TUPU TONU
Ngāpuhi Investment Fund

STATEMENT OF PERFORMANCE EXPECTATIONS

For the periods:

1 February 2021 to 30 June 2021

1 July 2021 to 30 June 2022

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INTRODUCTION

Ngāpuhi Investment Fund Limited (trading as **Tupu Tonu**) is a new Public Finance Act 1989 Schedule 4A company. Tupu Tonu has been set up to establish and manage an investment portfolio that can support the Crown's commercial redress negotiations with ngā hapū o Ngāpuhi around historical Treaty of Waitangi claims.

This Statement of Performance Expectations (**SPE**) has been prepared by the Board of Directors (the **Board**) of Ngāpuhi Investment Fund Limited (trading as **Tupu Tonu**), pursuant to the Public Finance Act 1989 and Crown Entities Act 2004. It sets out the performance expectations for Tupu Tonu for the periods 1 February 2021 to 30 June 2021, and 1 July 2021 to 30 June 2022.

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 7 to 12 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.

Brian Roche

Sir Brian Roche KNZM
Chair
21 Setpember 2021

Ripeka Evans

Ripeka Evans
Deputy Chair
21 September 2021

OUR STRATEGIC CONTEXT

Our Shareholders

As a Schedule 4A company, 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.

Certain sections of the Crown Entities Act 2004 apply to Schedule 4A companies. Essentially, Tupu Tonu's operations and investment decisions are independent of shareholding Ministers', though shareholding Ministers' participate in the process of setting the strategic direction of the company by providing comment on planning documentation prepared by Tupu Tonu.

Our Board

Our Board is appointed by shareholding Ministers'. The current Board members are:

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

Company Purpose

Tupu Tonu's purpose is to establish 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 claims of 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 Tupu Tonu's investment portfolio.

This sets Tonu Tonu up as a commercial investor, with the additional 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.

Shareholding Ministers' have an expectation that Tupu Tonu's investments will reflect two portfolios:

- a primary portfolio for the acquisition of non-listed commercial assets in Northland; and
- a secondary investment portfolio comprising investments such as public shares, bonds, managed funds, and direct investments outside Northland.

Tupu Tonu's focus for the current financial year will be investing in the primary investment portfolio. No investments will be made in the secondary portfolio unless on an exceptional and rare basis.

The Intersection between Tupu Tonu and Treaty Settlements

The settlement of historical Treaty of Waitangi claims has been a priority for the Crown for over 30 years. For settling groups, these settlements are, in part, an opportunity to acquire or re-acquire properties and other commercial assets that can grow value and strengthen iwi and hapū footprints in their rohe.

Settlement negotiations with ngā hapū o Ngāpuhi have been longstanding, and this presents a loss of opportunity for ngā hapū, including from growing value and taking up time-limited investment opportunities.

Tupu Tonu was established by the Crown in part to mitigate this lost opportunity by taking up suitable investment opportunities and growing value through a fund that is ultimately intended to be available to ngā hapū o Ngāpuhi as commercial redress in any future Treaty settlement negotiations.

It is up to shareholding Ministers' and ultimately Cabinet to decide how Tupu Tonu's asset portfolio enters settlement negotiations, and on what basis. Tupu Tonu's focus is on making and managing commercial investments in line with its mandate, while being cognisant of the commercial intentions of ngā hapū o Ngāpuhi.

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.

Disbursements

In the 2021/22 year, investment returns will be re-invested. Shareholding Ministers' have indicated their intention for Tupu Tonu to eventually utilise a portion of its investment returns for disbursements to ngā hapū o Ngāpuhi.

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 used as commercial redress in relation to the historical Treaty of Waitangi claims of ngā hapū o Ngāpuhi.

Revenue and expenses

Year	Expected revenue ($m)	Expected expenses ($m)
2020/21	1.094	0.904
2021/22	4.540	3.148

How performance will be assessed – key performance indicators

Outlined below are key performance indicators (**KPI**) for Tupu Tonu for the 2020/21 and 2021/22 financial years.

Investment KPIs

Year	Measure	Target
2020/21	There exists an initial coherent investment policy and associated supporting policies and processes	Achieved
2021/22	Number of direct investments made within our commercial mandate, subject to suitable available opportunities	At least 6

Operating budget

The following table sets out crown funding relative to Tupu Tonu general budget operating expenses.

Summary aggregate position - Crown revenue less general operating expenses		
	Jun-21	**Jun-22**
Opening balance	-	192
Plus: revenue from the Crown	1,000	2,390
Less: general operating expenses	(808)	(2,548)
Closing balance	**192**	**34**

Finance and Corporate KPIs[1]

Year	Workstream	Measure	Target
2020/21	Corporate compliance	There exists a full set of corporate policies that outline and support corporate compliance	Achieved
2020/21	Budgeting	Actual annual non-deal specific operating expenditure is less than 10% over the budgeted amount outlined in our Statement of Performance Expectations	Achieved
2021/22	Corporate compliance	Instances of non-compliance as identified through audit or other review processes	Zero material instances
2021/22	Budgeting	Actual annual non-deal specific operating expenditure is less than 10% over the budgeted amount outlined in our Statement of Performance Expectations	Achieved

Stakeholder Engagement

Year	Workstream	Measure	Target
2020/21	Stakeholder relations	Engagements with Crown monitor	5
2020/21		Our mandate and strategy communicated through engagements in Te Tai Tokerau and with ngā hapū o Ngāpuhi	5

[1] KPI's are based on early set up activities of Tupu Tonu and may not reflect operations at the time of publishing.

Prospective Statement of Comprehensive Revenue and Expense

FOR THE YEAR ENDING 30 JUNE 2021	NZD 000's
INCOME	
Revenue from the Crown	1,000
Investment Income	94
Operating Income	**1,094**
INVESTMENT EXPENSES	
Investment and Deal Related Expenses	96
Profit After Investment Expenses	**998**
EXPENSES	
Accounting Services (incl audit fees)	54
Board Fees	93
Depreciation & Amortisation	2
Personnel Expenses	445
Operating Lease Expenses	31
Other Expenses	145
Travel Expenses (incl Board)	39
Total Expenses	**808**
Total Comprehensive Revenue and Expense	**190**

Establishment Costs

The Ngāpuhi Investment Fund Limited was legally incorporated on 11 December 2020, and operations began on 1 February 2021. There are a number of one-off costs included in the Prospective Statement of Comprehensive Revenue and Expense table above relating to the establishment of Tupu Tonu.

Prospective Statement of Financial Position

AS AT 30 JUNE 2021	NZD 000's
Current Assets	
Cash & Cash Equivalents	150,373
Investments	-
Prepayments	6
Net GST Receivable	25
Non-Current Assets	
Property, Plant & Equipment	5
TOTAL ASSETS	**150,409**
Current Liabilities	
Accounts Payable	165
Accrued Expenses	54
TOTAL LIABILITIES	**219**
NET ASSETS	**150,190**
Equity	
Contributed Capital	150,000
Retained Surplus	190
TOTAL EQUITY	**150,190**

Prospective Statement of Changes in Equity

FOR THE YEAR ENDING 30 JUNE 2022	ASSET REVALUATION RESERVE NZD 000's	CONTRIBUTED CAPITAL NZD 000's	RETAINED SURPLUS NZD 000's	TOTAL NZD 000's
Balance at 30 June 2021	**-**	**150,000**	**190**	**150,190**
Profit/(Loss) for the year	-	-	1,392	1,392
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	150,000	1,582	151,582
Fund Capital contributions from the Crown	-	-	-	-
Capital Distribution	-		-	-
Capital withdrawals	-		-	-
Balance at 30 June 2022	**-**	**150,000**	**1,582**	**151,582**

Prospective Statement of Cash Flows

FOR THE YEAR ENDING 30 JUNE 2021	NZD 000's
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash was provided from:	
Revenue from the Crown	1,150
Interest income	94
Cash was applied to:	
Purchases of Investments	-
Payments to suppliers and employees	(859)
Net Cash provided by/(used in) operating activities	**385**
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash was applied to:	
Purchases of property, plant and equipment	(11)
Net Cash provided by/(used in) investing activities	**(11)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash was provided from:	
Proceeds from the issue of ordinary shares	150,000
Net Cash provided by/(used in) financing activities	**150,000**
Net increase/(decrease) in cash and cash equivalents	150,373
Cash and cash equivalents at the beginning of the financial year	-
Cash and cash equivalents at the end of the financial year	**150,373**

Prospective Statement of Comprehensive Income

FOR THE YEAR ENDING 30 JUNE 2022	NZD 000's
INCOME	
Revenue from the Crown	2,390
Investment Income	2,150
Operating Income	**4,540**
INVESTMENT EXPENSES	
Investment and Deal Related Expenses	600
Profit After Investment Expenses	**3,940**
OPERATING EXPENSES	
Accounting Services (incl audit fees)	65
Board Fees	197
Depreciation & Amortisation	5
Personnel Expenses (incl training and recruitment)	1,535
Operating Lease Expenses	85
Other Expenses	497
Travel Expenses (incl Board)	163
Total Operating Expenses	**2,548**
Total Comprehensive Revenue and Expense	**1,392**

Prospective Statement of Financial Position

AS AT 30 JUNE 2022	NZD 000's
Assets	
Cash & Cash Equivalents	91,665
Accounts Receivable	-
Investments	60,000
Property, Plant & Equipment	13
Prepayments	18
TOTAL ASSETS	**151,696**
Liabilities	
Accounts Payable	40
Net GST Payable/(Receivable)	(6)
Accrued Expenses	80
TOTAL LIABILITIES	**114**
NET ASSETS	**151,582**
Equity	
Contributed Capital	150,000
Prior Period Retained Surplus	190
Current Period Retained Surplus	1,392
Retained Surplus	1,582
TOTAL EQUITY	**151,582**

Prospective Statement of Changes in Equity

FOR THE YEAR ENDING 30 JUNE 2022	ASSET REVALUATION RESERVE NZD 000's	CONTRIBUTED CAPITAL NZD 000's	RETAINED SURPLUS NZD 000's	TOTAL NZD 000's
Balance at 30 June 2021	-	**150,000**	**190**	**150,190**
Profit/(Loss) for the year	-	-	1,392	1,392
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	150,000	1,582	151,582
Fund Capital contributions from the Crown	-	-	-	-
Capital Distribution	-		-	-
Capital withdrawals	-		-	-
Balance at 30 June 2022	-	**150,000**	**1,582**	**151,582**

Prospective Statement of Cash Flows

FOR THE YEAR ENDING 30 JUNE 2022	NZD 000's
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash was provided from:	
Revenue from the Crown	2,749
Investment income	2,150
Cash was applied to:	
Purchases of Investments	(60,000)
Payments to suppliers and employees	(3,599)
Net Cash provided by/(used in) operating activities	**(58,701)**
CASH FLOWS FROM INVESTING ACTIVITIES	
Cash was applied to:	
Purchases of property, plant and equipment	(8)
Net Cash provided by/(used in) investing activities	**(8)**
CASH FLOWS FROM FINANCING ACTIVITIES	
Cash was provided from:	
Proceeds from the issue of ordinary shares	-
Net Cash provided by/(used in) financing activities	**-**
Net increase/(decrease) in cash and cash equivalents	(58,708)
Cash and cash equivalents at the beginning of the financial year	150,373
Cash and cash equivalents at the end of the financial year	**91,665**

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 2021 and the year ending 30 June 2022 were authorised for issue in accordance with a resolution of the Board of Tupu Tonu

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 Tupu Tonu’s functional currency. 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.

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.

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 Tupu Tonu's 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 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'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.

Tupu Tonu's 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 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 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's 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.

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

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's 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 's 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.