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Report of the  
**MĀORI TRUSTEE**

for the year ended  
31 March 2009

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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 2009.



John E Paki  
Māori Trustee  
15 March 2010

**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 2009.



John E Paki  
Kai-Tiaki Māori  
15 Māehe 2010

<b>CONTENTS</b>		Page
<b>1.</b>	<b>Who We Are</b>	4
<b>2.</b>	<b>Highlights 2008/2009</b>	4
<b>3.</b>	<b>Māori Trustee's Review</b>	5
<b>4.</b>	<b>Vision and Goals</b>	6
<b>5.</b>	<b>Performance</b>	6
	• Trustee Services	6
	• Asset Development	7
	• Investment Portfolios	8
	• Share Registry and Client Accounts	11
	• An organisation for the future	12
	• The Maori Trustee Amendment Bill 2009	12
<b>6.</b>	<b>Legal Responsibilities</b>	13
<b>7.</b>	<b>Summary of Financial Performance 2008/2009</b>	13
<b>8.</b>	<b>Consolidated General Purposes Fund Financial Information</b>	15
	• Income Statement	15
	• Statement of Changes in Equity	16
	• Balance Sheet	17
	• Cash Flow Statement	18
	• Notes to the Financial Statements	19
<b>9.</b>	<b>Audit Report of the Māori Trustee and Group's Financial Statements</b>	38
<b>10.</b>	<b>Common Fund and Special Investments Financial Information</b>	40
	• Common Fund and Special Investments	40
	• Notes to the Financial Statements	41
<b>11.</b>	<b>Audit Report of the Māori Trustee Common Fund and Special Investment Funds</b>	43

## 1. Who We Are

The Māori Trustee provides trustee services for our clients' assets. We work with owners and trustees of Māori land in managing their land and assets, and actively look for opportunities to increase the value of those assets. Our aim is to ensure that Māori have the opportunity to build and protect their assets now and for future generations.

- Quick facts at 31 March 2009:
  - Hectares under management.....121,879
  - Properties under management..... 2037
  - Ownership interests in properties.....188,609
  - Client accounts.....127,406
  - Client funds under management..... \$61,310,092
  - Permanent staff.....56

## 2. Highlights 2008/2009

For the year ended March 2009 we:

- Collected gross rental income of \$13,759,812
- Achieved a yield of 6.5% for the Common Fund, which was above the benchmark yield (Melville Jessup Weaver Investment Survey)
- Paid out \$5,918,250 to beneficial owners
- Arranged 186 new leases
- Held 502 meetings with owners and representatives
- Added 822 client accounts
- Published an update of the Unclaimed Moneys list
- Awarded scholarships totalling \$37,000 to 16 direct descendants, and \$8,000 special grants to veterans from the Sir Apirana Ngata Memorial Scholarship Fund administered as part of the Māori Soldiers' Trust

### 3. Māori Trustee's Review

2008/2009 was a year of challenges worldwide and I am pleased to say that our prudent management of the property and funds we are responsible for allowed us to maintain solid returns to owners and a good measure of overall financial health. Our funds management returned above benchmark yields, and we continued to increase the value of returns to landowners through ongoing management of properties and targeted development initiatives.

#### ***Transformation***

2008/2009 also marked a major turning point in the nearly 90 year history of the Māori Trustee as the entire organisation worked together to set the foundation for the transformation of the Māori Trust Office to a viable and sustainable stand-alone organisation and prepare for the changes provided by the Māori Trustee Amendment Bill. (See page 12 for more on the Bill.)

A specialist Transformation Team was set up to provide advice and co-ordination for the transformation. During 2008/2009, the team carried out a stock take and analysis of our current business, providing a sound base for planning. The task now is to look at how we can transform our business model to grow both asset value and revenue streams for clients, and meet the expectations of becoming a viable, sustainable, stand-alone Māori Trustee organisation.

#### ***Supporting owners' vision***

Although the introduction of the Bill accelerated the pace of change for the Māori Trust Office, the transformation of our business has been in train for some time. Rather than simply administering land, our focus has been moving to working with owners to articulate their vision for their land, and then assisting to bring that vision to reality. During 2008/2009 several of our regional teams assisted owners to formulate their vision and create their own plans for their assets by facilitating strategic planning exercises.

We also continued our strategy of analysing lease expiry dates, with a view to aligning lease dates where this would bring opportunities for greater scale into operations over time. As our pilot projects have shown, owners of neighbouring blocks can enter arrangements which bring higher returns for each of the blocks. A specialist development officer was added to the Whanganui-based team and this resulted in a major project in Taranaki (Te Rua o Te Moko) bringing together management of four neighbouring blocks held by 1000 owners into one joint venture dairy operation.

#### ***Outlook***

Our aim is to ensure that Māori have the opportunity to build and protect their assets now, and for future generations. With this in mind, our focus over the coming year, and beyond, is to continue to generate the best possible returns from clients' assets, and to work with them to increase the value of assets under management.

As a team, we face the challenge of extensively transforming our business while at the same time continuing to meet clients' expectations of services. The progress made so far demonstrates that Māori Trustee people are committed to the journey ahead and are enthusiastic about increasing both their own and organisational capability so that we can provide first-rate service for our clients and excellent stewardship for the land and funds entrusted to us.

## 4. Vision and Goals

### ***Vision***

Our people, their future.

Pupuritia te mana o te tangata o te whenua puta ki te ao marama.

### ***Goals***

- To ensure Māori have the opportunity to build and protect their assets now and for future generations.
- To be the market leader in trustee services for Māori.

## 5. Performance

In spite of the turmoil in global markets and the New Zealand economy during the 2008/2009 year, the Māori Trust Office maintained good performance in its services and returns to clients.

Significant progress was also made on preparing the organisation for transformation to a new viable and sustainable stand-alone organisation, with the amending legislation introduced in November 2008.

### • ***Trustee services***

The Māori Trustee provides governance, management and administration services for a property portfolio of 121,879 hectares. This represents around 8% of all Māori freehold land.

The Māori Trustee negotiates leases, collects rent, pays expenses, manages tax and financial reporting, and manages the distribution of payments to owners of properties. There is also a strong focus on working with owners to find opportunities to increase the value and returns on land, and to deliver cultural and community benefits through appropriate land use.

The property portfolio varies widely in many respects including size, potential and the number of owners associated with each property.

### *Property profile 31 March 2009*

Annual rental range	Number of properties	Number of hectares	Number of owners
\$0	363	25,710	26,564
Up to \$1,000	351	5,636	21,261
\$1,001 – \$5,000	622	30,793	59,260
\$5,001 – \$10,000	321	19,424	30,233
\$10,001 – \$15,000	147	10,630	20,364
\$15,001 – \$20,000	77	10,763	8,980
\$20,001 – \$25,000	49	5,787	5,418
Over \$25,000	107	13,136	16,529
	2,037	121,879	188,609*

*\*Note that as many clients have shares in more than one property, this number is higher than the number of individual client accounts.*

During 2008/2009:

- \$13,759,812 was collected in gross rental (\$12,165,299 in 2007/2008). It should also be noted that some properties have arrangements other than leases, receiving income from royalties such as forestry stumping or from mining activities
- The number of hectares under management increased to 121,879 (110,900 in 2007/2008)
- Property numbers decreased slightly to 2,037 (2,061 in 2008), reflecting success in handing back responsibility to owners
- 2,203 leases were under management (2,200 in 2008)
- 186 new leases were arranged and 72 leases renewed
- 635 property inspections were carried out
- 502 meetings were held with owners and their representatives, and additionally written reports were sent to owners of 182 properties where holding meetings was unnecessary, or not practical
- 130 trust reviews were completed for the Māori Land Court.

- ***Asset development***

The Māori Trustee works with owners to identify opportunities for improving the long term returns for their assets.

During 2008/2009, Maori Trust Office staff continued to analyse lease expiry dates, with particular focus on contiguous blocks. The Māori Trustee believes that scale provides one of the greatest opportunities for increasing returns. Aligning leases offers the flexibility to create joint ventures and other co-operative larger scale operations between owners of different blocks.

In addition, the Māori Trustee facilitated or participated in a number of targeted development initiatives to increase returns to owners.

Some highlights from 2008/2009 are:

- Research on a 24 hectare dry block near Mt Taranaki resulted in a low cost water supply through tapping a spring on the property. As a result, the rental income from the property has increased by \$7,500 and the new lessee is erecting a set of cattle yards, making the property fully independent
- A joint venture in Taranaki brought together 1000 owners in four Ahu Whenua trusts to create a 189 hectare dairy farm – Te Rua o Te Moko. The joint venture links four blocks of land into a single farm which will see 400 cows milked under a 50:50 share milking contract. The owners have indicated that in future, they wish to acquire their own herd and employ their own staff.
- Owners of two neighbouring land blocks near Te Aroha currently used for dairy and dry stock grazing met to investigate possibilities for increasing returns on the total area of 485 hectares. A utilisation report was commissioned, and a five year strategic plan to develop the area to increase milk solid production and the carrying capacity of

the dry stock country was endorsed at a meeting of owners. Work has started on the first stage which is to install a water supply system.

- An unleased Northland block of marginal grazing land covered in volcanic rocks delivered value to owners when the Māori Trustee arranged for the rocks to be sold for landscaping use. The buyer removed the rocks, cleaned up the property following the operation, and resowed the pasture as part of the arrangement.
- Two of the six orchards planted 10 years ago as part of a Māori Trustee facilitated joint venture between owners and investors in the Bay of Plenty were in the top five performers for 2008 measured on Orchard Gate Returns. The six orchards are also estimated to now contribute around \$200,000 to the local community in wages alone, with the properties also providing grants to owners and the local community.
- A project on the East Cape is looking at the potential for up to 3,000 hectares to be afforested to bring benefits through the Emissions Trading Scheme.

### **Investment portfolios**

The Māori Trustee manages funds on behalf of beneficial owners and trusts, and his own funds. The aim of the Māori Trustee is to manage funds to clients' best advantage and in a manner consistent with clients' cultural values, ambitions and express directions.

- ***Client funds***

Client funds can be held in several accounts that earn interest, including a Common Fund Deposit Account and/or a Special Investment Account.

Where funds are to be held for agencies or trusts 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 the market rate of return offered by outside institutions).

Special Investments are considered in accordance with the provisions of the Māori Trustee Act 1953 and the governing entity's trust order or agency agreement. The minimum level of funds considered for placement with outside institutions is generally set at \$10,000.

All funds in the Common Fund (but excluding Special Investments Accounts) are guaranteed by the Crown.

Most Special Investments Accounts and all Common Fund Accounts 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 that a special investment is made.

97.94 percent of funds classified as Special Investments are placed in the Money Market for an average term of 61 days.

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

Note that returns from the Common Fund will be managed differently following enactment of the Māori Trustee Amendment Act 2009.

- **Funds Management Portfolios**

The Māori Trustee's objective for both the 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 completed 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**

Common Fund money comprises funds held on behalf of trusts and agencies 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.

**Common Fund Performance for the year to 31 March 2009**

Sector	Portfolio Return	Index Return
Fixed Interest	11.04%	12.57%
Money Market	7.64%	7.65%
Total Return	10.60%	-

The yield on the Common Fund as at 31 March 2009 was 6.65% compared to 5.51% for the NZX Composite A Grade Bond Index.

- **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

## E.37

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.

### General Purposes Fund Performance for the year to 31 March 2009

Sector	Portfolio Return	Index Return
Fixed Interest	10.22%	12.57%
Money Market	7.65%	7.65%
Total Return	8.91%	-

The yield on the General Purposes Fund as at 31 March 2009 was 7.78% compared to 5.51% for the NZX Composite A Grade Bond Index.

### Melville Jessup Weaver (MJW) Investment Survey – March 2009

NZ Bonds Gross	Common Fund	General Purposes Fund	Industry average
1Q09	-0.1%	-0.3%	-1.0%
1 year	11.0%	10.2%	12.2%
3 year average	6.8%	6.7%	7.0%

Cash Gross	Common Fund	General Purposes Fund	Industry average
1Q09	1.3%	1.4%	1.0%
1 year	7.6%	7.7%	8.0%
3 year average	7.8%	7.9%	8.2%

#### Fixed interest performance comparison summary

- Quarter: Both funds ahead of MJW survey average
- Year: Both funds below the MJW survey average
- 3 year: Both funds below the MJW survey average

#### Cash performance comparison summary

- Quarter: Both funds ahead of MJW survey average
- Year: Both funds below the MJW survey average
- 3 year: Both funds below the MJW survey average

The above figures are on a gross basis and exclude fees.

#### NZ Bonds

Although bonds had an attractive nominal return for the year, performance was below the survey 1-year average return due to the shorter duration and higher proportion of corporate credit in the portfolios. However this composition proved to be very beneficial towards the end of the March Quarter – hence the outperformance, and has continued to excel since March.

#### NZ Cash

The 1 and 3 year performances for both the Common and General Purposes Funds were below the survey averages. Over the March 2009 quarter, both funds outperformed, helped by higher returns available on bank term deposits.

- **Performance Summary**

Over the 12-months to March 2009, financial markets worldwide went through a tumultuous period. The global credit crisis resulted in a reassessment of risk, particularly in the housing, banking and corporate sectors. While central banks around the globe pushed interest rates lower in order to stabilise the financial markets and banking system, interest rate margins on bonds were mixed, depending on the risk of the particular bonds. Overall good quality, well rated bonds performed well as interest rates fell over the year.

- **Future Outlook**

After a period of negative growth, the New Zealand economy is showing signs of a recovery. This recovery is expected to be slow rather than a quick turnaround. The Reserve Bank of New Zealand (RBNZ) is expected to raise the Official Cash Rate at some point during 2010. While the RBNZ has signalled that this will occur towards the end of 2010, some commentators believe that this may be earlier depending on the speed of economic recovery and whether inflationary pressures begin to emerge.

The yield curve is expected to flatten, with short-term interest rates rising more than longer-term rates over 2010. The Māori Trustee portfolios have maintained a short duration, which will benefit in the higher interest rate environment. Reinvestment of cash from maturing bonds can take advantage of the higher interest rate structure.

### Share registry and client accounts

The Māori Trustee maintains an ever-expanding register of client accounts for beneficial owners of land managed by the Māori Trustee as well as accounts for clients who have funds, but no longer have interests in land managed by the Māori Trustee.

The growing number of owners associated with land blocks due to the fragmentation of land ownership through successions is an ongoing challenge for the organisation. Over the 2008/2009 year, client accounts increased by 822, to 127,406 - a continuation of the annual upward trend.

Two thirds of client accounts at 31 March held less than \$10 with the average amount for this group being 0.98 cents.

#### CLIENT ACCOUNTS AS AT 31 MARCH 2009

Client Account by value (at 31 March 2009)	\$ in Accounts	% of Client Accounts	\$ average per Account
\$0-\$10.00	81,013	65%	0.98
\$10.01-\$100.00	1,057,389	21%	38.81
\$100.01-\$500.00	2,864,427	10%	219.72
\$500.01-\$1,000.00	1,620,610	2%	694.65
\$1000.01+	6,445,741	2%	2,830.80
<b>Total</b>	<b>12,069,180</b>	<b>100%</b>	<b>94.73</b>

During 2008/2009

- \$5,918,250 was paid to beneficial owners.
- The percentage of payments by direct credit was raised to 85% from 84% in the preceding year.
- 127,406 client accounts were maintained

## E.37

- Contact details were held for approximately 45% of client accounts
- Confirmed payment details were held for 34% of client accounts
- A Client Administration Officer was appointed in February 2009 with a specific focus on locating clients for whom we hold funds but are unable to locate because we have no contact details
- An updated Unclaimed Moneys book was published.

### **An organisation for the future**

The introduction of the Māori Trustee Amendment Bill in November 2007 accelerated the transformation of the Māori Trustee's business. In 2008, a specialist Transformation Team was established to provide advice and planning for the path forward.

### **The Māori Trustee Amendment Bill**

During the year, the Māori Trustee also put focus on making a comprehensive submission on the Māori Trustee Amendment Bill, introduced as part of the Māori Trustee and Māori Development Amendment Bill on 23 November 2007. The Bill had its first reading in the House on 4 March 2008, and the Māori Affairs Select Committee considered submissions in July 2008.

The Bill was enacted on 12 May 2009, and came into force just six weeks later on 1 July 2009.

Key changes were:

- The Māori Trust Office to become stand-alone. Staff would move across from Te Puni Kōkiri, on terms no less favourable, to the new organisation.
- The Government to write off the so called "debt to the Crown" of some \$55 million (rising to just over \$70 million as at 31 March 2009), which had built up as a result of Te Puni Kōkiri paying the costs of the Māori Trust Office.
- Common Fund returns would remain in the Common Fund and be pro-rated to the clients.

The Māori Trustee will continue to monitor the legislation to ensure its efficacy for the future.

### **People**

The Māori Trust Office had 56 permanent full-time equivalent staff at 31 March 2009 (three more than the preceding year) and 19 temporary staff (an increase of 16 on the 2008 year), reflecting the major transformation work programme. As well as specialist staff for the transformation programme itself, temporary staff were engaged to provide additional resource and skills to the regions to support delivery of services during the transformation.

Planning is well under way for an extensive training programme rolling out in October 2009 to support our people to operate successfully in the new environment. Core training for all Māori Trustee employees will be followed by specialist training in priority areas.

## 6. 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
- Māori Trustee Amendment Bill 2009

## 7. Summary of Financial Performance 2008/2009

The financial statements for the financial year ended 31 March 2009 are contained on pages 15 to 37 (Consolidated General Purposes Fund) and pages 41 to 42 (Common Fund and Special Investments) of the Māori Trustee's Annual Report. The financial statements for both funds have received an unqualified audit opinion from Audit New Zealand.

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

The consolidated statement of financial position as at 31 March 2009 shows total assets of \$69,060,026. Overall total assets have increased by \$8,006,647.

The split of Māori Trustee assets is: 24% of total assets are current assets (i.e. maturing within 12 months) and 76% are non-current assets (i.e. maturing after 12 months).

Consolidated General Purposes Fund net assets represent -4% of the total asset base as at 31 March 2009 compared to -6% as at 31 March 2008.

The liabilities continued to grow and are at \$72,127,471 as at March 2009. This is mainly the Te Puni Kokiri creditor, representing the level of funds provided to meet the costs associated with the Māori Trust Office that are expected to be fully reimbursed, which is \$70,364,213.

The net effect of operations for the period on the equity balance in the Māori Trustee's account is -\$3,067,445 as at 31 March 2009.

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

The consolidated statement of financial performance shows an operating surplus of \$547,076 in the Māori Trustee's General Purposes Fund after provisions. This represents a decrease of \$1,499,247 from 2008.

## E.37

Revenue increased by \$828,631 in 2009. Most income continues to be generated from investment activities. Income from this source represents 75% of total gross income.

Operating costs have increased by \$2,327,878 of which \$1,057,902 is due to a rise in consultancy fees. Other significant costs include finance costs.

### ***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 included 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 funds administered by the Māori Trustee within the Common Fund on behalf of Māori clients was \$50,593,123 as at 31 March 2009. This represents an increase in funds held of \$7,848,556 over the position at 31 March 2008 of \$42,744,567.

### ***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 \$61,310,092.

Funds held in the two accounts have increased by \$4,139,413 from \$57,170,679 in 2008.

### ***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 decreased by \$3,633,609 from \$14,426,112 (2008) to \$10,710,816.

**MĀORI TRUSTEE  
CONSOLIDATED GENERAL PURPOSES FUND  
INCOME STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2009**

	Notes	2009 \$	2008 \$
<b>Income</b>			
Investment income	4	7,635,400	6,905,286
Commission		1,035,563	954,715
Fees		688,770	563,002
Share of associate's profit		56,339	89,222
Other income	5	779,329	854,545
<b>Total income</b>		<b><u>10,195,401</u></b>	<b><u>9,366,770</u></b>
<b>Expenditure</b>			
Trust Office operating costs	6	7,675,597	5,814,114
Finance costs		1,182,089	1,067,415
Impairment losses/(gains)	7	(10,647)	(12,816)
Grants paid	8	3,000	3,000
Agribusiness costs		574,547	396,303
Ahuwhenua costs		223,739	52,431
<b>Total expenditure</b>		<b><u>9,648,325</u></b>	<b><u>7,320,447</u></b>
<b>Net surplus/(deficit) for the year</b>		<b><u>547,076</u></b>	<b><u>2,046,323</u></b>

This statement is to be read in conjunction with the accompanying notes to the financial statements.

**MĀORI TRUSTEE  
CONSOLIDATED GENERAL PURPOSES FUND  
STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 MARCH 2009**

	<b>2009</b>	<b>2008</b>
	\$	\$
Balance as at 1 April	(3,614,521)	(5,660,844)
Net surplus/(deficit) for the year	547,076	2,046,323
Total recognised income and expenses	547,076	2,046,323
<b>Balance as at 31 March</b>	<b><u>(3,067,445)</u></b>	<b><u>(3,614,521)</u></b>

This statement is to be read in conjunction with the accompanying notes to the financial statements.

**MĀORI TRUSTEE  
CONSOLIDATED GENERAL PURPOSES FUND  
BALANCE SHEET  
AT 31 MARCH 2009**

	Notes	2009 \$	2008 \$
The Māori Trustee administers:			
Current Assets			
Cash and cash equivalents	9	10,299,061	9,997,326
Debtors and other receivables	10	1,493,367	1,374,475
Held to maturity investments	11	4,708,174	5,386,303
<b>Total current assets</b>		<b><u>16,500,602</u></b>	<b><u>16,758,104</u></b>
Non-Current Assets			
Held to maturity investments	11	43,004,587	34,445,939
Loans and receivables	12	4,212,599	4,379,683
Investment in associates	13	5,199,871	5,143,532
Property, plant and equipment	14	63,728	176,018
Intangible assets	15	78,639	150,103
<b>Total non-current assets</b>		<b><u>52,559,424</u></b>	<b><u>44,295,275</u></b>
<b>Total assets</b>		<b><u>69,060,026</u></b>	<b><u>61,053,379</u></b>
Current Liabilities			
Creditors and other payables	16	72,127,471	64,667,900
<b>Total liabilities</b>		<b><u>72,127,471</u></b>	<b><u>64,667,900</u></b>
General Purposes Fund			
Balance held by Māori Trustee		(3,067,445)	(3,614,521)
<b>Total liabilities</b>		<b><u>69,060,026</u></b>	<b><u>61,053,379</u></b>

These financial statements were authorised for issue on 15 March 2010



J E Paki  
Māori Trustee

This statement is to be read in conjunction with the accompanying notes to the financial statements.

**MĀORI TRUSTEE  
CONSOLIDATED GENERAL PURPOSES FUND  
CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 MARCH 2009**

	Note	2009 \$	2008 \$
<b>Cash flows from operating activities</b>			
Cash was provided from:			
Interest income		6,831,628	6,235,081
Fees and commissions		1,817,258	1,158,300
Other income		792,717	780,278
		<u>9,441,603</u>	<u>8,173,659</u>
<b>Cash was applied to:</b>			
Suppliers and employees		(1,039,886)	(414,533)
Interest payments to clients		(1,182,089)	(1,067,415)
Goods and Services Tax Received/(Paid)		(53,992)	7,828
Grants		(3,000)	0
		<u>(2,278,967)</u>	<u>(1,474,120)</u>
<b>Net cash flows from operating activities</b>	17	<u><b>7,162,636</b></u>	<u><b>6,699,539</b></u>
<b>Cash flows from investing activities</b>			
Cash was provided from:			
Loan & mortgage repayments		149,350	880,641
Conversion Fund repayments		27,985	24,076
Advances repayments		396	14,257
Disposal of intangible assets		14,520	0
Disposal of property, plant and equipment		35,789	0
Investment maturities and sales		6,218,587	4,500,000
		<u>6,446,627</u>	<u>5,418,974</u>
<b>Cash was applied to:</b>			
Purchase of property, plant and equipment		(2,528)	(18,712)
Purchases of intangible assets		0	(163,394)
Loan advances		0	(1,531,798)
Investment in associates		0	(2,500,000)
Investment purchases		(13,305,000)	(8,317,672)
		<u>(13,307,528)</u>	<u>(12,531,576)</u>
<b>Net cash flows from investing activities</b>		<u><b>(6,860,901)</b></u>	<u><b>(7,112,602)</b></u>
Net increase/(decrease) in cash		301,735	(413,063)
Cash at beginning of year		9,997,326	10,410,389
Cash at end of year		10,299,061	9,997,326
<b>Represented by:</b>			
Cash at bank and in hand		112,687	134,066
Deposits at call		2,828,011	3,808,148
Short-term deposits		7,358,363	6,055,112
		<u>10,299,061</u>	<u>9,997,326</u>

The Goods and Services Tax received/(paid) component of operating activities reflects the net GST paid and received with the Inland Revenue Department. The GST (net) component has been presented on a net basis, as the gross amounts do not provide meaningful information for financial statement purposes.

This statement is to be read in conjunction with the accompanying notes to the financial statements.

**MĀORI TRUSTEE  
CONSOLIDATED GENERAL PURPOSES FUND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

**1. Reporting entity**

The financial statements of the Māori Trustee and its subsidiary for the year ended 31 March 2009 were approved for issue on 15 March 2010. The Māori Trustee is a Corporation sole defined under the Māori Trustee Act 1953 and is domiciled in New Zealand.

The Māori Trustee is responsible for administering the affairs of a selection of Māori land blocks and Trusts to promote, develop and enhance Māori assets.

**2. Statement of accounting policies**

**Basis of preparation**

These financial statements are prepared in terms of Section 23 of the Māori Trustee Act 1953 (“the Act”) for the General Purposes Fund.

The General Purposes Fund represents funds held by the Māori Trustee in his own right.

The financial statements have been prepared on a historical cost basis with the exception of certain items for which specific accounting policies are identified.

Both the functional and presentational currency of the Māori Trustee is New Zealand dollars.

**Statement of compliance**

The financial statements have been prepared in accordance with NZ GAAP. They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), and other applicable Financial Reporting Standards, as appropriate for public benefit entities.

**New accounting standards and interpretations**

Standards and interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Group for the year ended 31 March 2009. Applicable standards are outlined below.

Reference	Title	Summary	Application Date of the Standard	Application Date for the Group
NZ IAS 1 (Revised)	Presentation of Financial Statements and consequential amendments to other New Zealand Accounting Standards	Introduces a statement of comprehensive income. Other revisions include impacts on the presentation of items in the statement of changes in equity, new presentation requirements for restatements or reclassifications of items in the financial statements, changes in the presentation requirements for dividends and changes to the titles of the financial statements.	1 January 2009	1 April 2009
NZ IAS 27 (Revised)	Consolidated and Separate Financial Statements (Revised)	Under the revised standard, a change in the ownership interest of a subsidiary (that does not result in loss of control) will be accounted for as an equity transaction.	1 July 2009	1 April 2010

### **Basis of consolidation**

The consolidated financial statements comprise the financial statements of the Māori Trustee and its wholly owned subsidiary, Te Māori Lodges Limited (“TML”) as at 31 March 2009. Subsidiaries are all those entities over which the Māori Trustee has the power to govern the financial and operating policies as to obtain benefits from their activities. Interests in associates are equity accounted and are not part of the consolidated group.

The principal activity of TML is that of a holding company which holds shares in Quantum Limited.

The financial statements of the subsidiary are prepared for the same reporting period as the Māori Trustee, using consistent accounting policies.

In preparing the consolidated financial statements, all inter entity balances and transactions resulting from inter-group transactions have been eliminated.

The acquisition of subsidiaries is accounted for using the purchase method of accounting. The purchase method involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities and contingent liabilities assumed at the date of the acquisition.

### **Revenue recognition**

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

#### *Fees and commissions*

The Māori Trustee can only deduct his fee and/or commission upon actual receipt of trust monies from fees and commissions owing to the General Purposes Fund from the Common Fund. As such fees and commissions are recognised on a cash basis.

#### *Interest*

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts the estimated future cash receipts over the expected life of the financial asset to the net carrying amount of the financial asset.

#### *Dividends*

Dividends are recognised when the Māori Trustee’s right to receive payment is established.

### **Cash and cash equivalents**

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

### **Debtors and other receivables**

Debtors are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate method after providing for doubtful and uncertain debts.

The collectability of debtors and other receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Māori Trustee will not be able to collect the amounts due according to the original terms of the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment is the carrying

amount of the receivable compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

### ***Financial instruments***

Investments and financial assets in the scope of NZ IAS 39 *Financial Instruments: Recognition and Measurement* are categorised as loans and receivables or held-to-maturity investments. The classification depends on the purpose for which the investments were acquired.

On initial recognition, financial assets are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

#### *Recognition and derecognition*

Purchases and sales of financial assets are recognised on the trade date i.e. the date that the Māori Trustee commits to purchase or sell the asset. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market. These assets are carried at amortised cost using the effective interest method. Loans and receivables are included in current assets, except for those with maturities greater than 12 months after balance date which are classified as noncurrent.

Loans and receivables include advances to stations, properties and clients, loans and mortgages, and conversion fund loans.

#### *Held-to-maturity investments*

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

Investments that are intended to be held to maturity are subsequently measured at amortised cost. This cost is calculated to be the amount initially recorded less principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. Gains and losses are recognised in profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

### **Investments in associates**

The Māori Trustee's investments in associates are accounted for using the equity method of accounting in the consolidated financial statements. Associates are entities over which the Māori Trustee has significant influence that are neither subsidiaries nor joint ventures.

The Māori Trustee deems that he has significant influence if he has over twenty percent of the voting rights. The Māori Trustee treats his investment in Putake Limited and Quantum Limited as an investment in an associate.

Under the equity method, investments in associates are carried at cost plus post acquisition changes in the Māori Trustee's share of the net assets in the associate. After application of the equity method, the Māori Trustee determines whether it is necessary to recognise any impairment loss.

## E.37

The Māori Trustee's share of his associates' post acquisition profits or losses are recognised in the income statement, and his share of post acquisition movements in reserves is recognised in reserves. The cumulative post acquisition movements are adjusted against the carrying amount of the investment.

The financial statements of associates are prepared for the same reporting period as the Māori Trustee, using consistent accounting policies.

### **Impairment of financial instruments**

Financial instruments measured at amortised cost are reviewed at each balance date to determine whether there is any objective evidence of impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount of a financial instrument measured at amortised cost is calculated as the present value of estimated future cash flows discounted at the instrument's original effective interest rate.

Specific provisions are made for loans and receivables that are considered doubtful and are presented net of the specific provision. Specific allowances are made against the carrying amount of loans and receivables that are identified as being impaired, based on regular reviews of the outstanding balances, to reduce these loans and receivables to their recoverable amounts. The Māori Trustee considers financial difficulties of the debtor, default payments or debts more than 60 days overdue as objective evidence of impairment.

### **Property, plant and equipment**

Plant and equipment consist of EDP equipment, furniture and fittings and office equipment. All fixed assets are recorded at historic cost, less accumulated depreciation and accumulated impairment losses.

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. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

EDP equipment	3 years	33%
Furniture and fittings	5 years	20%
Office equipment	5 years	20%

The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each financial year end. Fixed assets are derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

### **Intangible assets**

Intangible assets consist of acquired software and software specifically modified for the use by the Māori Trustee.

All intangible assets are recorded at historic cost less accumulated amortisation and impairment losses.

Costs that are directly associated with the development of software for internal use are recognised as part of the intangible asset. These costs include software development and direct staff costs.

Amortisation is provided on a straight line basis on intangible assets at a rate calculated to allocate the assets' cost over their estimated useful life. Amortisation begins when the asset is available for use. The useful lives of the intangible assets have been assessed to be finite. The useful lives and associated amortisation rates of major classes of intangible assets have been estimated as follows:

Acquired software	3 years	33%
Developed software	3 years	33%

The amortisation periods and amortisation methods for intangible assets with finite useful lives are reviewed, and adjusted if appropriate, at each financial year end.

### **Impairment of non financial assets**

Fixed assets and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is the depreciated replacement cost for an asset where the future economic benefits or service potential of the asset is not primarily dependent on the asset's ability to generate net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits or service potential.

If an asset's carrying amount exceeds its recoverable amount, the asset is impaired and the carrying amount is written down to the recoverable amount.

### **Leases**

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the term of the lease term.

### **Creditors and other payables**

Creditors and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method. Due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Māori Trustee prior to the end of the financial year.

### **Goods and Services Tax ("GST")**

All items in the financial statements are stated exclusive of GST except for receivables and payables which are stated on a GST inclusive basis. Where GST is not recoverable from Inland Revenue then it is recognised as part of the cost of acquisition of the related asset or as part of the expense as applicable.

The net amount of GST receivable or payable is included as part of debtors or creditors in the Statement of Financial Position.

### **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.

### **Cash Flow Statement**

Operating activities include cash received from all income sources by the Māori Trustee and 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 and other investments not included within cash equivalents.

## E.37

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

### Changes in accounting policies

There have been no changes in accounting policies. The accounting policies have been applied consistently for both years presented.

### 3. Significant accounting judgements, estimates and assumptions

In preparing these financial statements the Māori Trustee has made judgements, estimates and assumptions concerning the future. The Māori Trustee continually evaluates his estimates and judgements, and these estimates and judgements are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

The Māori Trustee has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. These estimates and assumptions may differ from the subsequent actual results and may materially affect financial results or the financial position in future periods.

Further detail of the nature of the assumptions may be found in the relevant notes to the financial statements.

#### Significant accounting judgements

##### *Impairment of financial and non financial assets*

The Māori Trustee assesses impairment of assets at each reporting date by evaluating conditions specific to the Māori Trustee and to the particular asset that may lead to impairment. If an impairment trigger exists the recoverable amount of the asset is determined. The Māori Trustee does not consider that the triggers for impairment testing have been significant.

#### Significant accounting estimates and assumptions

##### *Estimation of useful lives of assets*

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

### 4. Investment income

	2009	2008
	\$	\$
Interest income from investments	7,307,757	6,601,803
Interest income from other sources	<u>327,643</u>	<u>303,483</u>
	<u>7,635,400</u>	<u>6,905,286</u>

### 5. Other income

	2009	2008
	\$	\$
Contract income	730,000	540,000
Sponsorship income	41,920	276,525
Other income	<u>7,409</u>	<u>38,020</u>
	<u>779,329</u>	<u>854,545</u>

<b>6. Trust Office operating costs</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Fees paid to auditors:		
Audit fees for parent	118,412	98,412
Audit fees for subsidiary	5,318	4,155
Audit fees for NZ IFRS transition	0	15,000
Recovery for prior year audit overrun	39,442	0
Depreciation expense:		
EDP equipment	52,308	53,789
Office equipment	18,957	19,647
Furniture and fittings	7,764	12,046
Amortisation of intangible assets	56,944	114,968
Directors' fees	1,125	1,125
Building rental	366,573	361,962
Salaries and wages	3,931,531	3,528,099
Employee entitlements	225,762	157,241
Management fees	0	0
Other operating costs	2,851,461	1,447,670
	<u>7,675,597</u>	<u>5,814,114</u>
<b>7. Impairment losses</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Impairment provision at 1 April	3,522,666	3,535,482
(Decrease)/Increase in provision for doubtful debts related to loans and receivables	<u>(10,647)</u>	<u>(12,816)</u>
Impairment provision at 31 March	<u>3,512,019</u>	<u>3,522,666</u>
<b>8. Grants paid</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Māori Education Trust QEII	<u>3,000</u>	<u>3,000</u>
	<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.		
<b>9. Cash and cash equivalents</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Cash at bank and in hand	112,687	134,066
Deposits at call	2,828,011	3,808,148
Short-term deposits	<u>7,358,363</u>	<u>6,055,112</u>
	<u>10,299,061</u>	<u>9,997,326</u>

<b>10. Debtors and other receivables</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Trade debtors	660,370	537,754
Sundry receivables	<u>832,997</u>	<u>836,721</u>
	<u><u>1,493,367</u></u>	<u><u>1,374,475</u></u>

The carrying value of debtors and other receivables approximates their fair value.

Trade receivables are non interest bearing and are generally on 30 - 60 day terms. An impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

All overdue debtors have been assessed for impairment and no provision was deemed necessary.

Losses have been recognised for the year ended 31 March 2009.

<b>11. Held to maturity investments</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Current portion</b>		
Government stock	1,521,595	0
Commercial bonds	<u>3,186,579</u>	<u>5,386,303</u>
	<u><u>4,708,174</u></u>	<u><u>5,386,303</u></u>
<b>Non-current portion</b>		
Government stock	2,560,634	4,077,964
Commercial bonds	<u>40,443,953</u>	<u>30,367,975</u>
	<u><u>43,004,587</u></u>	<u><u>34,445,939</u></u>

<b>12. Loans and receivables</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Advances to stations, properties and clients	14,906	15,302
Loans and mortgages	4,197,693	4,347,043
Advances to Te Māori Lodges Limited	0	0
Conversion Fund loans	0	17,338
Advances to Te Māori Lodges Limited	<u>0</u>	<u>0</u>
	<u><u>4,212,599</u></u>	<u><u>4,379,683</u></u>
<b>Advances to stations, properties and clients</b>		
	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Advances to stations, properties and clients	119,329	119,725
Allowance for impairment	<u>(104,423)</u>	<u>(104,423)</u>
	<u><u>14,906</u></u>	<u><u>15,302</u></u>

**Allowance for impairment - stations, properties and clients**

Impairment provision at 1 April	(104,423)	(107,761)
(Increase)/decrease in provision for year	<u>0</u>	<u>3,338</u>
Impairment provision at 31 March	<u>(104,423)</u>	<u>(104,423)</u>

The Māori Trustee has made advances to stations and properties 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 a security is taken, the security may be a first or 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 a security is taken, the security is a memorial of charge over land.

**Loans and mortgages**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Loans and mortgages	4,268,896	4,418,246
Allowance for impairment	<u>(71,203)</u>	<u>(71,203)</u>
	<u>4,197,693</u>	<u>4,347,043</u>

**Allowance for impairment - loans and mortgages**

Impairment provision at 1 April	(71,203)	(73,332)
(Increase)/decrease in provision for year	<u>0</u>	<u>2,129</u>
Impairment provision at 31 March	<u>(71,203)</u>	<u>(71,203)</u>

**Conversion Fund loans**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Conversion Fund loans	3,336,393	3,364,378
Allowance for impairment	<u>(3,336,393)</u>	<u>(3,347,040)</u>
	<u>0</u>	<u>17,338</u>

**Allowance for impairment - Conversion Fund loans**

Impairment provision at 1 April	(3,347,040)	(3,354,389)
(Increase)/decrease in provision for year	<u>10,647</u>	<u>7,349</u>
Impairment provision at 31 March	<u>(3,336,393)</u>	<u>(3,347,040)</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.

## E.37

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.

<b>Advances to Te Māori Lodges Limited</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Advances to Te Māori Lodges Limited	55,636,880	51,226,296
Allowance for impairment	<u>(55,636,880)</u>	<u>(51,226,296)</u>
	<u>0</u>	<u>0</u>
<b>Allowance for impairment - Te Māori Lodges Limited</b>		
Impairment provision at 1 April	(51,226,296)	(47,436,147)
(Increase)/decrease in provision for year	<u>(4,410,584)</u>	<u>(3,790,149)</u>
Impairment provision at 31 March	<u>(55,636,880)</u>	<u>(51,226,296)</u>
<b>13. Investment in associates</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Quantum Limited</b>		
Shares in Quantum Limited	12,680,468	12,680,468
Allowance for impairment	<u>(12,680,468)</u>	<u>(12,680,468)</u>
	<u>0</u>	<u>0</u>
<b>Allowance for impairment - Quantum Limited</b>		
Impairment provision at 1 April	(12,680,468)	(12,680,468)
(Increase)/decrease in provision for year	<u>0</u>	<u>0</u>
Impairment provision at 31 March	<u>(12,680,468)</u>	<u>(12,680,468)</u>
The Māori Trustee through his 100% owned subsidiary Te Māori Lodges Limited, holds shares in Quantum Limited.		
The true value of Quantum Limited is in excess of the amount recognised however this amount has been fully impaired as the underlying investment in Te Māori Lodges Limited has been incurring losses and has a negative equity value of \$32m.		
<b>Putake Limited</b>		
<b>Movement in carrying value</b>		
Balance at 1 April	5,143,532	2,554,310
Additional funds invested	0	2,500,000
Share of profits after tax	<u>56,339</u>	<u>89,222</u>
Balance at 31 March	<u>5,199,871</u>	<u>5,143,532</u>

**Extracts from associate's balance sheet**

Current assets	4,668,263	10,321,064
Non-current assets	<u>6,396,605</u>	<u>0</u>
	11,064,868	10,321,064
Current liabilities	(665,127)	(34,001)
Non-current liabilities	<u>0</u>	<u>0</u>
	<u>(665,127)</u>	<u>(34,001)</u>
Net assets	<u>10,399,741</u>	<u>10,287,063</u>
<b>Share of associate's net assets</b>	<u>5,199,871</u>	<u>5,143,532</u>

**Extracts from associate's income statement**

Revenue	562,774	561,221
Net surplus	112,678	178,444

Putake Limited is an investment vehicle for Māori business of which the Māori Trustee has a 50% share.

**14. Property, plant and equipment**

	<b>EDP Equipment \$</b>	<b>EDP Equipment - in progress \$</b>	<b>Office Equipment \$</b>	<b>Furniture and Fittings \$</b>	<b>Total \$</b>
<b>Gross carrying value</b>					
Balance 1 April 2007	426,462	68,968	131,864	93,045	720,339
Additions	32,774	7,183	0	19,119	59,076
Transferred to PPE	0	(40,362)	0	0	(40,362)
Disposals	(233,748)	0	0	0	(233,748)
Balance 31 March 2008	<u>225,488</u>	<u>35,789</u>	<u>131,864</u>	<u>112,164</u>	<u>505,305</u>
Additions	2,528	0	0	0	2,528
Transferred to TPK	0	(35,789)	0	0	(35,789)
Disposals	0	0	0	0	0
Balance 31 March 2009	<u>228,016</u>	<u>0</u>	<u>131,864</u>	<u>112,164</u>	<u>472,044</u>
<b>Accumulated depreciation</b>					
Balance 1 April 2007	323,501	0	82,683	71,369	477,553
Depreciation charge	53,789	0	19,647	12,046	85,482
Disposals	(233,748)	0	0	0	(233,748)
Balance 31 March 2008	<u>143,542</u>	<u>0</u>	<u>102,330</u>	<u>83,415</u>	<u>329,287</u>

## E.37

Depreciation charge	52,308	0	18,957	7,764	79,029
Disposals	0	0	0	0	0
Balance 31 March 2009	<u>195,850</u>	<u>0</u>	<u>121,287</u>	<u>91,179</u>	<u>408,316</u>
<b>Net book value</b>					
At 31 March 2008	<u>81,946</u>	<u>35,789</u>	<u>29,534</u>	<u>28,749</u>	<u>176,018</u>
At 31 March 2009	<u>32,166</u>	<u>0</u>	<u>10,577</u>	<u>20,985</u>	<u>63,728</u>

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

**15. Intangible assets**

	<b>Computer software</b>	<b>WIP - Computer software</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Gross carrying value</b>			
Balance 1 April 2007	1,464,938	22,100	1,487,038
Additions	170,974	0	170,974
Transferred to intangible assets	0	(7,580)	(7,580)
Disposals	(343,639)	0	(343,639)
Balance 31 March 2008	<u>1,292,273</u>	<u>14,520</u>	<u>1,306,793</u>
Additions	0	0	0
Transferred to Intangible assets	0	0	0
Transferred to TPK	0	(14,520)	(14,520)
Balance 31 March 2009	<u>1,292,273</u>	<u>0</u>	<u>1,292,273</u>
<b>Accumulated amortisation</b>			
Balance 1 April 2007	1,385,361	0	1,385,361
Amortisation charge	114,968	0	114,968
Disposals	(343,639)	0	(343,639)
Balance 31 March 2008	<u>1,156,690</u>	<u>0</u>	<u>1,156,690</u>
Amortisation charge	56,944	0	56,944
Disposals	0	0	0
Balance 31 March 2009	<u>1,213,634</u>	<u>0</u>	<u>1,213,634</u>

**Net book value**

At 31 March 2008	<u>135,583</u>	<u>14,520</u>	<u>150,103</u>
At 31 March 2009	<u>78,639</u>	<u>0</u>	<u>78,639</u>

There are no restrictions over the title of the Māori Trustee's intangible assets, nor are any assets pledged as security for liabilities.

**16. Creditors and accruals**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Trade creditors	181,879	200,216
Accrued expenses	128,536	141,060
Amounts owing to TPK	70,364,213	62,935,545
Mortgage contra liability	1,353,952	1,353,952
GST payable	<u>98,891</u>	<u>37,127</u>
	<u>72,127,471</u>	<u>64,667,900</u>

Trade creditors and other payables are non interest bearing and are normally settled on 30 day terms, therefore the carrying value approximates their fair value.

**17. Reconciliation of Net Reported Operating Surplus with Net Cash Flows from Operating Activities**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Reported operating surplus/(deficit)	547,076	2,046,323
Add/(deduct) noncash items:		
Interest income	(794,108)	(823,048)
Amortisation of premiums/discount	0	38,507
Depreciation	79,029	85,482
Amortisation of intangible assets	56,944	114,968
Impairment losses/(gains)	(10,647)	(12,816)
Share of associate earnings	(56,339)	(89,222)
Add/(deduct) movements in other working capital items:		
(Increase)/decrease in debtors and prepayments	(118,892)	(319,354)
Increase/(decrease) in creditors	7,459,573	5,658,699
Net cash flows from operating activities	<u>7,162,636</u>	<u>6,699,539</u>

<b>18. Commitments</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>Leasing and operating commitments</b>		
Less than 1 year	365,822	396,066
1 year to 2 years	353,458	396,066
2 years to 5 years	923,412	1,092,897
Greater than 5 years	1,206,002	1,558,899
Total	<u>2,848,694</u>	<u>3,443,928</u>

## 19. Contingent liabilities

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

A contingent liability of \$7.6M (31 March 2008: \$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 totalling \$426,900 (31 March 2008: \$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 \$200,000 (31 March 2008: \$160,000). The Māori Trustee denies liability and will defend these actions in most cases.

## 20. Related parties

Te Māori Lodges Limited ("TML") is a wholly owned subsidiary of the Māori Trustee. TML is a holding company which holds shares in Quantum Limited. During the year the Māori Trustee provided management services to TML for \$40,500 (31 March 2008: \$40,500).

The management fees received and interest paid have been fully eliminated on consolidation.

The Māori Trustee recognised an impairment loss of \$4,410,584 for the full amount of the advance to TML during the year (31 March 2008: \$3,790,149).

<b>Compensation to Key Management Personnel</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	1,216,636	1,222,474

## 21. Financial Instrument risks

The Māori Trustee's activities expose him to a variety of financial instrument risks, including market risk, credit risk and liquidity risk. The Māori Trustee has a series of policies to manage the risks associated with financial instruments and seeks to minimise exposure from financial instruments. These policies do not allow any transactions that are speculative in nature to be entered into.

### **Market Risk**

#### *Currency risk*

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in foreign exchange rates.

The Māori Trustee has no foreign denominated financial instruments and, accordingly has no exposure to currency risk.

#### *Interest rate risk*

Interest rate risk is the risk that the fair value of a financial instrument will fluctuate or, the cash flows from a financial instrument will fluctuate due to change in market interest rates.

The Māori Trustee is exposed to interest rate risk on those financial instruments that have a floating interest rate. The investments that have floating or variable interest rates or coupon payments are as follows:

<b>Financial assets</b>	<b>2009</b>	<b>2008*</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	2,820,498	3,808,146
Held to maturity investments	4,187,019	4,496,936
	<u>7,007,517</u>	<u>8,305,082</u>

\* Note, this comparative differs from the published 2008 Financial Statements. Those Statements included all Financial Assets regardless of whether they were fixed or floating. The prior year comparative now only includes floating or variable interest rates.

## E.37

The following sensitivity analysis is based on the interest rate risk exposures in existence at the balance sheet date:

At balance date, if interest rates had moved, as illustrated in the tables below, with all other variables held constant, the profit and equity would have been affected as follows:

### **31 March 2009**

	<b>Profit or loss</b>		<b>Equity</b>	
	<b>Higher/(Lower)</b>		<b>Higher/(Lower)</b>	
	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>
	<b>increase</b>	<b>decrease</b>	<b>increase</b>	<b>decrease</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	28,185	(28,185)	28,185	(28,185)
Held to maturity investments	47,500	(47,500)	47,500	(47,500)

### **31 March 2008**

	<b>Profit or loss</b>		<b>Equity</b>	
	<b>Higher/(Lower)</b>		<b>Higher/(Lower)</b>	
	<b>1%</b>	<b>1%</b>	<b>1%</b>	<b>1%</b>
	<b>increase</b>	<b>decrease</b>	<b>increase</b>	<b>decrease</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	38,081	(38,081)	38,081	(38,081)
Held to maturity investments	47,500	(47,500)	47,500	(47,500)

### **Credit risk**

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

The Māori Trustee's maximum credit exposure from potential default is the carrying amount of these instruments.

The Māori Trustee has made substantial provisions for advances, conversion fund loans and available for sale financial assets. These are detailed in note 12.

#### *Debtors and other receivables*

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

#### *Loans and receivables*

The Māori Trustee has made advances to stations, properties and clients and issued mortgages 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 a security is taken, the security may be a first or second mortgage security over a freehold interest in land, a memorial of charge over land or a debenture.

Advances under Section 248 of the Māori Affairs Act 1953 may or may not be secured. Where a

security is taken; the security is a memorial of charge over land.

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

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.

#### *Held to maturity investments*

The financial instruments are spread amongst a number of financial institutions to minimise the risk of default. The Māori Trustee and the Māori Trust Office Investment Committee apply the following parameters when investing General Purposes Fund money to minimise exposure to credit risk:

- 85% of fixed income securities are to have an ‘A’ grade rating or better.
- For New Zealand Government stock, State Owned Enterprise and Local Authority stock, and Bank items, no single security shall exceed 10% of the fixed income portfolio.
- For corporate and capital notes, no single security shall exceed 5% of the fixed income portfolio.

#### **Liquidity risk**

Liquidity risk is the risk that the Māori Trustee will encounter difficulty in raising liquid funds to meet commitments as they fall due.

In meeting his liquidity requirements, the Māori Trustee closely monitors his forecast cash requirements. Surplus funds are invested for terms appropriate for the expected cash requirements.

The Māori Trustee applies the following parameters when investing General Purposes Fund money to minimise exposure to liquidity risk:

- A target of 10% of the portfolio is to be invested within money accounts with a maximum term of 364 days
- A target of 75% for the General Purposes Fund to be invested within fixed income securities
- A target of 15% for the General Purposes Fund to be invested within equity securities

These investment parameters also assist the Māori Trustee in reducing his exposure to credit risk.

The remaining contractual maturities of the Māori Trustee are:

#### **31 March 2009**

	<b>6 months or less \$</b>	<b>6 - 12 months \$</b>	<b>1 - 5 Years \$</b>	<b>More Than 5 Years \$</b>	<b>Total \$</b>
Creditors and other payables	72,127,471	0	0	0	72,127,471
	<u>72,127,471</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>72,127,471</u>

**31 March 2008**

	<b>6 months or less \$</b>	<b>6 - 12 months \$</b>	<b>1 - 5 Years \$</b>	<b>More Than 5 Years \$</b>	<b>Total \$</b>
Creditors and other payables	378,403	0	0	64,289,497	64,667,900
	<u>378,403</u>	<u>0</u>	<u>0</u>	<u>64,289,497</u>	<u>64,667,900</u>

As a result of the Māori Trustee Amendment Act 2009 (effective 1 July 2009), the value of the TPK creditor will be zero [see note 22(g)]

**Fair Value**

With the exception of company shares and held to maturity investments, 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 held to maturity investments held by the General Purposes Fund had a current market value of \$47,163,790 as at 31 March 2009 (2008: \$38,406,164).

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.

**22. Events subsequent to balance date****The Māori Trustee Amendment Act 2009**

The Māori Trustee Amendment Act 2009 commenced on 1 July 2009, amending the principal Act, the Māori Trustee Act 1953.

The key changes are as follows:

1. The Māori Trustee will continue in effect as is, with key changes being:
  - (a) Māori Trustee is an employer;
  - (b) Funding streams change from Departmental to Crown;
  - (c) An appropriation account is added to the list of Māori Trustee accounts;
  - (d) Māori Trustee is to be added to Schedule Four of the Public Finance Act 1989 and through this schedule will be subject to some parts of the Crown Entities Act 2004;
  - (e) Māori Trustee remains as an entity in the Public Audit Act 2001;
  - (f) A funding agreement is to be entered into between Māori Trustee and the Crown;

- (g) Māori Trustee's accumulated debt to the Crown was written off subsequent to enactment of the Māori Trustee Amendment Act 2009. The write off was approved by the Minister of Finance as part of the October Baseline Update. The approval was given on 17 November 2009.
  
- (h) From 1 July 2009 the interest income earned from the investment activity of the Common Fund is no longer payable to Māori Trustee's General Purposes Fund, with Māori Trustee paying fixed interest on deposits in the Common Fund at regulated rates. Rather, distributable income is retained within the Common Fund and pro-rated across all accounts in the Common Fund. The distributable income is defined as the total amount of money received by Māori Trustee as income, including amounts properly determined to be realised capital gains less capital losses, less the total amount of management fees that Māori Trustee is entitled to charge or retain. The distributable income must be paid at least annually, with the initial period running from 1 July 2009 to 31 March 2010. For the period 1 April 2009 to 30 June 2009 the requirement of paying interest remains in place.

## **Audit Report**

### **To the readers of The Maori Trustee and Group's financial statements for the year ended 31 March 2009**

The Auditor-General is the auditor of the Maori Trustee (the 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 Trust on his behalf for the year ended 31 March 2009.

#### **Unqualified Opinion**

In our opinion, the financial statements of the Trustee and group on pages 15 to 37:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Trustee and group's financial position as at 31 March 2009; and
  - the results of its operations and cash flows for the year ended on that date.

The audit was completed on 15 March 2010, 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**

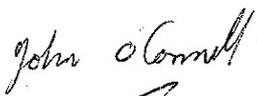
The Maori Trustee is responsible for preparing the financials in accordance with generally accepted accounting practice in New Zealand. The financial statements must fairly reflect the financial position of the Trustee and group as at 31 March 2009 and the results of its operations and cash flows for 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 Trustee and group or any of its subsidiaries.



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's for the year ended 31 March 2009 included on the Maori Trustee's website. The Maori Trustee is responsible for the maintenance and integrity of the Maori Trustee's website. We have not been engaged to report on the integrity of the Maori Trustee'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.

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 15 March 2010 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 information may differ from legislation in other jurisdictions.

**MĀORI TRUSTEE  
COMMON FUND AND SPECIAL INVESTMENTS  
ADMINISTERED BY THE MĀORI TRUSTEE  
AS AT 31 MARCH 2009**

	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>
<b>SPECIAL INVESTMENTS</b>		
<b>Investments under specific direction</b>		
Cash and cash equivalents	10,429,735	14,107,845
Government stocks	100,364	101,629
Company debentures, stocks and bonds	180,717	134,951
Investment in joint ventures	<u>6,153</u>	<u>81,687</u>
Total investments under specific direction	<b>10,716,969</b>	<b>14,426,112</b>
<b>Funded by</b>		
Specific Deposits on behalf of Maori client	<u><b>10,716,969</b></u>	<u><b>14,426,112</b></u>
<b>COMMON FUND</b>		
<b>Investments</b>		
Cash and cash equivalents	15,987,506	10,125,484
Government stocks	6,972,906	6,972,007
Company debentures, stocks and bonds	<u>27,632,711</u>	<u>25,647,076</u>
<b>Total Investments</b>	<u><b>50,593,123</b></u>	<u><b>42,744,567</b></u>
<b>Funded by</b>		
Capital gains from Common Fund investment	2,503,433	2,506,110
Proceeds from alienation of land	35,813,494	28,699,173
Miscellaneous deposits and funds	11,016,282	10,299,611
Stations	<u>1,259,914</u>	<u>1,239,673</u>
<b>Total Funds</b>	<u><b>50,593,124</b></u>	<u><b>42,744,567</b></u>

These financial statements were authorised for issue on 15 March 2010



J E Paki

Māori Trustee

This statement is to be read in conjunction with the accompanying notes to the financial statements.

**MĀORI TRUSTEE  
COMMON FUND AND SPECIAL INVESTMENTS  
ADMINISTERED BY THE MĀORI TRUSTEE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 MARCH 2009**

## **1. Reporting entity**

The financial statements of the Māori Trustee Common Fund (the 'Common Fund') and Special Investments Administered by the Māori Trustee (the 'Special Investments') for the year ended 31 March 2009 were approved for issue on 15 March 2010. The Māori Trustee is a Corporation sole defined under the Māori Trustee Act 1953 and is domiciled in New Zealand. The financial statements have been prepared for the Common Fund and Special Investments in accordance with the measurement requirements below.

## **2. Statement of accounting policies**

### **Basis of preparation**

These financial statements are prepared in terms of Section 23 of the Māori Trustee Act 1953 ("the Act") for the following separate funds:

- The Common Fund
- Special Investments

The Common Fund represents moneys received by the Māori Trustee under Sections 23 and 25 of the Māori Trustee Act 1953, in trust for persons entitled to receive them. All Common Fund moneys are guaranteed by the Crown under Section 27 of the Act. Special Investments are investments made in accordance with Section 24 of the Act.

The Māori Trustee administers the moneys in Special Investment accounts and the moneys in the Common Fund in accordance with the Maori Trust Act 1953. The funds administered are further detailed on page 40 of these financial statements.

The financial statements have been prepared on a historical cost basis with the exception of certain items for which specific accounting policies are identified.

Both the functional and presentational currency of the Common Fund and Special Investments are New Zealand dollars.

### **Cash and cash equivalents**

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

### **Government stocks**

Government stocks 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.

### **Company debentures, stocks and bonds**

Company debentures, stocks 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.

### ***Financial instruments***

Financial instruments recognised in the Balance Sheet include cash and cash equivalents; Government stocks; and company debentures, stocks and bonds. The financial instruments are subject to credit risk in the event of non-performance by their counter parties. On initial recognition, financial assets are measured at cost. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

### **Taxation**

The Common Fund has been issued a certificate of exemption from the Inland Revenue Department.

Both the Common Fund and the Special Investments are not registered for GST.

### **Changes in accounting policies**

There have been no changes in accounting policies. The accounting policies have been applied consistently for both years presented.

### **Impact of New Zealand equivalents to International Financial Reporting Standards**

In November 2004 the Accounting Standards Review Board (ASBR) approved the adoption of New Zealand equivalents to International Financial Reporting Standards (NZ IFRS). At that time, the ASRB announced the adoption of NZ IFRS would be mandatory for reporting entities with accounting periods beginning on or after 1 January 2007.

In September 2007 the ASRB announced that for certain small to medium size entities the mandatory adoption of NZ IFRS had been delayed. These entities can continue to apply New Zealand Generally Accepted Accounting Principles (NZ GAAP) as prescribed by New Zealand Financial Reporting Standards and Statements of Standard Account Practice.

The Common Fund and Special Investments meet the criteria for deferral of NZ IFRS due to not being publicly accountable and its size. The financial statements have been prepared in accordance with NZ GAAP, consistent with previous periods.

## **Audit Report**

### **To the readers of The Maori Trustee Common Fund and Special Investment Funds financial statement for the year ended 31 March 2009**

The Auditor-General is the auditor of the Maori Trustee Common Fund and Special Investment Fund (Common Fund). 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 statement of the Common Fund on his behalf for the year ended 31 March 2009.

#### **Unqualified Opinion**

In our opinion, the financial statement of the Common Fund on pages 40 to 42:

- comply with generally accepted accounting practice in New Zealand; and
- fairly reflect:
  - the Common Fund's financial position as at 31 March 2009.

The audit was completed on 15 March 2010, 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 statement. 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 statement. 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;

## E.37

- 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 in accordance with generally accepted accounting practice in New Zealand. The financial statement must fairly reflect the financial position of the Common Fund as at 31 March 2009. 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 Common Fund.



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 Common Fund and Special Investment Funds for the year ended 31 March 2009 included on the Maori Trustee's website. The Maori Trustee is responsible for the maintenance and integrity of the Maori Trustee's website. We have not been engaged to report on the integrity of the Maori Trustee'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.

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 15 March 2010 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 information may differ from legislation in other jurisdictions.