māori Trustee will undertake a process of evaluating the differences, if any, between current policies and the policies required under NZ IFRS. That evaluation will be by Ernst & Young.

This will result in a provisional NZ IFRS opening balance sheet as at 1 April 2006 by May 2007. This provisional balance sheet will be subject to audit clearance.

Implementation of NZ IFRS will be managed by the Finance Group of the Māori Trust Office.

17. Change in Reporting Classification

In 2006, the deposits previously recorded in the Common Fund as deposits of Sundry Estates and Trusts have a different reporting classification.

In the 2006 accounts the equivalent of the 2005 balances in the Sundry Estates and Trusts resides in the Proceeds from Alienation of Land classification.

The equivalent balance of the Current Accounts and Deposits of these Sundry Estates and Trusts was \$736,558.

AUDIT NEW ZEALAND

Mana Arotake Aotearoa

AUDIT REPORT TO THE READERS OF THE MAORI TRUSTEE AND GROUP'S FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

The Auditor-General is the auditor of the Maori Trustee and group. The Auditor-General has appointed me, John O'Connell, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Maori Trustee and group on his behalf, for the year ended 31 March 2006.

Unqualified opinion

In our opinion:

- the financial statements of the Maori Trustee and group on pages 25 to 41:
 - comply with generally accepted accounting practice in New Zealand; and
 - fairly reflect:
 - the Maori Trustee and group's financial position as at 31 March 2006; and
 - the results of operations and cash flows for the year ended on that date.

The audit was completed on 26 March 2007, and is the date at which our opinion is expressed.

The basis of our 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 the 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 our opinion.

The 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 our opinion above.

Responsibilities of the Maori Trustee and the Auditor

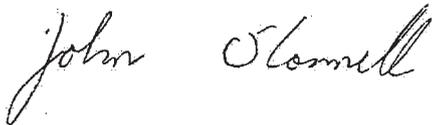
The Maori Trustee is responsible for preparing the financial statements in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Maori Trustee and group as at 31 March 2006. They must also fairly reflect the results 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 and group.



John O'Connell
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 and group for the year ended 31 March 2006 included on Te Puni Kōkiri's web-site. Te Puni Kōkiri's Chief Executive is responsible for the maintenance and integrity of Te Puni Kōkiri's web site. We have not been engaged to report on the integrity of Te Puni Kōkiri's web site. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

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 or from the 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 26 March 2007 to confirm the information included in the audited financial statements presented on this web site.

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