TUPU TONU
Ngāpuhi Investment Fund

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# TUPU TONU ANNUAL REPORT 2020/2021

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# CHAIR'S REPORT

Tēnā koutou katoa

The Board of Ngāpuhi Investment Fund Limited is pleased to present our Annual Report for 2020/2021.

The Ngāpuhi Investment Fund Limited, trading as Tupu Tonu, has been operating since 1 February 2021, with initial capital of $150 million. The establishment of Tupu Tonu is an innovative approach in recognition of the unique position of ngā hapū o Ngāpuhi as the largest iwi, yet to settle, and the opportunity cost to Ngāpuhi as a result of remaining unsettled.

Tupu Tonu has been mandated to create a portfolio of assets that will begin to generate financial returns pre-settlement and add to the overall value of the portfolio at settlement. Once we start to make sufficient financial returns, distributions will be made to Ngāpuhi uri for social purposes, and to those involved in the Ngāpuhi settlement negotiations for governance and training purposes.

As a newly established company, our focus in the first few months of operations has been on laying strong foundations to ensure we can make prudent investments. This has included setting up robust financial and corporate policies, processes, and systems.

As Tupu Tonu progresses from start-up to steady state, we are increasing our focus on our pipeline of investment opportunities. We are taking a whenua-based approach to our investments, focusing on building a portfolio of assets across three key sectors, each representing a different utilisation of land:

- Commercial property
- Primary sectors
- Infrastructure/Energy

Tupu Tonu is committed to acting as a responsible investor. As such we will consider environmental, cultural, and social impacts as part of our investment policy.

As Tupu Tonu looks to the future, we are excited about the number of investments ready to come to fruition because of the hard work undertaken by our kaimahi over the past nine months.

I would like to thank my fellow Board members, and the kaimahi of Tupu Tonu, for the ongoing passion and commitment they have shown for this kaupapa. We look forward to continuing to build a high performing intergenerational portfolio, which will contribute to delivering future benefits to Ngāpuhi-nui-tonu.

> *Ka ahuahu mātou i ngā rawa nei hei whakatupu i a Ngāpuhi me ona ahunga.*
>
> *We will carefully nurture this investment to grow the future for Ngāpuhi and their descendants.*

Ngā mihi nui

Brian Roche

**Sir Brian Roche KNZM**
**Interim Chair**
**Ngāpuhi Investment Fund Limited**
**18 October 2021**

# PURPOSE

The Ngāpuhi Investment Fund Limited (Tupu Tonu) was established as a Crown owned company to build an intergenerational portfolio of high performing commercial assets to offer to ngā hapū o Ngāpuhi as part of the commercial redress package.

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.

Tupu Tonu is a commercial investor, but with additional secondary overlays outlined in its constitution to:

- operate as a responsible investor; and
- 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.

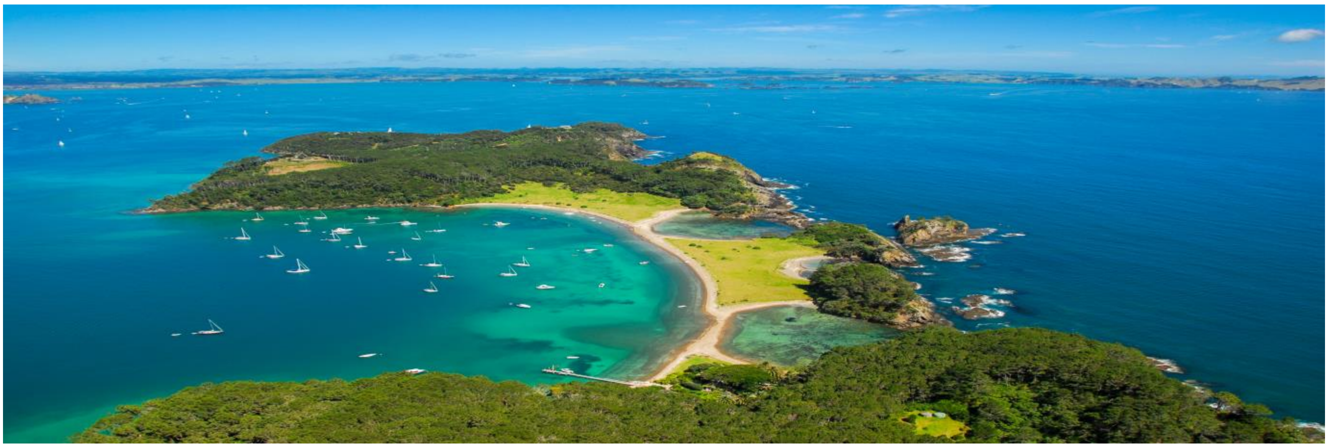

Photo credit: Northland Inc

# GOVERNANCE & MANAGEMENT

## Company

Ngāpuhi Investment Fund Limited (trading as Tupu Tonu) is a Public Finance Act 1989 Schedule 4A company.

## Ownership

Tupu Tonu has two shareholding Ministers, the Minister for Treaty of Waitangi Negotiations and the Minister of Finance. Each Minister has a 50 per cent shareholding. The Minister for Treaty of Waitangi Negotiations is the Responsible Minister for Tupu Tonu.

Shareholding Ministers appoint a Board of Directors (the Board) to oversee the management of Tupu Tonu and a monitoring agency, which in the case of Tupu Tonu is Te Arawhiti the Office for Māori Crown Relations.

## Board of Directors

The business and affairs of Tupu Tonu are under the direction of the Board. The Board is accountable to the shareholding Ministers and is responsible for ensuring that Tupu Tonu operates in a manner consistent with its constitution and is cognisant of the shareholding Ministers' expectations of Tupu Tonu.

The Board is committed to a high standard of corporate governance. Responsibility for the operation and administration of Tupu Tonu is delegated to the Chief Executive Officer (CEO), who is accountable to the Board.

## Board Committees

The Board has established an Assurance and Risk Committee to assist the Board in discharging its responsibilities in relation to financial reporting (including external audit), financial policies and controls. The responsibilities of the Committee include, financial reporting and audit, financial policies and controls and corporate risk. The Assurance and Risk Committee was established after 30 June 2021.

The Board has also established an Investment Committee to assist in providing investment governance. The role of the Investment Committee is to assess investment proposals to allocate capital brought to it by Management, including alignment with the Tupu Tonu Investment Policy Statement and other relevant policies. The Investment Committee was established after 30 June 2021.

## Board membership and meeting attendance

The table below shows the number of meetings attended by each Board member for the reporting period.

| Director | Meetings Attended | Attendance |
|---|---|---|
| Sir Brian Roche* | 6 | 100% |
| Ripeka Evans* | 6 | 100% |
| Lindsay Faithfull** | 4 | 100% |
| Sarah Petersen** | 4 | 100% |
| Geoffrey Taylor** | 4 | 100% |

* Sir Brian Roche and Ripeka Evans were appointed as Directors on 11 December 2020.
** Lindsay Faithfull, Sarah Petersen and Geoffrey Taylor were appointed as Directors on 1 March 2021.

## Director profiles

### Sir Brian Roche – Interim Chair

Sir Brian Roche has been appointed as the interim Chair of Tupu Tonu. He is currently one of the Chief Crown Negotiators for Ngāpuhi settlement negotiations, and Chair of the New Zealand Transport Agency. He has worked on a number of other settlement negotiations for the Crown (Ngāti Awa, Taranaki Whānui Wellington, Waikato River), and was the CEO of New Zealand Post between 2010 and 2017. Sir Brian was the Project Manager for the successful bid to secure the hosting rights to Rugby World Cup 2011.

### Ripeka Evans - Deputy Chair (Ngāpuhi, Te Aupōuri, Ngāti Kahu, Ngāti Porou)

Ripeka Evans is Chair of NorthTec, Deputy Chair of Toi Ohomai Limited, and a trustee of Tai Tokerau whenua trusts. She has previously been a Director of Te Aupōuri Fisheries and trustee of Te Rūnanganui o Te Aupōuri. Ripeka is a member of the Reserve Bank's Te Ao Māori Strategy Committee, Chair of the Courageous Conversation Aotearoa Foundation and a 100 Super Diversity-Board Ready Chairs & Directors. She holds a Master of Business Administration from Massey University and is a member of the Australian Institute of Corporate Directors. Ka mua, Ka muri - Ancient values, contemporary idiom is a whakatauki that aligns with her intentions.

### Lindsay Faithfull (Ngāpuhi)

Lindsay Faithfull is the Managing Director of McKay Ltd, a Northland-grown, 500 employee strong company owned by his family. He holds a BE(HONS) from the University of Canterbury is a chartered engineer in the UK and NZ and is a member of the Institute of Directors. Lindsay also has a proven record of commercial leadership recognised in his position as a member of the Tai Tokerau Northland Economic Action Plan governance team. Raised in Whangārei and of Ngāpuhi, English, and Scottish descent, he has a deep connection to Te Tai Tokerau and its communities, and a strong understanding of the region's economic context.

### Sarah Petersen

Sarah Petersen is a Chartered Accountant with finance executive and governance roles in not-for-profit, education, local government and property development. Sarah is experienced in assessing investment, infrastructure and economic development opportunities and managing risk, having chaired Audit & Risk Committees in previous governance roles. She was raised, educated and lives in Tai Tokerau, and has recently completed her term as Chair of Northland Inc, Northland's economic development agency, so brings a deep understanding of the Tai Tokerau economy and regional stakeholders. Sarah currently holds director roles in local government, investment and education.

### Geoffrey Taylor

Geoff Taylor is a professional Director with extensive governance experience, and a significant background in financial, investment and fund management. He has managed a private equity fund in the agriculture sector and has been a Director of a number of investment funds. He is a former group treasurer of the New Zealand Dairy Board/Fonterra.

## Resourcing model

Tupu Tonu is resourced by a small team of employees, contractors and consultants supplemented by specialist external advisers on an ‘as required’ basis. The resourcing approach is reflective of the Tupu Tonu operating model and the objectives set.

## Tupu Tonu as a good employer

Tupu Tonu supports staff to learn and develop their investment and commercial knowledge and skills, as well as build leadership capability, according to their individual needs.

We are committed to upholding our responsibilities as an Equal Employment Opportunities (EEO) employer and creating a workplace that attracts, retains, and values diverse employees.

Tupu Tonu has a zero-tolerance approach to all forms of harassment and bullying and has policies in place to deal with these types of complaints should they arise. These measures, and the wider efforts of Management, are focused on ensuring Tupu Tonu has a productive work environment and a culture where staff are supported.

## Health and Safety

Tupu Tonu is committed to being a zero-harm employer with no days lost to incident. Tupu Tonu has developed policies to encourage staff participation in health and safety. Our office environment is safe and well maintained. Regular observations are undertaken to identify hazards and unsafe workplace practices and any training required is provided as appropriate. Any notifiable event is reported to the CEO and Board Chair as soon as practicable. Tupu Tonu has a COVID-19 policy and safety plan in place to protect staff and satisfy requirements for businesses in relation to COVID-19 lockdowns and changes to alert levels.

## All of Government directions

One ‘all of government direction’ has been issued under section 107 of the Crown Entities Act 2004 that applies to Tupu Tonu in relation to Procurement Functional Leadership, requiring Tupu Tonu to apply the Government rules of sourcing.

# FINANCIAL STATEMENTS

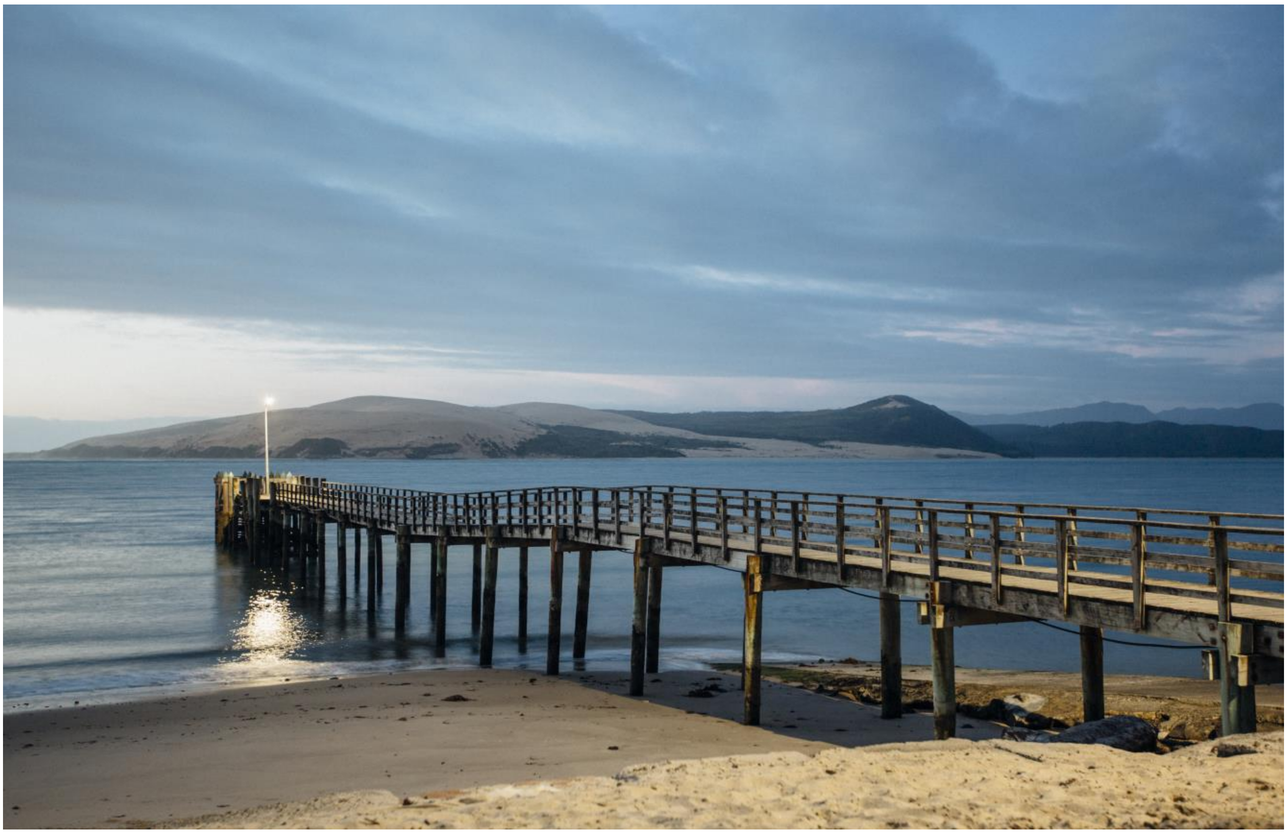

Photo credit: Northland Inc

# STATEMENT OF RESPONSIBILITY

The Board are responsible for the preparation of the Tupu Tonu Annual Report, Financial Statements, Statement of Performance Outcomes, and for the judgements made in them.

The Board accepts the responsibility for any end of fiscal period performance information against the appropriation provided to Tupu Tonu in accordance with sections 19A to 19C of the Public Finance Act 1989 (if any).

The Board accepts the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In the Board's opinion, these Financial Statements and Statement of Performance Outcomes fairly reflect the financial position and operations of Tupu Tonu for the seven months ended 30 June 2021.

Signed on behalf of the Board:

**Sir Brian Roche KNZM**
**Interim Chair**
**Ngāpuhi Investment Fund Limited**
**18 October 2021**

**Ripeka Evans**
**Deputy Chair**
**Ngāpuhi Investment Fund Limited**
**18 October 2021**

# STATEMENT OF PERFORMANCE OUTCOMES

This section provides reporting on our Key Performance Indicators (KPI's) and our output class against our targets, as included in our Statement of Performance Expectations 2020/21.

### Output Class Report

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

### What is intended to be achieved

This output class is intended to develop a commercial portfolio that is available for the Crown in any Ngāpuhi Treaty of Waitangi negotiations.

### Output Class: Investment Management

| Measures | Workstream | 2021 Actual | 2021 Target |
|---|---|---|---|
| Revenue | Corporate Finance | $1.0m | $1.1m |
| Expenses | Corporate Finance | $0.6m | $0.9m |

### KPI: Investment

| Measures | Workstream | 2021 Actual | 2021 Target |
|---|---|---|---|
| There exists an initial, coherent investment policy and associated supporting policies and processes | Investment Management | Achieved | Achieved |

### KPI: Corporate Compliance

| Measures | Workstream | 2021 Actual | 2021 Target |
|---|---|---|---|
| There is a full set of corporate policies that outline and support corporate compliance | Corporate Compliance | Achieved | Achieved |
| Actual annual non-deal specific operating expenditure is less than 10% over the budgeted amount outlined in our Statement of Performance Expectations | Corporate Compliance | Achieved | Achieved |

### KPI: Stakeholder Management

| Measures | Workstream | 2021 Actual | 2021 Target |
|---|---|---|---|
| Engagements[1] with Crown Monitor | Stakeholder Engagement | 10 | 5 |
| Our mandate and strategy communicated through engagements in Te Tai Tokerau and with ngā hapū o Ngāpuhi | Stakeholder Engagement | 34 | 5 |

[1] The term engagement in this section refers to meetings, hui or workshops held by Tupu Tonu either face to face or virtually.

# FINANCIAL STATEMENTS

## Statement of Comprehensive Revenue and Expense

For the seven months ended 30 June 2021

| | Note | Actual 2021 $000 | Unaudited Budget 2021 $000 |
|---|---|---|---|
| **Revenue** | | | |
| Revenue from the Crown | | 1,000 | 1,000 |
| Interest revenue | | 45 | 94 |
| Total revenue | 2 | 1,045 | 1,094 |
| **Investment expenditure** | | | |
| Investment and deal related expenses | | 28 | 96 |
| Surplus after investment expenditure | | 1,017 | 998 |
| **Other expenditure** | | | |
| Personnel costs | 3 | 380 | 445 |
| Directors’ fees | 3 | 93 | 93 |
| Depreciation and amortisation | 8 | 1 | 2 |
| Other expenses | 4 | 125 | 268 |
| Total other expenditure | | 599 | 808 |
| **Total comprehensive revenue and expense** | | **418** | **190** |

Explanations of major variances against budget are provided in Note 18.

The accompanying notes form an integral part of these financial statements.

## Statement of Financial Position

As at 30 June 2021

| | Note | Actual 2021 $000 | Unaudited Budget 2021 $000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | 6 | 150,541 | 150,373 |
| Receivables | 7 | 29 | 25 |
| Prepayments | | 42 | 6 |
| Total current assets | | 150,612 | 150,404 |
| **Non-current assets** | | | |
| Property, plant and equipment | 8 | 12 | 5 |
| Total non-current assets | | 12 | 5 |
| **Total assets** | | **150,624** | **150,409** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Payables | 9 | 203 | 219 |
| Employee entitlements | 10 | 1 | - |
| Provisions | 11 | 2 | - |
| Total current liabilities | | 206 | 219 |
| **Total liabilities** | | **206** | **219** |
| **Net assets** | | **150,418** | **150,190** |
| **Equity** | | | |
| Contributed capital | | 150,000 | 150,000 |
| Accumulated surplus | | 418 | 190 |
| **Total equity** | **13** | **150,418** | **150,190** |

Explanations of major variances against budget are provided in Note 18.

The accompanying notes form an integral part of these financial statements.

## Statement of Changes in Equity

For the seven months ended 30 June 2021

| | Note | Actual 2021 $000 | Unaudited Budget 2021 $000 |
|---|---|---|---|
| **Balance at 11 December 2020** | | - | - |
| Total comprehensive revenue and expense for the period | | 418 | 190 |
| Owner transactions | | | |
| - Capital contribution | 13 | 150,000 | 150,000 |
| **Balance at 30 June 2021** | | **150,418** | **150,190** |

Explanations of major variances against budget are provided in Note 18.

The accompanying notes form an integral part of these financial statements.

## Statement of Cash Flow

For the seven months ended 30 June 2021

| | Note | Actual 2021 $000 | Unaudited Budget 2021 $000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash was provided from: | | | |
| Receipts from the Crown | | 1,150 | 1,150 |
| Interest received | | 42 | 94 |
| Cash was applied to: | | | |
| Payments to suppliers and employees | | (640) | (859) |
| Net cash flow from operating activities | | 552 | 385 |
| **Cash flows from investing activities** | | | |
| Cash was applied to: | | | |
| Purchase of property, plant and equipment | | (11) | (11) |
| Net cash flow from/(to) investing activities | | (11) | (11) |
| **Cash flows from financing activities** | | | |
| Cash was provided from: | | | |
| Capital contribution from the Crown | 13 | 150,000 | 150,000 |
| Net cash flow from financing activities | | 150,000 | 150,000 |
| **Net increase in cash and cash equivalents** | | **150,541** | **150,374** |
| Cash and cash equivalents at the beginning of the period | | - | - |
| Cash and cash equivalents at 30 June 2021 | 6 | 150,541 | 150,374 |

Explanations of major variances against budget are provided in Note 18.

The accompanying notes form an integral part of these financial statements.

## 1. Statement of Accounting Policies

### Reporting Entity

Ngāpuhi Investment Fund Limited - Tupu Tonu is a Schedule 4A company, as listed in the Public Finance Act 1989. Tupu Tonu is domiciled and operates in New Zealand. Tupu Tonu was incorporated on 11 December 2020. The relevant legislation governing Tupu Tonu operations includes the Crown Entities Act 2004, the Public Finance Act 1989 and the Companies Act 1993.

The financial statements of Tupu Tonu are for the seven months ending 30 June 2021 and were approved by the Board on 18 October 2021.

### Statement of Compliance

The 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 (PBE) Financial Reporting Standards. The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP) as it applies to financial statements.

The financial statements have been prepared in accordance with and comply with Tier 2 PBE Standards Reduced Disclosure Regime (RDR). Tupu Tonu is eligible to report under Tier 2 PBE Standards RDR because it is not large and does not have public accountability as defined in the accounting standards framework.

Tupu Tonu is a public benefit entity, as the primary purpose is to acquire commercial investments which may be used in any future settlement of historical Treaty of Waitangi claims between the Crown and ngā hapū o Ngāpuhi.

### Basis of Preparation

The financial statements have been prepared on a going concern basis, and the accounting policies have been applied consistently throughout the financial period.

### Presentation and Rounding

The 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).

### Summary of Significant Accounting Policies

Significant accounting policies are disclosed in the note to which they relate.

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

### Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised in the 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, Inland Revenue is disclosed in the Statement of Financial Position.

The net GST paid to, or received from, Inland Revenue, including the GST relating to investing and financing activities, is classified as an operating cashflow in the Statement of Cash Flow.

Commitments and contingencies are disclosed exclusive of GST.

### 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. The balance of Resident Withholding Tax receivable in the Statement of Financial Position relates to tax deducted from interest revenue prior to being registered as tax exempt. The balance was refunded from Inland Revenue in July 2021.

### Budget Figures

The budget figures are derived from the Statement of Performance Expectations as approved by the Board. The budget figures have been prepared in accordance with NZ GAAP, using accounting policies that are consistent with those adopted by the Board in preparing these financial statements. All budget figures in the Financial Statements are unaudited.

### Critical Accounting Estimates and Assumptions

In preparing these financial statements, Tupu Tonu has made estimates and assumptions concerning the future. These estimates and assumptions may differ from the subsequent actual results. Estimates and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

## 2. Revenue

### Accounting Policy

The specific accounting policies for significant revenue items are explained below:

### Revenue from the Crown

A funding agreement exists between Te Arawhiti (the Crown) and Tupu Tonu, which provides funding payments for operating Tupu Tonu. Revenue under the funding agreement is recognised when it is probable that funding will be received, the value of the funding 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 funding that would give rise to a liability to repay the funding amount, deferred revenue is recognised instead of revenue. In such situations, revenue is then recognised as the conditions are satisfied.

The fair value of the revenue from the Crown has been determined to be equivalent to the amounts due in the funding arrangements.

### Interest Revenue

Interest revenue 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.

## 3. Personnel costs

### Salaries and wages

Salaries and wages are recognised as an expense as employees provide services.

### Superannuation schemes

Defined contribution schemes

Employer contributions to KiwiSaver, are accounted for as defined contribution superannuation schemes and are expensed in the Statement of Comprehensive Revenue and Expense as incurred.

| | Actual 2021 $000 |
|---|---|
| Salaries, wages and contractor costs | 377 |
| Defined contribution plan employer contributions | 1 |
| Increase/(decrease) in employee entitlements | 2 |
| Total personnel costs | 380 |

### Employee remuneration

No employees were paid more than $100,000 in the period to 30 June 2021.

During the seven months ended 30 June 2021, no employees received compensation and other benefits in relation to cessation.

### Board Member Remuneration

The total value of remuneration paid or payable to each Board member during the seven months was:

| | Actual 2021 $000 |
|---|---|
| Sir Brian Roche | 38 |
| Ripeka Evans | 25 |
| Lindsay Faithfull | 10 |
| Sarah Petersen | 10 |
| Geoffrey Taylor | 10 |
| Total Board member remuneration | 93 |

Sir Brian Roche and Ripeka Evans were appointed on 11 December 2020. Lindsay Faithfull, Sarah Petersen and Geoffrey Taylor were appointed on 1 March 2021.

There have been no payments made to subcommittee members appointed by the Board who are not Board members during the financial period. During the period covered by these financial statements there were no subcommittees.

Tupu Tonu has provided a deed of indemnity to Directors for certain activities undertaken in the performance of the functions of Tupu Tonu.

Tupu Tonu has taken out Directors' and Officers' Liability insurance cover during the financial period in respect of the liability or costs of Board members and employees.

No Board members received compensation or other benefits in relation to cessation during the financial period.

No Board members received compensation for services provided to Tupu Tonu, other than Director fees.

## 4. Other Expenses

Breakdown of other expenses and further information:

| | Actual 2021 $000 |
|---|---|
| Fees to auditor | |
| - fees to Deloitte for audit of financial statements | 25 |
| - fees to Deloitte for other services | - |
| Staff and Board travel | 39 |
| Communications | 17 |
| Non-investment related insurance | 6 |
| IT expenses | 8 |
| Operating lease expenses (Note 5) | 24 |
| Other expenses | 6 |
| Donations | - |
| **Total other expenses** | **125** |

## 5. Operating Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if 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. 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. Lease incentives received are recognised in the surplus or deficit as a reduction of rental expense over the lease term.

Tupu Tonu leases offices and office equipment for carrying out its business. The office lease expires on 30 April 2022.

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

| | Actual 2021 $000 |
|---|---|
| Not later than one year | 56 |
| Later than one year and not later than five years | 3 |
| **Total non-cancellable operating leases** | **59** |

## 6. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held on call with banks, and other short-term, highly liquid investments with original maturities of three months or less.

As at 30 June 2021 all cash and cash equivalents were deposited with ASB Bank. No allowance has been recognised for possible credit losses, as none are expected.

## 7. Receivables

Short-term receivables are recorded at the amount due, less any provision for uncollectability. Short-term receivables are written off when there is no reasonable expectation of collection. An indicator that there is no reasonable expectation of collection includes the debtor being in liquidation.

A receivable is considered uncollectable when there is evidence the amount due will not be fully collected. The amount that is uncollectable is the difference between the amount due and the present value of the amount expected to be collected.

| | Actual 2021 $000 |
|---|---|
| Trade receivables | - |
| Resident Withholding Tax receivable | 2 |
| GST receivable | 27 |
| **Total receivables** | **29** |

Resident withholding tax was deducted at source from interest income prior to the company registering as exempt from income taxation. The amount was refunded by the Inland Revenue in July 2021. The GST receivable was also refunded in July 2021. As at 30 June 2021 there are no trade receivables and no provision for uncollectability.

## 8. Property, Plant and Equipment

### Accounting Policy

Property, plant, and equipment consists of one asset class, which is measured as follows:

- IT Equipment, at cost less 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.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant, and equipment is initially recognised at its cost. Where an asset is acquired through a non-exchange transaction, it is recognised at its fair value as at the date of acquisition.

Costs incurred subsequent to initial acquisition are capitalised 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.

The costs of day-to-day servicing of property, plant, and equipment are expensed in the Statement of Comprehensive Revenue and Expense as they are incurred.

### Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposal are reported net in the Statement of Comprehensive Revenue and Expense. When revalued assets are sold, the amounts included in revaluation reserves in respect of those assets are transferred to the accumulated surplus/(deficit) within equity.

### Depreciation

Depreciation is provided on a straight-line basis on all property, plant, and equipment, at rates that will write off the cost (or valuation) of the assets to their estimated residual values over their useful lives. The useful lives and associated depreciation rates of major classes of property, plant, and equipment have been estimated as follows:

| | | |
|---|---|---|
| IT equipment | 4 years | 25% |

### Impairment of property, plant, and equipment

Tupu Tonu does not hold any cash-generating assets as at 30 June 2021. Assets are considered cash-generating where their primary objective is to generate a commercial return.

### Finance Leases

Tupu Tonu has not entered into any finance leases during the period covered by these financial statements.

### Capital Commitments

There are no capital commitments as at 30 June 2021.

## Breakdown of property, plant, and equipment and further information

Movements for each class of property, plant, and equipment are as follows:

| | Cost or Valuation | |
|---|---|---|
| | IT Equipment | Total |
| | $000 | $000 |
| **Balance at 11 December 2020** | | - |
| Additions | 13 | 13 |
| **Balance at 30 June 2021** | 13 | 13 |

| | Accumulated Depreciation or Impairment Losses | |
|---|---|---|
| | IT Equipment | Total |
| | $000 | $000 |
| **Balance at 11 December 2020** | | - |
| Depreciation expense | 1 | 1 |
| **Balance at 30 June 2021** | 1 | 1 |

| | Carrying Amounts | |
|---|---|---|
| | IT Equipment | Total |
| | $000 | $000 |
| **Balance at 11 December 2020** | - | - |
| **Balance at 30 June 2021** | 12 | 12 |

## 9. Payables

Short term payables are recorded at the amount payable which is deemed to be the fair value.

| | Actual 2021 $000 |
|---|---|
| Payables and income in advance under exchange transactions | |
| Payables | 84 |
| Accrued expenses | 119 |
| Other | - |
| Total payables under exchange transactions | 203 |

## 10. Employee Entitlements

### Short-term employee entitlements

Employee benefits that are due to be settled within 12 months after the end of the year in which the employee provides the related service are measured based on accrued entitlements at current rates of pay. These include salaries and wages accrued up to balance date, annual leave earned but not yet taken at balance date, and sick leave.

A liability and an expense are recognised for bonuses where there is a contractual obligation or where there is past practice that has created a constructive obligation and a reliable estimate of the obligation can be made.

### Presentation of employee entitlements

Sick leave, annual leave, and vested long service leave are classified as a current liability.

Non-vested long service leave and retirement gratuities expected to be settled within 12 months of balance date are classified as a current liability.

All other employee entitlements are classified as a non-current liability.

## 11. Provisions

### General

A provision is recognised for future expenditure of uncertain amount or timing when:

- there is a present obligation (either legal or constructive) as a result of a past event;
- it is probable that an outflow of future economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a discount rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as an interest expense and is included in “finance costs”.

### Lease make-good provision

Tupu Tonu is required at the expiry of the lease term to make-good any damage caused to the premises and to remove any fixtures or fittings installed by Tupu Tonu. Tupu Tonu has the option to renew the lease, which affects the timing of expected cash outflows to make good the premises. At this stage Tupu Tonu expects not to renew the lease and will be required to make-good any damage at the end of the lease term.

Information about the leasing arrangements of Tupu Tonu is disclosed in Note 5.

Movements for each class of provision are as follows:

| | Lease Make-Good | Total |
|---|---|---|
| | $000 | $000 |
| **Balance at 11 December 2020** | - | - |
| Additional provisions made | 3 | 3 |
| Amounts used | 1 | 1 |
| Unused amounts reversed | - | - |
| Discount unwind | - | - |
| **Balance at 30 June 2021** | 2 | 2 |

## 12. Contingencies

### Contingent Liabilities

Tupu Tonu has no contingent liabilities.

### Contingent Assets

Tupu Tonu has no contingent assets.

## 13. Equity

Equity is measured as the difference between total assets and total liabilities, also known as net assets. Equity is disaggregated and classified into the following components.

- contributed capital; and
- accumulated surplus/(deficit).

The following tables provide a breakdown of the equity balance:

| | Actual 2021 $000 |
|---|---|
| **Contributed capital** | |
| Balance as at 11 December 2020 | - |
| Capital contribution | 150,000 |
| Repayment of capital | - |
| **Balance at 30 June 2021** | 150,000 |

| | Actual 2021 $000 |
|---|---|
| **Accumulated surplus** | - |
| Balance as at 11 December 2020 | - |
| Surplus for the year | 418 |
| **Balance at 30 June 2021** | 418 |
| **Total equity** | **150,418** |

Issued capital consists of a total of 150,000,100 ordinary shares.

All shares have equal voting and dividend rights and share equally in any distributions and in the event of liquidation.

On 25 February 2021, 150,000,000 new shares were issued for $1.00 each, comprising the contributed capital.

Tupu Tonu is subject to the financial management and accountability provisions of the Crown Entities Act 2004, which impose restrictions in relation to borrowings, acquisition of securities, issuing guarantees and indemnities, and the use of derivatives.

Tupu Tonu has complied with the financial management requirements of the Crown Entities Act 2004 during the period.

Tupu Tonu manages its equity as a by-product of prudently managing revenues, expenses, assets, liabilities, investments, and general financial dealings to ensure that Tupu Tonu effectively achieves its objectives and purpose, while remaining a going concern.

## 14. Related Party Transactions

Tupu Tonu is controlled by the Crown and the Crown is a source of funding for Tupu Tonu.

Related party disclosures have not been made for transactions with related parties that are:

- within a normal supplier or client/recipient relationship; and
- on terms and conditions no more or less favourable than those that it is reasonable to expect Tupu Tonu would have adopted in dealing with the party at arm's length in the same circumstances.

Further, transactions with other government agencies (for example, government departments and Crown entities) are not disclosed as related party transactions when they are on normal terms and conditions consistent with the normal operating arrangements between government agencies.

**Related party transactions required to be disclosed**

There were no related party transactions during the period.

Transactions with Key Management personnel are disclosed below.

Key Management personnel (includes the board and Senior Management)[2] compensation:

| | Actual 2021 $000 |
|---|---|
| Total Key Management personnel remuneration | 298 |

During the establishment phase of Tupu Tonu staffing resources were obtained for a fixed term through secondments from Government Departments and from external contractors.

The Chief Executive received remuneration of $105,413 over this period. The Chief Executive did not receive any incentive payments.

No Board members received compensation for services provided to Tupu Tonu, other than Director fees.

[2] Key Management personnel comprise 2.6 full time equivalents.

## 15. 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 Statement of Financial Position and all revenues and expenses in relation to financial instruments are recognised in the Statement of Comprehensive Revenue and Expense.

### Initial Recognition

Financial assets and financial liabilities are recognised in the 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 Management consider all relevant information.

### Subsequent Measurement

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

- The financial asset is held within a business model whose objective is to hold financial assets to collect the 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 Statement of Comprehensive Revenue and Expense in the period in which they arise. Tupu Tonu's 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.

**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 and Limited Liability Partnership's (LLP's). 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 Statement of Financial Position at fair value with changes in fair value being recognised in the Statement of Comprehensive Income in the period in which they arise.

**Derecognition**

Financial assets are derecognised when the rights to receive cashflows 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 the 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 Tupu Tonu 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.

## 16. Financial Instrument Categories

The carrying amount of financial assets and liabilities in each of the financial instrument categories is as follows:

| | Actual 2021 $000 |
|---|---|
| **Financial liabilities measured at amortsied cost** | |
| Payables | 84 |
| *Total financial liabilities measured at amortised cost* | 84 |
| | |
| **Financial assets measured at amortised cost** | |
| Cash and cash equivalents | 150,541 |
| *Total financial assets measured at amortised cost* | 150,541 |

## 17. Events After the Balance Date

Subsequent to balance date Tupu Tonu has purchased a commercial property in Kerikeri for a total consideration of $6.6 million. There were no other significant events after the balance date.

## 18. Explanation of Major Variances Against Budget

Explanations for major variances from the Tupu Tonu budgeted figures in the statement of performance expectations are as follows:

### Statement of Comprehensive Revenue and Expense

**Investment and deal related expenses**

Investment and deal related expenses were lower than budget as the first five months was focused on establishment activities, which were completed in a cost effective and efficient manner.

**Personnel costs**

Personnel costs were lower as staff were initially sourced from Government Department secondments and part-time external contractors, and no recruitment costs were incurred.

**Other expenses**

Other expenses were lower than budget due to tight cost control on communications expenditure, external accounting and financial services advice.

### Statement of Financial Position

**Accumulated surplus**

Refer to comments in the statement of comprehensive revenue and expense section above.

### Statement of Cash Flow

Payments to suppliers and employees were less than budgeted due to the reasons outlined above.

Deloitte.

# INDEPENDENT AUDITOR'S REPORT

**TO THE READERS OF NGĀPUHI INVESTMENT FUND LIMITED'S FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION FOR THE YEAR ENDED 30 JUNE 2021**

The Auditor-General is the auditor of Ngāpuhi Investment Fund Limited ('the Fund'). The Auditor-General has appointed me, Silvio Bruinsma, using the staff and resources of Deloitte Limited to carry out the audit of the financial statements and the performance information of the Fund on his behalf.

**Opinion**

We have audited:

- the financial statements of the Fund on pages 13 to 32, that comprise the statement of financial position as at 30 June 2021, the statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year ended on that date and the notes to the financial statements including a summary of significant accounting policies and other explanatory information; and
- the performance information of the Fund on pages 11 to 12.

In our opinion:

- the financial statements of the Fund on pages 13 to 32:
  - present fairly, in all material respects:
    - its financial position as at 30 June 2021; and
    - its financial performance and cash flows for the year then ended; and
  - comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Reporting Standards; and
- the performance information on pages 11 to 12:
  - presents fairly, in all material respects, the Fund's performance for the year ended 30 June 2021, including:
    - for each class of reportable outputs:
      - its standards of delivery performance achieved as compared with forecasts included in the statement of performance expectations for the financial year; and
      - its actual revenue and output expenses as compared with the forecasts included in the statement of performance expectations for the financial year.
  - complies with generally accepted accounting practice in New Zealand.

Our audit was completed on 18 October 2021. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Board of Directors and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

**Basis for our opinion**

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Responsibilities of the Board of Directors for the financial statements and the performance information**

The Board of Directors is responsible on behalf of the Fund for preparing financial statements and performance information that are fairly presented and comply with generally accepted accounting practice in New Zealand.

The Board of Directors responsible for such internal control as it is necessary to enable to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Board of Directors is responsible on behalf of the Fund for assessing the Fund's ability to continue as a going concern. The Board of Directors is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless there is an intention to merge or to terminate the activities of the Fund, or there is no realistic alternative but to do so.

The Board of Directors' responsibilities arise from the Crown Entities Act 2004 and the Public Finance Act 1989.

**Responsibilities of the auditor for the audit of the financial statements and the performance information**

Our objectives are to obtain reasonable assurance about whether the financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of Readers taken since these financial statements.

For the budget information reported in the financial statements, our procedures were limited to checking that the information agreed to the company's forecast for the period.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- We obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.

- We conclude on the appropriateness of the use of the going concern basis of accounting by the Board of Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements, or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- We evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

**Independence**

We are independent of the Fund in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: *International Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests, in the Fund.

Silvio Bruinsma
Deloitte Limited
On behalf of the Auditor-General
Wellington, New Zealand