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TUPU TONU
Ngāpuhi Investment Fund

TUPU TONU

STATEMENT OF PERFORMANCE EXPECTATIONS

For the period:
1 July 2023 to 30 June 2024

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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 14-17 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
22 June 2023

Ripeka Evans
Deputy Chair
22 June 2023

Image: *Isaiah Apiata*. Carver: *Will Ngakuru*. Carving held by Manea: *Footprints of Kupe*

Ko ngā maunga hakahī e taiāwhio ana i te Whare Tapu ō Ngāpuhi, e hiki ana i te tāhūhū ki te tiketiketanga ō te taumata ō te rangi, kia ahuru nei ngā uri hakatupu ō Rāhiri te tupuna kia haumaru te noho, ka tarehua. E mihi ana ki te whenua, e tangi ana ki ngā tāngata katoa. Korohīhī pō, korohīhī ao. Ko rongo i tūria ki te matahau ō Tū te winiwini, ō Tū te wanawana, ō Tū kia whakaputaina i te wheiao kia puta ki te Ao mārama. Ka tīhewā, mauriora.

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 2023 to 30 June 2024.

This Statement of Performance Expectations 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 2023 to 30 June 2024 (FY24), both in terms of what will be delivered, how performance will be assessed and forecast financial information.

For the coming year, Tupu Tonu remains focused on growing a portfolio of tangible assets which are geographically diversified across the rohe of ngā hapū o Ngāpuhi.

By the end of FY24, Tupu Tonu intends to have deployed $100-$120m+ of its capital. Tupu Tonu also intends to generate $5.6m net investment returns.

Over FY24 Tupu Tonu will continue to build relationships with ngā hapū o Ngāpuhi through engagement and to provide an opportunity for ngā hapū perspectives to inform our work.

This year will also see Tupu Tonu deliver the second round of disbursements from a portion of investment returns. In FY23, Tupu Tonu disbursed $485,000 to Ngāpuhi hapū, whānau and Ngāpuhi affiliated organisations from investment returns from FY22. In FY24, Tupu Tonu aims to commit up to 20% of net investment returns to the second round of disbursements. Tupu Tonu will also draw on feedback from ngā hapū to inform and evolve the second round as required.

The Board acknowledges the role Tupu Tonu plays in contributing to the Crown's attempts to restore relationships with ngā hapū o Ngāpuhi and looks forward to another year supporting the delivery of this important kaupapa.

ABOUT TUPU TONU

OUR SHAREHOLDERS

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 redress discussions 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.

Our primary investment focus is on commercial assets diversified across 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 rohe of ngā hapū o Ngāpuhi.

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

PURPOSE

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 receives operating funding from Vote Te Arawhiti.

OUR RELATIONSHIP TO TREATY NEGOTIATIONS

It is up to shareholding Ministers, and ultimately Cabinet, in redress discussions with ngā hapū o Ngāpuhi, to decide how and on what basis the Tupu Tonu asset portfolio is treated for the purpose of Treaty redress. Tupu Tonu does not have a role in redress discussions.

The Board acknowledges the Treaty negotiations context in which Tupu Tonu operates and its role in contributing to the Crown's attempts to restore relationships with ngā hapū o Ngāpuhi.

OUR VALUES AND VISION

TUPU TONU MEANS 'PROSPERITY IN PERPETUITY'

Tupu Tonu is 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 how we conduct our business, underpin our operating principles and practices, and define the way we engage with our shareholding Ministers, ngā hapū o Ngāpuhi and wider stakeholders.

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

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 and maintain trust and confidence among Ministerial shareholders and Ngāpuhi
- Achieve operational excellence

ANNUAL GOALS:
- Deploy target level of capital in line with investment strategy
- Deliver annual distributions to Ngāpuhi
- Continue to build relationships with Ngāpuhi and Ministers
- Stream line and improve existing systems and processes

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

2023-2024 PERFORMANCE

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 how we measure our progress towards these objectives over the year ended 30 June 2024, 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 net revenue ($m)	Expected general operating expenses ($m)
2023-2024	$7.447m	$2.793m

INVESTMENTS

Tupu Tonu will continue to build on the initial investment strategy work carried out in FY23 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 $100-$120m+ of the Tupu Tonu $150 million of capital by June 2024. Where feasible and supportive of the Tupu Tonu primary commercial objective, investments will provide positive environmental, social and governance outcomes.

Tupu Tonu will consider feedback from ngā hapū o Ngāpuhi on its investment approach on an ongoing basis.

NGĀ HAPŪ O NGĀPUHI ENGAGEMENT

In FY24, Tupu Tonu will:

- Update and implement its engagement strategy on an ongoing basis to reflect current approach, considering any feedback from hapū;
- Engage directly with ngā hapū o Ngāpuhi and other Ngāpuhi rōpu (e.g. groups, entities);
- Consider ngā hapū o Ngāpuhi commercial aspirations and feedback as part of refining our investment strategy and disbursements programme;
- Inform ngā hapū of Tupu Tonu developments through regular e-pānui (updates) and direct engagement; and
- Actively consider suggestions for potential investment opportunities within the Ngāpuhi rohe from ngā hapū o Ngāpuhi, Ngāpuhi uri or entities.

DISBURSEMENTS

In FY24, Tupu Tonu will commit funds from investment returns for the second round of disbursements to Ngāpuhi uri. Tupu Tonu will undertake a review of its inaugural round of disbursements, including considering any feedback from ngā hapū o Ngāpuhi, to refine future rounds.

How performance will be assessed – key performance indicators

The key performance indicators (KPI) for Tupu Tonu for the year ended 30 June 2024 are set out below.

PERFORMANCE KPIs

Investment KPIs

Objective	Annual Goals	Measure	Target
Successfully implement investment strategy including operating as a responsible and prudent investor	Deploy target level of capital in line with investment strategy	Committed fund capital by June 2024.	$100- $120 million+
		Long term minimum return target.	Long term CPI +[1]
		Number of investment management meetings to provide regular management oversight	12

[1] Target is mid point of RBNZ CPI target

Engagement KPIs

Objective	Annual Goals	Measure	Target
Build trust and confidence among Ministerial shareholders and Ngāpuhi	Continue to build relationships with Ngāpuhi and Ministers	Number of engagements to build relationships with Ngāpuhi iwi, hapū, rōpu or entities.	25 engagements
		Pānui/updates informing Ngā hāpu o Ngāpuhi of Tupu Tonu purposeand/or activities.	3 pānui
		Regular meetings with Crown monitor.	10

Finance and Corporate KPIs

Objective	Annual Goals	Measure	Target
Achieve operational excellence	Streamline and improve existing systems and processes	Surplus after cost of goods sold and investment expenditure	$6.5m
		Number of lost time injuries (core Tupu Tonu staff).	≤2 instances
		Number of tikanga and te reo Māori training sessions for staff	6 sessions

Disbursement KPIs

Objective	Annual Goals	Measure	Target
Build trust and confidence among Ministerial shareholders and Ngāpuhi	Deliver annual disbursements to Ngāpuhi	Amount paid out as disbursements	$600k

STATEMENT OF FINANCIAL PERFORMANCE
30 JUNE 2024

	Budget 2024 $000
Revenue - from exchange transactions	
Interest revenue	2,552
Kiwifruit income	1,355
Rental income	396
Dividend income	468
Income from Equity Accounted Investments	273
Other investment income	2,145
Revenue - from non-exchange transactions	
ETS income	517
Revenue from the Crown	1,900
Total revenue	**9,606**
Cost of goods and services sold	
Orchard expenses	923
Investment property expenses	108
Forest expenses	43
Other investment expenses	495
Total cost of goods and services	**1,569**
Investment expenditure	
Investment and deal related expenses	590
Surplus after cost of goods and services sold and investment expenditure	**7,447**
Other expenditure	
Personnel costs	2,021
Directors fees	191
Other expenses	186
Depreciation and amortisation	16
Operating lease expenses	94
Accounting Services	65
Travel expenses	220
Total other expenditure	**2,793**
Net surplus	**4,654**
Gains on investments measured at fair value	
Revaluation gains on investment property	-
Gain on financial assets classified as fair value	-
through surplus or deficit	-
Net gain on investments measured at fair value	-
Total comprehensive revenue and expense before disbursements	**4,654**
Disbursements	905
Total comprehensive revenue and expense after disbursements	**3,749**

STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2024

Assets	
Current assets	
Cash and cash equivalents	5,000
Receivables	1,851
ETS credits	2,011
Bank deposits	36,072
Total current assets	**44,933**
Non-current assets	
Property, plant and equipment	9,920
Investment property	6,717
Intangible assets	4,914
Share investments	2,972
Forest assets	3,995
Interest in equity accounted investments	13,825
Investments	73,000
Total non-current assets	**115,342**
Total assets	**160,276**
Liabilities	
Current liabilities	
Payables	107
Employee entitlements	71
Revenue received in advance	0
Current liabilities	**179**
Total liabilities	**179**
Net assets	**160,097**
Equity	
Contributed capital	150,000
Accumulated surplus	10,097
Total equity	**160,097**

STATEMENT OF CHANGES IN EQUITY
FOR PERIOD ENDED 30 JUNE 2024

Balance as at 1 July	156,348
Total comprehensive revenue and expense for the period	3,749
Owner transactions	
- Capital contribution	
Balance at 30 June	**160,097**

STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 30 JUNE 2024

Cash flows from operating activities	
Cash was provided from:	
Receipts from the Crown	1,900
Interest received	2,552
Kiwifruit income	869
Rental income	396
Dividend income	468
Income from Equity Accounted Investments	240
Investment income	2,145
Cash was applied to:	
Payments to suppliers, employees and net GST	4,158
Disbursements	905
Net cash flow from operating activities	**3,506**
Cash flows from investing activities	
Cash was applied to:	
Purchase of property, plant and equipment	
Net purchases of bank deposits	44,245
Purchases of investments	(67,750)
Net cash flow from investing activities (86,721)	**(23,505)**
Cash flows from financing activities	
Cash was provided from:	
Capital contribution from the Crown	0
Net cash flow from financing activities	**0**
Net (decrease)/increase in cash and cash equivalents	**(20,000)**
Cash and cash equivalents at the beginning of the period	25,000
Cash and cash equivalents at 30 June	**5,000**

NOTES TO THE PROSPECTIVE FINANCIAL STATEMENTS

STATEMENT OF ACCOUNTING POLICIES

Reporting entity

These are the prospective financial statements of Ngāpuhi Investment Fund Limited, trading as Tupu Tonu. 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.

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.

The financial statements have been prepared in accordance and comply with the Tier 2 PBE Standards Reduced Disclosure Regime (RDR). Tupu Tonu is eligible to report under the 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 redress discussions between the Crown and ngā hapū o Ngāpuhi. Tupu Tonu operates to make a commercial financial return on assets acquired.

Basis of preparation

The prospective financial statements have been prepared on a going concern basis, except where noted.

Presentation and rounding

The financial statements are presented in New Zealand dollars, which is the Tupu Tonu functional currency. All values are rounded to the nearest thousand dollars (NZD'000).

Summary of significant accounting policies

The following 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, the Inland Revenue is disclosed in the Statement of Financial Position.

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

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.

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 Office for Māori Crown Relations and Tupu Tonu which provides some funding 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.

Rental revenue

Rental revenue arising from operating leases in investment properties is accounted for on a straight-line basis over the lease term and included in revenue. The aggregate costs of lease incentives provided is recognised as a reduction in rental revenue over the lease term on a straight-line basis. Rental revenue is recognised gross of any service charges, or outgoings recovered from tenants.

Kiwifruit income

Revenue from the sale of kiwifruit is recognised when the significant risks and rewards of ownership have been transferred to the buyer, which is Zespri Group Limited. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods, or where there is continuing management involvement with the goods. Income at year-end is based on the forecasted income per tray expected to be received, based on the forecast from Zespri Group Limited. Any revision of the years' recognised income is recognised in the subsequent years' Comprehensive Revenue and Expense.

COST OF GOODS AND SERVICES SOLD

Orchard expenses

Orchard expenses are recognised and expensed as incurred. Orchard expenses includes direct orchard operating costs and the depreciation of bearer plants and orchard structures and amortisation of the SunGold G3 kiwifruit license.

Investment property expenses

Investment property expenses include costs associated with owning investment property and the gross amounts attributable to service charges or outgoings.

Personnel costs

Salaries and wages

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

Defined contribution superannuation schemes

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

Operating leases

Operating leases as leasee

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 Comprehensive Revenue and Expense as a reduction of rental expense over the lease term.

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.

Bank deposits

Bank deposits are deposits with banks where the original maturity is greater than three months and less than one year. No allowance has been recognised for possible credit losses, as none are expected.

Bank term deposits are initially measured at the amount invested. Accrued interest is added to the invested balance as it is earned, using the effective interest method.

Receivables

Short-term receivables are not discounted and are recorded at the original transaction price, less any provision for credit losses. 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.

Property, plant, and equipment

All property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes all expenditure that is directly attributable to the acquisition of the items. If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant, and equipment.

Property, plant, and equipment consists of the following asset classes, which are measured as follows:

Land, at cost not depreciated.
Orchard structures, at cost less accumulated depreciation and impairment losses.
Bearer plants, at cost less accumulated depreciation and impairment losses.
Furniture & office equipment, at cost less accumulated depreciation and impairment losses.
IT equipment, at cost less accumulated depreciation and impairment losses.

Orchard structures

Orchard structures are on-orchard fixtures and fittings including posts and canopy supports and irrigation equipment. Orchard structures are stated at historical cost less accumulated depreciation and impairment losses, if any.

Bearer plants

Bearer plants are the Tupu Tonu investment in kiwifruit vines. Bearer plants are stated at historical cost less accumulated depreciation and impairment losses, if any. Historical cost includes all cost incurred to purchase or establish the asset to initial fruit harvest.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to Tupu Tonu. All other repairs and maintenance costs are recognised in the Statement of Comprehensive Revenue and Expense.

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 after 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

Land is not depreciated. Depreciation is provided on a straight-line basis on all other classes of 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:

- Impairment of property, plant, and equipment
- The carrying amounts of property, plant and equipment are reviewed at each reporting date to determine if there is any objective evidence of impairment.

Investment Property

Investment property is property held either to earn rental income, for capital appreciation, or for both. Investment property is initially measured at cost and subsequently measured at fair value with any change therein recognised in Total Comprehensive Revenue and Expense. Initial direct costs incurred in negotiating and arranging operating leases and lease incentives granted are added to the carrying amount of the leased asset.

Property valuations are carried out at least annually by independent registered valuers. The fair values are based on market values being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The valuations are prepared using a combination of the Capitalisation of Income and Discounted Cash Flow methodologies. Discounted Cash Flow methodology is based on the estimated rental cash flows expected to be received from the property adjusted by a discount rate that appropriately reflects the risks inherent in the expected cash flows.

Investment properties are derecognised when they have been disposed of and any gains or losses incurred on disposal are recognised in Total Comprehensive Revenue and Expense in the year of derecognition.

Any improvements in investment property are initially recognised at cost and will subsequently be included in the fair value revaluation.

Valuation of investment properties

Investment properties are revalued annually to fair value. The valuation of all investment property was carried out by an independent registered valuer. The valuer is an experienced valuer with extensive market knowledge in the type of investment properties owned by Tupu Tonu. All investment properties were valued based on open market evidence and 'highest and best use'.

Intangible Assets and Goodwill

SunGold G3 kiwifruit licenses

SunGold G3 kiwifruit licenses are initially measured at cost. Cost has been determined using a valuation of $550,000 per canopy hectare, which was the median SunGold G3 kiwifruit licenses cost from Zespri Group Limited's 2021 release of licences, the license cost immediately preceding the purchase of the SunGold G3 kiwifruit licenses as part of the orchard acquisitions.

In September 2016, Zespri Group Limited issued a statement that Plant Variety Rights had been granted for the Gold3 (G3) variety and that these rights have an expiration date of 6 September 2039. Amortisation is calculated on the licences on a straight-line basis over the remaining licence period.

Goodwill

Goodwill that arises upon the acquisition of investments is included in intangible assets. Goodwill is measured at the fair value of consideration transferred, less the fair value of the net identifiable assets and liabilities assumed at acquisition date. Goodwill is measured at cost less accumulated impairment losses. Goodwill is tested for impairment annually, based upon the value in use of the cash generating unit to which the goodwill relates.

Amortisation

Amortisation is calculated to write-off the cost of intangible assets less their estimated residual value using the straight-line method over their estimated useful lives and is recognised in Statement of Comprehensive Revenue and Expense. Goodwill is not amortised.

The estimated useful life for the current and comparative periods is:

- Sungold G3 kiwifruit licenses 18 Years 6%

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment

The carrying amounts of intangible assets, other than goodwill, are reviewed at each reporting date to determine if there is any objective evidence of impairment.

Share Investments

Investments held in shares of listed entities are initially recognised at cost and subsequently measured at fair value with gains or losses recognised in Total Comprehensive Revenue and Expense.

Where Tupu Tonu intends to hold shares for more than one year from balance date the shares are classified as non-current assets.

Payables

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

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.

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.

Provisions

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

- there is a present obligation (either legal or constructive) because of a past event; and
- 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".

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).

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, all relevant information is considered.

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 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.

After 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 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. After initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Tupu Tonu financial liabilities are reclassified when, and only when, the business model for managing those financial liabilities 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 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 Revenue and Expense 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 the Tupu Tonu obligation under the liability is discharged, cancelled or has expired.

Impairment

Tupu Tonu assesses, 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, Tupu Tonu have applied a simplified approach for calculating expected credit losses (ECLs) on receivables under PBE IFRS 9 Financial Instruments. As a result, Tupu Tonu 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.

Equity accounted investments

Equity accounted investments are initially recognised at cost and the carrying value is increased or decreased to recognise Tupu Tonu's share of surplus or deficit of the investee after the date of acquisition. Cash contributions made to the investee increase the carrying amount of the investment. Distributions received from the investee reduce the carrying amount of the investment. If Tupu Tonu's share of losses exceeds its investment, a liability is recognised to the extent that Tupu Tonu has incurred a constructive or legal obligation. The carrying values of investments are reviewed annually for indicators of impairment, and carrying values are adjusted accordingly if required.

Forestry assets

Forestry assets consist of a carbon farm (carbon sink), which is recognised as a biological asset, measured at fair value less costs to sell, with any movements recognised in profit or loss.

At each subsequent reporting period forestry assets are remeasured at fair value.

Inventory (carbon credits)

As the owner of a carbon forest (carbon sink), Tupu Tonu is allocated carbon emission credits ("NZUs") through the Emissions Trading Scheme. Should these plantations be harvested and/or deforested, a liability would be incurred up to a maximum of the credits received. It is not the intention of Tupu Tonu to harvest.

Carbon credits issued to Tupu Tonu will be recognised at their fair value as at the date of issuance/entitlement. Tupu Tonu has considered their business model the carbon units on hand are held to trade. Tupu Tonu recognises carbon credits as inventory. Carbon credits inventory are re-measured at fair value less costs to sell at each balance date. All changes in the fair value less costs to sell of such inventories are recognised in profit or loss.

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 assumptions

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.

Tupu Tonu has insufficient information to assess forecast movements in fair value in its assets. Therefore, no forecasts movement in fair value has been included in the financial statements.

Image: *Isaiah Apiata.* Carver: *Will Ngakuru.* Carving held by Manea: *Footprints of Kupe*