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TUPU TONU
Ngāpuhi Investment Fund

STATEMENT OF PERFORMANCE EXPECTATIONS

For the period:

1 July 2022 to 30 June 2023

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INTRODUCTION

The Board of the Ngāpuhi Investment Fund Limited trading as Tupu Tonu is pleased to present our Statement of Performance Expectations (SPE) for the period 1 July 2022 to 30 June 2023. This SPE has been prepared pursuant to the Public Finance Act 1989 and the Crown Entities Act 2004. It sets out the performance expectations for Tupu Tonu for the period 1 July 2022 to 30 June 2023 (2022-2023 year), both in terms of what will be delivered, how performance will be assessed and forecast financial information.

As an independent Crown-owned investment company, Tupu Tonu is focused on establishing and growing a portfolio of high-quality commercial assets which can be offered by the Crown in Treaty negotiations with ngā hapū o Ngāpuhi.

Since operations commenced in February 2021, Tupu Tonu has laid the operational foundations required to build a high performing investment portfolio in line with good industry practice. This has included the development of a whenua-based investment strategy which looks to acquire and utilise land in different ways.

Tupu Tonu is primarily focused on investments located in Northland (Taitokerau), particularly those within the Ngāpuhi rohe. The next 12 months will see Tupu Tonu grow and diversify its existing portfolio within Taitokerau, by executing on its whenua-based investment strategy, in line with its recently adopted Environmental, Social and Governance (ESG) policy, which reflects the commitment of Tupu Tonu to operate as a socially responsible investor.

Over the 2022-2023 year Tupu Tonu will look to increase its engagement with ngā hapū o Ngāpuhi in order to build relationships and to provide an opportunity for ngā hapū perspectives to inform our work.

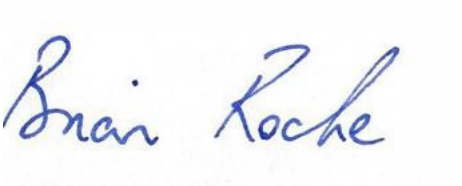
This year will also see Tupu Tonu deliver the inaugural round of disbursements from its profits to benefit Ngāpuhi uri, expected to be in late 2022. Feedback from ngā hapū will be used to inform and evolve the disbursements programme over time.

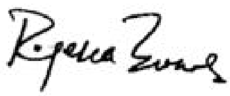
The Board looks forward to another year supporting delivery of this important kaupapa for ngā hapū o Ngāpuhi and the Crown.

STATEMENT OF RESPONSIBILITY

The Board is responsible for the prospective financial statements contained in this document, including underlying assumptions. The prospective financial statements on pages 11-19 were authorised for issue by the Board.

The Board is also responsible for internal control systems that provide reasonable assurance as to the integrity and reliability of financial reporting.





Sir Brian Roche KNZM
Establishment Chair
23 June 2022

Ripeka Evans
Deputy Chair
23 June 2022

ABOUT TUPU TONU

PURPOSE

The Ngāpuhi Investment Fund Limited (Tupu Tonu) was established as an independent Crown-owned company to build a portfolio of high performing commercial assets which can be offered by the Crown in historical settlement negotiations with ngā hapū o Ngāpuhi.

To achieve this, Tupu Tonu seeks to acquire and manage a portfolio of assets that collectively:

- support any future agreements that may be entered into by the Crown in relation to the historical Treaty of Waitangi claims of Ngāpuhi; and
- grow the value of the Tupu Tonu investment portfolio.

The Tupu Tonu primary investment focus is on commercial assets within Taitokerau. Tupu Tonu is a commercial investor, but with additional secondary overlays outlined in its constitution to:

- operate as a responsible investor;
- to the extent possible, take a best practice approach to investment management; and
- to the extent possible, make investments that encourage and facilitate economic development in the Ngāpuhi rohe.

Through our engagement with ngā hapū o Ngāpuhi we will provide an opportunity for ngā hapū interests to inform our work, including our investment strategy and the disbursement programme.

OUR SHAREHOLDERS

Tupu Tonu has two shareholding Ministers, the Minister for Treaty of Waitangi Negotiations and the Minister of Finance, who each own 50% of the company on behalf of the Crown.

Tupu Tonu operations and investment decisions are independent of shareholding Ministers. Shareholding Ministers participate in the process of setting the strategic direction of the company by providing comment on accountability documentation, including this Statement of Performance Expectations, which are prepared by Tupu Tonu.

OUR BOARD

Our Board is appointed by shareholding Ministers.

Current board members are:

- Sir Brian Roche (Establishment Chair);
- Ripeka Evans (Deputy Chair);
- Lindsay Faithfull;
- Sarah Petersen; and
- Geoff Taylor.

FUNDING ARRANGEMENTS

The Crown has invested $150 million of capital in Tupu Tonu as its shareholder. Tupu Tonu also receives operating funding from Vote Te Arawhiti.

OUR RELATIONSHIP TO TREATY SETTLEMENTS

It is up to shareholding Ministers, and ultimately Cabinet, in negotiations with ngā hapū o Ngāpuhi, to decide how and on what basis the Tupu Tonu asset portfolio enters settlement negotiations. Tupu Tonu does not have a role in Treaty negotiations.

The Board acknowledges the settlement context in which Tupu Tonu operates and its role in demonstrating the Crown's commitment to restoring its relationship with ngā hapū o Ngāpuhi. The Board is also cognisant of the need to conduct our business in accordance with the principles of Te Tiriti o Waitangi and in a manner that enhances Māori-Crown relations.

OUR VALUES AND VISION

TUPU TONU MEANS 'PROSPERITY IN PERPETUITY'

Tupu Tonu was chosen as the trading name for the Ngāpuhi Investment Fund Limited. In simple terms the two words broadly translate to 'prosperity in perpetuity', but they have deeper cultural significance. One of the titles by which Ngāpuhi is known is Ngāpuhi-nui-tonu, or everlasting Ngāpuhi. Tupu Tonu speaks of continuity and stability and speaks to the inclusiveness and multiplicity of tribal groups and marae within Ngāpuhi. Accordingly, Tupu Tonu has an intergenerational outlook, investing for the long-term.

OUR CORE VALUES

The values of Tupu Tonu inform the Fund's practices and underpin operating principles. They create a shared understanding of how Tupu Tonu kaimahi relate to one another and go about their work.

Kaitiakitanga *Acting in the spirit of stewardship*	Rangatiratanga *Leading by example*
Manaakitanga *Investing with care*	Hihiri *Energising and motivating*

OUR VISION

Ka ahuahu mātou i ngā rawa nei hei whakatupu i a Ngāpuhi me ōna ahunga.

We will carefully nurture this investment to help grow the future for Ngāpuhi and their descendants.

OUR STRATEGIC FRAMEWORK AND OBJECTIVES

Tupu Tonu Strategy

VISION:

Ka ahuahu mātou i ngā rawa nei hei whakatupu i a Ngāpuhi me ōna ahunga

We will carefully nurture this investment to help grow the future for Ngāpuhi and their descendants

CONSTITUTIONAL PURPOSE:

Establish and grow an investment portfolio which is intended to support any future agreements that may be entered into by the Crown in relation to the historical Treaty of Waitangi grievances of Ngāpuhi.

OBJECTIVES:

Successfully implement Investment strategy including operating as a responsible and prudent investor	Build trust and confidence among Ministerial shareholders and Ngāpuhi	Achieve operational excellence

GOALS FOR 2022:

Deploy $60M including some investments with ESG co-benefits	Complete first round of distributions to Ngāpuhi	Significant progress building relationships of trust with Ngāpuhi	Steam line and improve existing systems and processes

ENABLERS:

Organisational leadership and culture of excellence	Professional development of our people	Best practice systems and processes

STATEMENT OF INTENT FOUR YEAR PERFORMANCE OBJECTIVES

As outlined in our Statement of Intent, Tupu Tonu has three objectives, for the period through to June 2026, which guide us towards our vision.

Objective	Desired Outcome
Successfully implement investment strategy including operating as a responsible and prudent investor	High quality portfolio of commercial assets in place. Deploy target level of capital in line with investment strategy. Investment return objectives achieved.
Build trust and confidence among Ministerial shareholders and Ngāpuhi	Ngā hapū o Ngāpuhi understand the Tupu Tonu role and have confidence in Tupu Tonu business. Tupu Tonu investment strategy is informed by ngā hapū o Ngāpuhi collectives or mandated entities' interests and aspirations over time. Shareholders continue to have confidence in the role of Tupu Tonu in helping restore the Crown’s relationship with ngā hapū o Ngāpuhi.
Achieve operational excellence	Tupu Tonu processes, people and systems efficiently and effectively supporting core business.

The rest of this section sets and how we measure our progress towards these objectives over the year ended 30 June 2023, and our output class reporting obligations.

OUTPUT CLASS REPORTING

Output Class: Investment Management

Tupu Tonu has one class of outputs, being the operational establishment and management of an investment portfolio. Tupu Tonu does not have any class of outputs that are not a reportable class.

What is intended to be achieved

This output class is intended to develop a commercial portfolio which can be offered by the Crown in historical Treaty of Waitangi settlement negotiations with ngā hapū o Ngāpuhi.

How performance will be assessed

Performance against this output class will be assessed under the key performance indicators set out below.

Revenue and expenses

Year	Expected revenue ($m)	Expected general operating expenses ($m)
2022-2023	6.45	2.80

OUR FOCUS FOR THE 2022-2023 YEAR

INVESTMENTS

Tupu Tonu will continue to build on the initial investment strategy work carried out in FY21/22 and execute on its whenua-based strategy, as well as consider a broad range of investment opportunities in other sectors. Tupu Tonu is seeking to have invested $60 million of the Tupu Tonu $150 million of capital by June 2023.

Later in FY23 Tupu Tonu will look to revalidate the investment strategy and direction of the Fund following engagement with Ngāpuhi.

NGĀPUHI ENGAGEMENT

In the 2022-2023 year, Tupu Tonu will:

- Engage directly with ngā hapū o Ngāpuhi and other Ngāpuhi rōpu (e.g. groups, entities) to the extent ngā hapū are ready and willing to engage and our resources permit. Carefully consider their insights and feedback on a broad range of matters, including our investment strategy and disbursements programme.
- Inform Ngāpuhi of company developments through appropriate information sharing, for example pānui (updates), media outreach and direct engagement.
- Enter a relationship agreement with the Office for Māori Crown Relations – Te Arawhiti, the Departmental Agency responsible for Treaty settlement negotiations, to facilitate appropriate and effective information sharing.
- Actively consider suggestions for potential investment opportunities in Taitokerau from ngā hapū o Ngāpuhi, Ngāpuhi uri or entities.

DISBURSEMENTS

In the 2022-2023 year, Tupu Tonu will begin committing funds from investment returns to disbursements to Ngāpuhi uri. The design and delivery of the Disbursement Framework is a key objective for Tupu Tonu for the 2022-2023 year, as is committing funds to disbursement.

KEY PERFORMANCE INDICATORS FOR 2022-2023

How performance will be assessed – key performance indicators

The key performance indicators (**KPI**) for Tupu Tonu for the year ended 30 June 2023 are set out below.

PERFORMANCE KPIs

Investment KPIs

Measure	Target
Committed fund capital by June 2023.	$60.0m
Medium to long term minimum return target.[1]	CPI +
Where feasible and supportive of the Tupu Tonu primary commercial objective, investments provide positive environmental, social and governance outcomes.	Achieved

Engagement KPIs

Measure	Target
Engagement strategy in place and being implemented.	Achieved
MOUs or other arrangements entered into with hapū / hapū groupings, subject to hapū willingness to engage.	2
Number of engagements to develop relationships and build understanding with Ngāpuhi iwi, hapū, rōpu or entities.	10 engagements
Pānui/updates informing Ngā hāpu o Ngāpuhi of Tupu Tonu purpose, mandate, and activities.	3 pānui
Any feedback from ngā hapū o Ngāpuhi is considered in investment strategy refresh.	Achieved
Monthly engagements with Crown monitor.	10
Quarterly meetings with the shareholding Minister.	4

Finance and Corporate KPIs

Measure	Target
Tupu Tonu core processes and systems refined, building on initial establishment.	Achieved
Net profit before disbursements/grants.	$3.5m
Number of lost time injuries (core Tupu Tonu staff).	≤2 instances
Compliance with legislative obligations.	Achieved

Disbursement KPIs

Measure	Target
Disbursement Framework is designed.	Achieved
Delivery of pilot round of disbursements completed.	Achieved
Committed disbursements.	$0.3m

2022-2023 FORECAST FINANCIAL STATEMENTS

[1] It is is not meaningful to set a short-term return target for a one-year period.

Prospective Statement of Comprehensive Revenue and Expenses

For the year ending 30 June 2023	NZD 000's
INCOME	
Revenue from the Crown	2,000
Interest income	1,745
Dividend income	585
Property income	448
Kiwifruit sales	1,147
Other Investment income	522
Operating income	**6,447**
DIRECT EXPENSES	
Cost of sales kiwifruit	524
Investment property expenses	120
Surplus after direct investment expenses	**5,803**
EXPENSES	
Audit fees	50
Board fees	191
Depreciation	13
Investment and deal related expenses	448
Personnel expenses	2,043
Operating lease expenses	86
Other expenses	275
Travel expenses	141
Total expenses	**3,247**
Surplus after expenses	**2,556**
Fair value gains/(losses)	997
Total comprehensive revenue and expense before disbursements	**3,553**
Disbursements	300
Total comprehensive revenue and expense after disbursements	**3,253**

Prospective Statement of Financial Position

As at 30 June 2023	NZD 000's
Current Assets	
Cash & Cash Equivalents	6,037
Accounts Receivable	860
Net GST Receivable	21
Prepayments	20
Interest bearing term deposits	89,156
Non-Current Assets	
Investment property	6,830
Orchard assets	9,100
Investments in shares	3,558
Other investments	41,454
Property, Plant & Equipment	34
TOTAL ASSETS	**157,069**
Current Liabilities	
Accounts Payable	164
Accrued Expenses	100
TOTAL LIABILITIES	**264**
NET ASSETS	**156,805**
Equity	
Contributed Capital	150,000
Retained Surplus	6,806
TOTAL EQUITY	**156,806**

Prospective Statement of Changes in Equity

FOR THE YEAR ENDING 30 JUNE 2023	CONTRIBUTED CAPITAL NZD 000's	RETAINED SURPLUS NZD 000's	TOTAL NZD 000's
Balance at 30 June 2022	**150,000**	**3,553**	**153,553**
Total comprehensive revenue and expense for the year	-	3,253	3,253
Other comprehensive income	-	-	-
Total Comprehensive Income for the Year	**-**	**3,253**	**3,253**
Shareholder (Crown) capital contributions	-	-	-
Capital Distribution	-	-	-
Capital withdrawals	-	-	-
Balance at 30 June 2023	**150,000**	**6,806**	**156,806**

Prospective Statement of Cash Flows

For the year ending 30 June 2023	NZD 000's
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash was provided from:	
Revenue from the Crown	2,000
Interest income	590
Dividend income	585
Receipts from customers	1,483
Other investment income	522
Maturing interest bearing term deposits	118,618
Cash was applied to:	
Purchases of Investments	(32,000)
Interest bearing term deposits	(88,000)
Payments to suppliers and employees	(3,868)
Disbursements paid	(300)
Net Cash provided by/(used in) operating activities	**(370)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash was provided from:	
Cash was applied to:	
Purchases of property, plant and equipment	(30)
Net Cash provided by/(used in) investing activities	**(30)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash was provided from:	
Proceeds from the issue of ordinary shares	-
Cash was applied to:	
Dividends to shareholders	-
Net Cash provided by/(used in) financing activities	**-**
Net increase/(decrease) in cash and cash equivalents	(400)
Cash and cash equivalents at the beginning of the financial year	6,438
Cash and cash equivalents at the end of the financial year	**6,037**

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

Reporting entity

These are the prospective financial statements of Tupu Tonu. Tupu Tonu is a Schedule 4A company as listed on the Public Finance Act 1989.

Tupu Tonu is domiciled in New Zealand.

The prospective financial statements of Tupu Tonu for the year ending 30 June 2023 [were authorised for issue in accordance with a resolution of the Board of Tupu Tonu.] [pending]

Statement of compliance

The prospective financial statements have been prepared in accordance with the Crown Entities Act 2004 and the Public Finance Act 1989 and comply with Public Benefit Entity Financial Reporting Standard 42: Prospective Financial Statements. The prospective financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as it applies to prospective financial statements.

Tupu Tonu is a public benefit entity, as the primary purpose is to acquire investments which may be used as redress in relation to the historical Treaty of Waitangi claims of ngā hapū o Ngāpuhi.

Basis of preparation

The prospective financial statements have been prepared on a going concern historical cost basis, except where modified by the measurement of financial instruments at fair value. The prospective financial statements are presented in New Zealand dollars, which is the functional currency of Tupu Tonu. All values are rounded to the nearest thousand dollars (NZD'000).

Accounting policies are selected and applied in a manner that ensures the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring the substance of the underlying transactions or other events is reported.

The following particular accounting policies that materially affect the preparation of the prospective financial statements have been applied:

Revenue

CROWN REVENUE

Revenue is recognised from the Crown when it is probable that funding will be received, the value of those appropriations can be reliably measured and the transfer is free from conditions that require the funding to be refunded or returned to the Crown if the conditions are not fulfilled. To the extent there is a related condition attached to the appropriations that would give rise to a liability to repay the appropriation amount, deferred revenue is recognised instead of revenue. In such situations, revenue is then recognised as the conditions are satisfied.

SALE OF PRODUCE – Kiwifruit income

Revenue from the sale of produce is recognised at the point of harvest and transferring into the post-harvest operator facility.

PROPERTY INCOME

Rental income from investment properties is recognised in the Prospective Statement of Comprehensive Income and Expense on a straight line basis over the term of the lease. Fixed rental income adjustments are accounted for to achieve straight-line income recognition. Lease incentives are capitalised to investment properties in the Prospective Statement of Financial Position and amortised on a straight line basis in the Prospective Statement of Comprehensive Income and Expense over the length of the lease to which they relate, as a reduction to rental income. Rental abatements are usually offered by a landlord as an incentive for tenants to sign longer lease terms. Rental abatements are accounted for as a lease modification under NZ IFRS 16 'Leases' and the expense is spread over the remaining life of the lease, effectively accounted for as a lease incentive. Income generated from service charges recovered from tenants are included in the gross rental income with the service charge expenses to tenants shown in Investment property costs. Such revenue is recognised in the accounting period the underlying expenses are incurred in accordance with the contractual terms.

INTEREST INCOME

Interest income is recognised as the interest accrues, using the effective interest method. The effective interest method allocates interest at a constant rate of return over the expected life of the financial instrument based on the estimated future cash flows.

DIVIDEND INCOME

Dividend income is recognised when the shareholder's rights to receive payment has been established, normally the ex-dividend date. Where Tupu Tonu has elected to receive dividends in the form of additional shares rather than cash, the amount of the cash dividend foregone is recognised as income. Any excess in the value of shares received over the amount of cash dividend foregone is recognised as a gain in the Prospective Statement of Comprehensive Income and Expense.

Operating leases

A lease is an arrangement where conveying the right to use a specific asset or assets. Leases in which the lessor retains substantially all the risks and benefits of ownership of an asset are classified as operating leases. Operating lease expenses are recognised on a straight-line basis over the period of the lease.

Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Tupu Tonu is party to financial instruments as part of its normal operations. These financial instruments include cash and cash equivalents, receivables, and payables. All financial instruments are recognised in the Prospective Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Prospective Statement of Comprehensive Revenue and Expense.

INITIAL RECOGNITION

Financial assets and financial liabilities are recognised in the Prospective Statement of Financial Position when Tupu Tonu becomes a party to the contractual provisions of the financial instrument. They are initially recognised at fair value plus transaction costs.

The classification of financial instruments at initial recognition depends on the Tupu Tonu business model for managing the financial assets and the financial asset's contractual cash flow characteristics. In assessing the business model for managing a financial asset, the Board and Executive consider all relevant information.

SUBSEQUENT MEASUREMENT

Tupu Tonu' financial assets and financial liabilities are subsequently classified into the following categories:

- Financial assets at amortised cost; and
- Those to be measured at fair value through profit or loss.

Tupu Tonu financial assets are classified at amortised cost if both of the following criteria are met:

- The financial asset is held within a business model with an objective of collecting contractual cash flows; and
- The contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest.

This category includes cash and cash equivalents and receivables.

Subsequent to initial recognition, financial assets at amortised cost are measured at amortised cost using the effective interest method and are subject to impairment. When a financial asset is impaired, impairment losses are recognised in the Prospective Statement of Comprehensive Revenue and Expense in the period in which they arise.

Tupu Tonu financial assets are reclassified when, and only when, the business model for managing those financial assets changes.

Financial liabilities at amortised cost

Financial liabilities at amortised cost are non-derivative financial liabilities. This category includes trade payables and accrued expenses. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Tupu Tonu does not have any financial assets classified as financial assets at fair value through other comprehensive income. Tupu Tonu classifies all financial assets that are either held for trading and/or managed or evaluated on a fair value basis, as financial assets at fair value through profit or loss.

Tupu Tonu financial assets are reclassified when, and only when, the business model for managing those financial assets changes.

Financial assets and financial liabilities at fair value through profit or loss

The following financial assets and financial liabilities are classified at fair value through profit or loss (FVPL):

- Financial assets, including debt instruments, that do not qualify for measurement at amortised cost;
- Financial assets and financial liabilities that are held for trading; and
- Financial assets for which Tupu Tonu has not elected to recognise fair value gains and losses through other comprehensive income.

This category includes investments in derivative financial instruments, listed equities, listed and unlisted fixed income bonds, collective investment funds, Limited Liability Partnerships (LLPs). These financial assets are either held for trading or are managed and have their performance evaluated on a fair value basis.

Tupu Tonu does not designate any derivative financial instruments as hedges in a hedging relationship. Financial assets and financial liabilities at fair value through profit or loss are recognised in the Prospective Statement of Financial Position at fair value with changes in fair value being recognised in the Prospective Statement of Comprehensive Income in the period in which they arise.

DERECOGNITION

Financial assets are derecognised when the rights to receive cash flows from the assets have expired or when Tupu Tonu has transferred substantially all of the risks and rewards of ownership. A financial liability is derecognised when Tupu Tonu obligation under the liability is discharged, cancelled or has expired.

IMPAIRMENT

The Board and Management assess, at each reporting date, whether a financial asset is impaired. The amount of the impairment loss is the difference between the contractual cash flows due in relation to the financial asset and the cash flows that Tupu Tonu expects to receive, discounted at an approximation of the original effective interest rate.

Financial assets that are measured at amortised cost and therefore subject to the impairment provisions (the ‘expected credit loss model’) of PBE IFRS 9 Financial Instruments comprise cash and cash equivalents and receivables. The impairment loss for cash and cash equivalents is considered immaterial. Tupu Tonu only holds receivables that have maturities of less than 12 months. As such, the Board and Management have applied a simplified approach for calculating expected credit losses (ECLs) on receivables under PBE IFRS 9 Financial Instruments. As a result, the Board and Management do not track changes in credit risk, but instead, recognise impairment losses based on lifetime ECLs at each reporting date. The Group's approach to ECLs reflects a probability-weighted outcome using reasonable and supportable information that is available without undue cost or effort at reporting date about past events, current conditions and forecasts of future economic conditions.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash held in bank accounts, demand deposits and other highly liquid investments with original maturities of three months or less.

Goods and services tax (GST)

Revenues, expenses, assets and liabilities are recognised in the prospective financial statements exclusive of GST, with the exception of receivables and payables which are stated inclusive of GST. Where GST is irrecoverable as an input tax, it is recognised as part of the related asset or expense. The net amount of GST recoverable from, or payable to, the Inland Revenue is included as part of receivables or payables in the Prospective Statement of Financial Position.

Income tax

Tupu Tonu is a Public purpose Crown-controlled entity listed in Schedule 35 of the Income Tax Act 2007 and is exempt from income taxation.

Property, plant and equipment

Property, plant, and equipment consist of the following asset classes:

- Computer and IT Equipment.
- Furniture and Fittings
- Office Equipment

Property, plant, and equipment are shown at cost less any accumulated depreciation and impairment losses.

ADDITIONS

The cost of an item of property, plant and equipment is recognised as an asset only when it is probable that future economic benefits or service potential associated with the item will flow to Tupu Tonu and the cost of the item can be measured reliably.

DISPOSALS

Gains and losses on disposal of property, plant and equipment are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Comprehensive Revenue and Expense.

DEPRECIATION

Depreciation is provided on a straight-line (SL) basis on all office equipment, computer equipment, furniture and fittings over their estimated useful life. The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

- Computer and IT Equipment: 4 years SL (25%)
- Furniture and Fittings: 6 years SL (16.7%)
- Office Equipment: 2-6 years SL (50%-16.7%)

Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Impairment of property, plant and equipment and intangible assets excluding goodwill

At each reporting date Tupu Tonu reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the recoverable amount of the cash-generating unit to which the asset belongs is estimated. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired. The recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of comprehensive revenue and expense, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase.

Investment property

Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in the Statement of Comprehensive Revenue and Expense in the period in which they arise.

Payments for purchases of investment property and proceeds from the sale of investment property are included in cashflows from operating activities in the Statement of Cash Flows.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset, is included in the Statement of Comprehensive Revenue and Expense in the period in which the property is derecognised.

Biological produce

Biological produce is recorded at fair value in the Statement of Financial Position at the time of harvesting and submitting produce to the harvest inventory manager. Sales of biological produce are recognised as revenue in the Statement of Comprehensive Revenue and Expense and costs of produce sold is recognised as a Cost of Goods Sold in the Statement of Comprehensive Revenue and Expense.

Employee entitlements

Liabilities for salaries, annual leave, long service leave and incentives are recognised in the Prospective Statement of Comprehensive Revenue and Expense during the period in which the employee rendered the related service, when it is probable that settlement will be required, and such employee entitlements are capable of being measured reliably.

Employee entitlements that are due to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Employee entitlements that are not due to be settled within 12 months are measured at the present value of the estimated future cash outflows. The estimated future cash flows are based on likely future entitlements accruing to staff, based on years of service, years to entitlement, the likelihood that staff will reach the point of entitlement, and contractual entitlement information.

Statement of cash flows

The following are the definitions of the terms used in the Prospective Statement of Cash Flows:

Operating activities include all activities other than investing or financing activities. Cash inflows include all receipts from the sale of goods and services, interest and other sources of revenue that support Tupu Tonu operating activities. Cash outflows include payments made to employees, suppliers and for taxes and levies, other than income tax.

Investing activities are those activities relating to the acquisition, holding and disposal of non-current assets excluding the acquisition and divestment of investments (which are classified as operating activities).

Financing activities are those activities relating to changes in public equity and debt capital structure of Tupu Tonu and those activities relating to the servicing of Tupu Tonu equity capital (paying dividends).

Cash flows are included in the Prospective Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the Inland Revenue, is classified as an operating cash flow.

Significant judgements and estimates

The preparation of Tupu Tonu prospective financial statements requires the Board and Management to make judgements and use estimates that affect the reported amounts of revenue, expenses, assets, liabilities, and the accompanying disclosures. Uncertainty about these judgements and estimates could result in outcomes that require a material adjustment to the carrying amounts of assets and liabilities in future periods.

The judgements and estimates used in respect of Tupu Tonu are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on Tupu Tonu and that are believed to be reasonable under the circumstances.

The judgements and estimates that the Board and Management have assessed to have the most significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are as follows:

INVESTMENT ASSUMPTION

Tupu Tonu has made assumptions about the timing of capital deployment and the mix of capital deployment. Should capital be deployed differently to expectations both in time and in complexity of deal type, revenue and expenses, and specifically deal and investment related expenses, as disclosed in the Prospective Statement of Comprehensive Revenue and Expenses will be correspondingly impacted. Specifically, the quantum and timing of capital deployment and related investment income and investment related expenses should be treated as indicative given the early stage of Tupu Tonu.