

CROWN FORESTRY RENTAL TRUST

**Financial Statements
For the 12 months ended 31 March 2022**



Report to Appointors

From the Chair

I am pleased to present the Annual Report of the Crown Forestry Rental Trust (the **Trust**) to the New Zealand Māori Council and the Federation of Māori Authorities (acting together as the Māori Appointor) and to the Minister of Finance (acting as the Crown Appointor).

This report covers the financial statements and activities of the Trust for the period 1 April 2021 to 31 March 2022.

Trustees

In June 2021, the Trust farewelled the Hon Sir Taihākurei (Edward) Durie, a long-standing Trustee. Ta Taihākurei was appointed a Māori Trustee in July 2012.

Ta Taihākurei served as Chief Judge of the Māori Land Court and the Waitangi Tribunal from 1980 to 2000, and as a judge of the High Court from 1998 until his retirement in 2007. He also served as a Law Commissioner, a General Synodsmen of the Anglican Church, and as the Chair of the New Zealand Māori Council.

The Trust was extremely privileged to have Ta Taihākurei's rich knowledge of the law, the Treaty of Waitangi, and Māori and iwi.

The Trust also welcomed a new Māori appointed Trustee, Annette Sykes. Annette is a lawyer, practising extensively in the areas of family law, criminal law, human rights, and the Treaty of Waitangi. A strong focus of her career has been on all aspects of law as they affect Māori especially constitutional change.

Annette is the principal of her own law practice in Rotorua, Annette Sykes & Co Ltd. She is a strong advocate for Māori independence. The Trust is extremely fortunate to have Annette with her strong knowledge of the law and the Treaty of Waitangi.

The Trust's two other Māori Trustees are Paul Majurey and Bronwyn Koroheke. The Trust's Crown Trustees are Rākihia Tau, Lynell Huria and the Hon Tau Henare.

Financial Forecasting

As part of the Trusts financial stewardship the Trust regularly undertakes long term forecasting to anticipate the future resourcing required to support claimant groups. This work is extremely important. It gives confidence that with prudent management by the Trust, and efficient management within claimant groups, there will be reasonable income to support groups seeking to resolve their Treaty claims over Crown forest licensed land in the years ahead.

The Trust's long-term financial forecasting model shows that the Trust should have sufficient funds available to support all eligible claimants with Wai claims that involve or could involve Crown Forest Licensed Lands through to when the last of these forests is transferred.

Financial Performance

Table 1 below provides a summary of the Income and Expenditure Statement for the 2021/22 year and the prior year for comparison.

	2021-2022	2020-2021
Income	\$ 2,675,361	\$ 3,812,459
Expenditure		
- Administration	\$ 1,167,218	\$ 1,299,407
- Assistance to Claimants	\$ 4,581,492	\$ 4,954,376
Total Expenditure	\$ 5,748,710	\$ 6,253,783
Net Operating Deficit	\$ (3,073,349)	\$ (2,441,324)

Total income of \$2.7m for the year to 31 March 2022 was \$1.1m (29.8%) lower than the previous year. This decrease was primarily caused by the impact of COVID-19 on financial markets and specifically on interest rates which fell to historic lows.

Income from the Trust is sourced almost entirely from fixed interest investments, primarily term deposits. Interest rates on term deposits are a key determinant of future cashflows. Low interest rates, therefore, have a significant impact on the Trust's return on investments.

Funding assistance of \$4.6m to Approved Clients reduced by \$0.4m (7.5%) from the previous year. Delays in settlement negotiations and Waitangi Tribunal processes involving Crown Forest Licenced Land were the main reasons for this fall. Administration expenditure of \$1.2m was \$0.1m (10.2%) lower than the previous year due to staff reductions and infrastructural savings across a wide variety of expenditure. Total Trust expenditure for the year was \$5.7m compared to \$6.3m for the 2020-21 financial year. Overall, the Trust had a net operating deficit of \$3.1m compared to a deficit of \$2.4m for the previous year.

Financial Position

Table 2 summarises the Trust's financial position for the 2021-22 year and the prior year for comparison.

	2021-2022	2020-2021
Total Assets	\$ 189,545,159	\$ 187,639,745
Current Liabilities	\$ 23,253,403	\$ 1,164,996
Non-Current Liabilities	\$ 104,272,871	\$ 121,382,515
Total Liabilities	\$ 127,526,274	\$ 122,547,511
Net Assets	\$ 62,018,885	\$ 65,092,234

Retained earnings decreased by \$3.1m over the year to \$62.0m. Total Assets increased by \$1.9m due to term deposit investments placed during the year from funds received from forest rentals, less the operating loss. Total Liabilities increased by \$5.0m due to forest rentals received during the year adding to the Funds Held in Trust.

Staff

The Trust has engaged in a heavy work programme over the last year, and it is not likely to get any easier as new challenges arise with the increasing trend towards urgent and remedies inquiries, and the changing and volatile Treaty settlements landscape.

Permanent staff decreased to five in 2021/22 with support from part time contractors. Despite this, Trust staff are professionals who work hard to meet the demands associated with organising appropriate funding for multiple claimant groups. For them, it is often not just a job but a genuine commitment to the Trust's core purpose of assisting Māori.

The Trust has worked hard these past few years to streamline its services and to maintain the capability it needs to perform its core function with a diminishing workforce. It has had to learn to work in different ways so that it can continue to meet its commitment to Approved Clients and eligible claimants. This evolution will continue throughout the Trust's remaining life.

Central to the Trust's success is its staff, and their unwavering commitment to support Māori. Trustees are proud of their work and their commitment to do the best for Approved Clients.

A final word

As a final word, I wish to recognise and pay tribute to the effort and sacrifice of those who represented their iwi in their settlement negotiations and inquiries. There were many who worked tirelessly in the front and behind the scenes to ensure their iwi got across the line.

I also wish to thank Trustees, Trust management and Trust staff for their continued commitment and hard work to help the Trust assist claimants with interests in Crown forest licensed lands.

A handwritten signature in black ink, appearing to read 'Rakihia Tau', with a stylized flourish at the end.

Rakihia Tau
Chairperson

Crown Forestry Rental Trust
Financial Statements
For the 12 months ended 31 March 2022

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**Crown Forestry Rental Trust
Statement of Comprehensive Revenue and Expenses
For the Year Ended 31 March 2022**

About the Trust

The Crown Forestry Rental Trust (the Trust) was established in 1990 under the Crown Forest Assets Act 1989, after the New Zealand Māori Council and Federation of Māori Authorities took court action to protect Māori interests in the Crown's commercial forests.

The Act allowed the Crown to sell licences for forestry, but prevented it from selling the land itself until the Waitangi Tribunal recommends who has ownership of the land – Māori or the Crown.

The Trust:

- operates within a Trust Deed;
- provides funding to eligible approved Māori claimants to prepare, present and negotiate claims against the Crown, that involve Crown forest licensed lands, and
- reports annually to the Minister of Finance (Trustees' Crown appointor), and to the New Zealand Māori Council (NZMC) and Federation of Māori Authorities Incorporated (FOMA) (Trustees' Māori Appointor).

The accumulated rental fees for all Crown forest licensed lands are returned to successful claimants who are the confirmed beneficiaries. At the end of the Trust's operational life, any Trust funds not returned to successful claimants will be returned to the Crown.

Settling claims is the responsibility of claimants and the Crown.

How the Trust operates

The Trust is an independent funding agency:

- independent of the Crown
- independent of the Waitangi Tribunal
- independent of Māori

The Trust is not:

- part of the Public Service
- a Māori organisation
- funded by the tax payer
- the decider of outcomes of settlement negotiations or Waitangi Tribunal inquiries.

Funding decisions are made by the six appointed Trustees. Three Crown Trustees are appointed by the Minister of Finance, and three Trustees are appointed by the NZMC and FOMA.

The Trust Deed defines what Trustees can and cannot do, which include:

- applying interest income to help Māori claimants prepare, present and negotiate claims that involve Crown forest licensed lands
- investing rental fees
- accounting for forest rental fees paid to the Trust
- reporting to Appointors

The Trust has two business units – Funded Services and Corporate Services and Assurance.

Funded Services work with the claimants to facilitate them to access trust funds. After a funding application is approved by Trustees, staff manage each funding contract.

Corporate Services perform the usual back office functions required to run the Trust.

Overall, the Trust aims to support approved clients through their claims process or Waitangi Tribunal legal proceedings, while ensuring funding is available throughout the life of all claims.

The Trust endeavours to perform the above functions in a cost effective way, whilst facilitating successful outcomes for claimants where possible. It is important to reiterate that the Trust is not responsible for any legal or negotiation process between Iwi groups and the Crown. This is why there is a very deliberate weighting of Crown and Maori appointed Trustees.

Achievements of the Trust

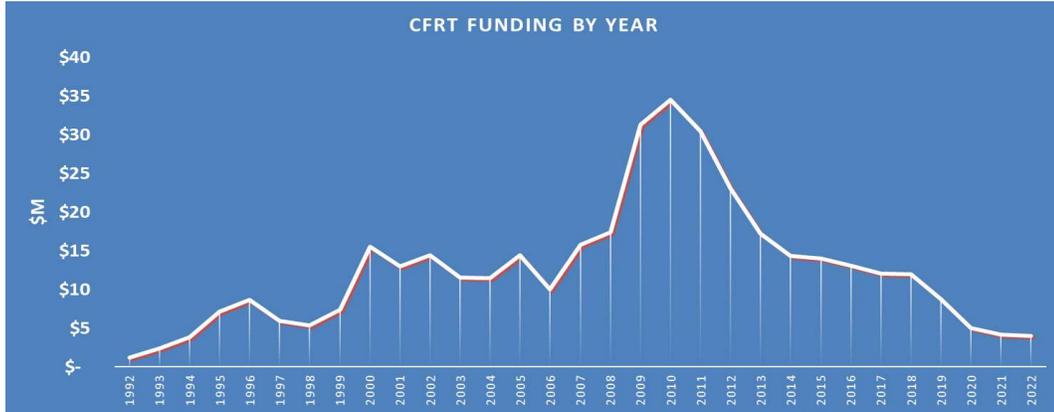
There are two main monetary way of describing what the Trust has achieved during the life of the Trust. 1. the transfer of accumulated rentals and 2. the funding of approved clients.

The life cycle of funding a claim for an Approved Client can take many years, followed by the legislation and settlement phase. For that reason, the Trust is best seen using a longer term lens.

The charts below show the life to date record of the Trust.

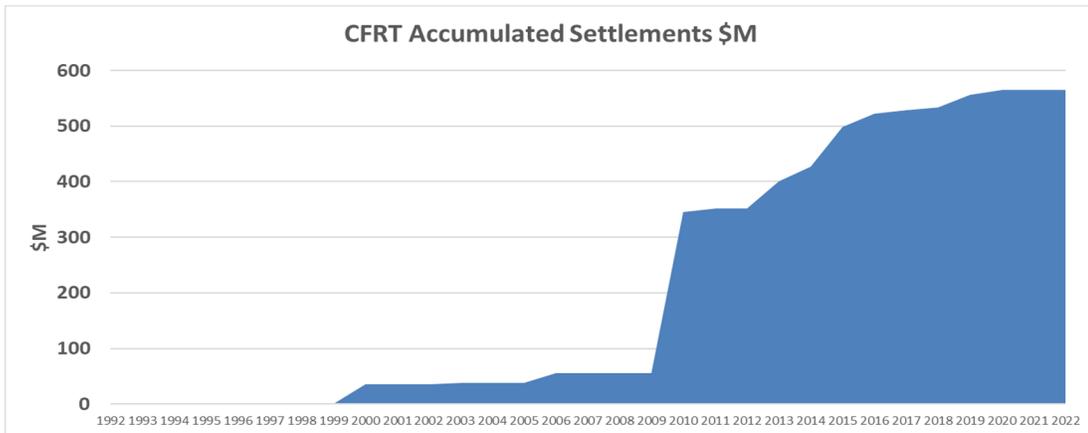
Funding by Year

This shows the amount of money funded to Approved Clients during the life to date of the Trust. The total comes to \$388.8m so far.



Transfers of Accumulated Rentals

This chart shows the amount of aggregated accumulated rentals paid out so far, being \$565.2m.



Key Financial Challenge

A key financial challenge is to ensure all Approved Clients have reasonable access to Trust funding to assist them on their journey to settlement.

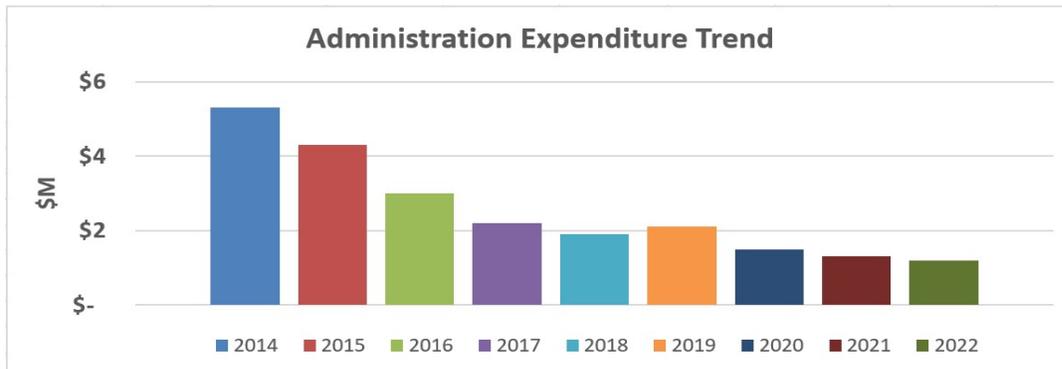
This challenge is met by :

- Prudent management of funds.
- Regular monitoring and forecasting of Trust Income and Expenditure.
- Reviewing funding policies to ensure reasonable funding is available to the remaining approved clients.
- Operating in a cost effective manner.

The chart below shows how the Trust has sought to lower costs each year. The more efficiently the Trust runs, the more money is available to support Approved Clients.

The Trust have worked smarter through technology, and reduced personnel costs through more streamlined processes.

The challenge is to manage resource despite the Trust's workloads being largely dependent on the work undertaken in the treaty claim sector.



The above statement should be read in conjunction with the notes to the financial statements on pages 9 to 15.

Crown Forestry Rental Trust
Statement of Comprehensive Revenue and Expenses
For the Year Ended 31 March 2022

		2022	2021
	Note	\$	\$
Income			
Interest Income		2,614,107	3,750,959
Other Income		61,254	61,500
Total Income		2,675,361	3,812,459
Expenses			
Operating Expenses			
Administration Expenses	3	1,167,218	1,299,407
Assistance to Claimants			
Disbursements to Claimants	2	2,381,023	3,016,666
Research Services for Claimants	2	1,350,730	783,637
Facilitation and Formation of Claimant Groups	2	273,097	353,954
CFRT Service Delivery Costs	2	576,642	800,119
Total Assistance to Claimants		4,581,492	4,954,376
Total Expenditure		5,748,710	6,253,783
Deficit for the Year		(3,073,349)	(2,441,324)
Total Comprehensive Revenue and Expenses for the Year		(3,073,349)	(2,441,324)

Statement of Net Assets/Equity
For the Year Ended 31 March 2022

	2022	2021
	\$	\$
Accumulated Revenue and Expenses at Beginning of Year	65,092,234	67,533,558
Movements in the Year		
Deficit/Total Comprehensive Revenue and Expenses for the Year	(3,073,349)	(2,441,324)
Accumulated Revenue and Expenses at End of Year	62,018,885	65,092,234
Total Net Assets	62,018,885	65,092,234

The above statement should be read in conjunction with the notes to the financial statements on pages 9 to 15.

**Crown Forestry Rental Trust
Statement of Financial Position
As At 31 March 2022**

		2022	2021
	Note	\$	\$
Net Assets			
Accumulated Revenue and Expenses		62,018,885	65,092,234
Total Net Assets		62,018,885	65,092,234
Total Net Assets Represented by:			
Current Assets			
Cash at Bank	11	3,044,614	6,060,016
Short Term Deposits	11	185,000,000	180,000,000
Other Receivables		44,517	44,120
Accrued Interest		1,455,546	1,506,555
		189,544,677	187,610,691
Non Current Assets			
Property, Plant and Equipment	13	482	4,432
Intangible Assets	14	-	24,622
		482	29,054
Total Assets		189,545,159	187,639,745
Current Liabilities			
Trade Payables		25,012	14,253
GST Payable		6,750	6,750
Other Payables		140,219	139,619
Rental Proceeds Held in Trust		23,081,422	1,004,374
		23,253,403	1,164,996
Non Current Liabilities			
Rental Proceeds Held in Trust		104,272,871	121,382,515
Total Liabilities		127,526,274	122,547,511
Net Assets		62,018,885	65,092,234

These financial statements were approved on the 21 July 2022. Signed for and on behalf of the Board of Trustees.



Rakihia Tau
Chairperson
Crown Forestry Rental Trust



Bronwyn Koroheke
Chairperson
Finance & Risk Committee

The above statement should be read in conjunction with the notes to the financial statements on pages 9 to 15.

Crown Forestry Rental Trust
Statement of Cash Flows
For the Year Ended 31 March 2022

	2022	2021
Note	\$	\$
Cash flows from (used in) Operating Activities		
Cash was provided from:		
Interest	2,665,116	5,026,881
Other Income	60,857	18,751
Cash was applied to:		
Payment of Administration Expenses and Service and Disbursements to Claimants	(5,708,780)	(6,339,487)
Net Cash (Outflows) from Operating Activities	4 (2,982,807)	(1,293,855)
Cash Flows from (used in) Financing Activities		
Cash was provided from:		
Rental Proceeds Received	5,974,456	5,676,739
Cash was applied to:		
Rental Proceeds Disbursed	(1,007,052)	-
Net Cash (Outflows)/Inflows from Financing Activities	4,967,404	5,676,739
Cash Flows from (Used In) Investing Activities		
Cash was provided from:		
Maturity of Investments	180,000,000	186,000,000
Cash was applied to:		
Purchase of Investments	(185,000,000)	(189,000,000)
Net Cash (Outflows)/Inflows from Investing Activities	(5,000,000)	(3,000,000)
Net Increase (Decrease) in Cash Held	(3,015,403)	1,382,884
Cash and Cash Equivalents at Beginning of the Year	6,060,016	4,677,131
Cash and Cash Equivalents at End of the Year	3,044,613	6,060,015
Represented by:		
Cash at Bank	3,044,614	6,060,016
	3,044,614	6,060,016

The above statement should be read in conjunction with the notes to the financial statements on pages 9 to 15.

CROWN FORESTRY RENTAL TRUST - NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2022

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These financial statements are presented for the reporting entity Crown Forestry Rental Trust ("the Trust").

The Trust is domiciled in New Zealand and registered in New Zealand under the Charities Act 2005, and is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act 2013. The financial statements have been prepared in accordance with the Trust's Deed (1990) and the Financial Reporting Act 2013.

Nature of Activities

The Crown Forestry Rental Trust was established on 30 April 1990 to receive rental proceeds from Crown forestry licenses.

The rental proceeds received by the Trust are disclosed as liabilities within the Statement of Financial Position. These receipts must be invested in either New Zealand Government-issued securities or in short term interest-bearing deposit accounts with registered banks.

The rental proceeds of the Trust are distributed when the beneficiaries are confirmed and the settlement is enacted under an Act of Parliament.

The interest earned from investments is accumulated by the Trust and applied against the administration expenses of the Trust and to assist any claimant in the preparation, presentation and negotiation of claims which involve, or could involve, licensed Crown forest land.

Rental Proceeds – Funds Held in Trust

The rental proceeds from licensed Crown Forest land are recorded when received by the Trust. The rental proceeds received are recorded directly to the liability for Rental Proceeds as these funds are held in trust on behalf of future claimants. These proceeds are disclosed as Rental Proceeds within the Statement of Financial Position.

Rentals in dispute are held by Land Information New Zealand (LINZ) and are accounted for as Contingent Assets (Refer to Note 8).

Statement of Compliance

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice. They comply with Tier 1 Public Benefit Entity Standards ("PBE Standards").

These financial statements have been authorised for issue by Trustees on 21 July 2022.

Basis of Preparation

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The measurement base is historical cost.

The accrual basis of accounting has been used. These financial statements are presented in New Zealand dollars, rounded to the nearest dollar.

Judgements and Estimates

The preparation of financial statements in conformity with PBE Standards requires judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The information for Disbursements to Claimants and Funds Held in Trust are available within the CFRT website.
The website address is: www.cftr.org.nz.

Significant Accounting Policies

(i) Revenue

Revenue comprises mainly received or receivable income derived from deposits with financial institutions. Other income comprises administration fees from the Forestry Emissions Unit Trust.

Interest income on short term deposits is recognised under the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period (including all fees and points paid or received between the parties to the contract that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount of the financial instrument.

CROWN FORESTRY RENTAL TRUST - NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2022

1 STATEMENT OF ACCOUNTING POLICIES (cont.)

(ii) Income Tax

The Trust is classified as a Charitable Trust for tax purposes and is therefore not subject to income tax.

(iii) Goods and Services Tax

These financial statements have been prepared inclusive of GST.

The Trust has two main activities which lie outside the provisions of the Goods and Services Tax Act 1985, these being:

- The Crown Forestry Rental Trust Deed creates a supply of money to the Trust (Interest earned from the rental proceeds invested which are capital in nature) and this does not meet the definition of Goods and Services in Section 2 of the GST Tax Act 1985.

- The Trust then funds or reimburses Claimants their expenditure relating to the presentation and negotiation of claims before the Waitangi Tribunal (this activity is not deemed to be a taxable activity).

Funding received by claimants is not subject to GST.

(iv) Leases

All leases held by the Trust are classified as operating leases where the lessor substantially retains all the risks and rewards of ownership. Operating lease payments are recognised in a systematic manner over the term of the lease. Leasehold improvements are capitalised and the cost is amortised over the unexpired period of the lease or the estimated useful life of the improvements, whichever is shorter.

(v) Employee Benefits

Employee entitlements to salaries and wages, annual leave, sick leave and other similar benefits are recognised in surplus or deficit when they accrue to employees.

Employee entitlements to be settled within 12 months are reported at the amount expected to be paid. The liability for any long term employee entitlements is reported as the present value of the estimated future cash outflows.

(vi) Financial Instruments

All non derivative financial assets are classified as loans and receivables when the asset is held within the Trust's business model where the objective is to collect the contractual cash flows and those contractual cash flows consist solely of payments of principal and interest on specified dates. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method, less any impairment.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash held in bank accounts and short term deposits that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Accrued Interest

Accrued interest comprises the interest earned but not yet received on short term deposits. Accrued interest is recorded separately to the short term deposits in the Statement of Financial Position.

Receivables

Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method and are stated at their expected realisable value after providing for doubtful debts. Receivables with a duration of less than 12 months are recognised at their nominal value, unless the effect of discounting is material. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired. Impairment losses are recognised in the Statement of Comprehensive Revenue and Expenses.

Payables

Payables are recognised when the Trust becomes obliged to make future payments resulting from the purchase of goods and services.

(vii) Statement of Cash Flows

Operating activities include cash received from investment income and other income sources and cash payments to fund claimants and to manage the day-to-day running of the Trust.

Investing activities are activities relating to the purchase and disposal of investments, property, plant and equipment, and intangible assets.

Financing activities comprise the changes in Funds Held in Trust (Rental proceeds).

CROWN FORESTRY RENTAL TRUST - NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2022

2 CLAIMANT SERVICES DISCLOSURES

Direct Assistance to Claimants:	2022	2021
	<u>\$</u>	<u>\$</u>
Disbursements to Claimants:		
Waitangi Tribunal Hearings	853,474	677,823
Direct Negotiations with the Crown	1,527,549	2,338,843
Total Disbursements to Claimants	<u>2,381,023</u>	<u>3,016,666</u>
Research Services for Claimants:		
Research & Mapping Contracts	1,350,730	783,637
Facilitation and Formation of Claimant Groups:		
Region Level Facilitation Costs	273,097	353,954
CFRT Service Delivery Costs:		
Personnel Costs	400,799	547,653
Other Service Delivery Costs	175,843	252,466
Total Facilitation	<u>576,642</u>	<u>800,119</u>
	<u>4,581,492</u>	<u>4,954,376</u>

Overall assistance to claimants for the current year was less than that of the prior year by \$372,885. The decrease is primarily driven by decreased claimant activity. The forecast for the next year is for expenditure to increase and the Trust currently has commitments totalling \$5,651,696 (contracted but not spent) for claimant and research contracts as at 31 March 2022 (see Note 9).

Claimant Expenditure

Payments made to Claimants are recognised when the Trust has an obligation to make payment, which is deemed to be once the eligibility of the claim has been assessed and final approval for payment given.

3 OPERATING EXPENDITURE

Incorporated within the Trust's deficit are the following operating expenditures:

Administrative Expenditure:	2022	2021
	<u>\$</u>	<u>\$</u>
Rent	69,722	70,720
Depreciation	3,949	18,788
Amortisation	24,622	55,599
Trustee Fees (refer to Note 5)	99,473	110,605
Audit Fees	42,279	39,330
Legal Costs	6,000	3,956
Employee Remuneration and Benefits	744,758	838,139
Other Administrative Expenditure	176,415	162,271
	<u>1,167,218</u>	<u>1,299,407</u>

4 RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO TOTAL DEFICIT

	2022	2021
	<u>\$</u>	<u>\$</u>
(DEFICIT) FOR THE YEAR	<u>(3,073,349)</u>	<u>(2,441,324)</u>
Adjustments for Non-Cash Items:		
Depreciation Expense	3,949	18,788
Amortisation Expense	24,622	55,599
Impact of Changes in Working Capital		
(Increase)/Decrease in Accrued Interest	51,009	1,275,922
(Decrease)/Increase in Trade and Other Payables	11,359	(160,090)
(Increase)/Decrease in Other Receivables	(397)	(42,749)
Net Cash Outflows from Operating Activities	<u>(2,982,807)</u>	<u>(1,293,855)</u>

CROWN FORESTRY RENTAL TRUST - NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2022

5 TRUSTEE FEES AND KEY MANAGEMENT PERSONNEL

	2022	2021
	\$	\$
Trusteeship/Governance	<u>99,473</u>	<u>110,605</u>

The rates for Trustee fees are in accordance with the Government's standard "Fees Framework for Members of Statutory and Other Bodies Appointed by the Crown". From 1 July 2005 the fees are a daily rate of \$595 for the Chairperson capped to an annual maximum of \$29,750. Other Trustees have been set a daily rate of \$540, capped to an annual maximum of \$14,875.

The Trustees attend regular meetings during the year to deal with governance issues of the Trust, such as strategic and business planning issues, as well as considering proposals relating to the funding of claimant groups.

Fees received by Trustees	2022	2021
	\$	\$
Mr Alexander (John) Wilson (term completed as at 5 July 2020)	-	4,958
Hon Sir Taihākurei (Edward) Durie (term completed as at 30 June 2021)	4,958	14,875
Mr Rākihia Tau (Chair)	29,750	29,750
Mr Paul Majurey	14,875	14,875
Hon Tau Henare	14,875	14,875
Bronwyn Koroheke	14,875	14,875
Lynell Huria (term commenced from 6 July 2020)	14,875	9,917
Ms Riria Te Kanawa (Maori Appointed Alternate)	405	810
Mr John Paki (Maori Appointed Alternate)	3,645	2,025
Anne Carter (Crown Appointed Alternate)	-	810
Ms Roimata Kirikiri (Maori Appointed Alternate)	1,215	2,835
	<u>99,473</u>	<u>110,605</u>

Key Management Personnel Conflict of Interest

The Trust maintains an active register which records potential conflicts of interest whereby both staff and Trustees are required to disclose any interests associated with their Iwi group or affiliations concerning claimant funding activities and for other contracts and services being provided.

Management	2022	2021
CFRT Executive Team Members at year end	2	2

CFRT Executive Remuneration	2022	2021
	\$	\$
Short Term Employee Benefits	469,232	451,414
Post Employment Benefits	17,926	18,151
	<u>487,158</u>	<u>469,565</u>

Other Affiliations held by Executive Team

A number of the Executive Team have affiliations to Iwi represented by claimant groups recognised by the Trust. Where the Executive are considering providing assistance to particular claimant groups to which they are affiliated, the Executive disclose these affiliations and have taken action they consider appropriate to deal with any potential conflict of interest that may arise during the year.

6 RELATED PARTY TRANSACTIONS

As noted in Note 5 the Trust maintains an active register which records potential conflicts of interest. Trustees are required to disclose such potential interests at Board meetings in order to reduce risks surrounding their association with their Iwi group or affiliations concerning claimant funding activities and for other contracts and services being provided.

The Trust administered the Forestry Emission Unit Trust during the year and received an Administration Fee of \$60,000 for its services (2021:\$60,000). The Forestry Emission Unit Trust trustees are also trustees of the Trust.

7 CONTINGENT LIABILITIES

There were no contingent liabilities as at 31 March 2022.

8 CONTINGENT ASSETS

As at 31 March 2022 there are disputed licence fees of \$0 held by LINZ (2021: \$1,066,420).

LINZ manages the collection of licence fees on behalf of the Trust. Every three years the licence fees are reviewed and the licensees are able to dispute the Crown's assessments. As a consequence LINZ holds the disputed portion of the licence fees until the dispute is resolved.

When disputes are resolved LINZ forwards to the Trust the balance of the licence fees and any interest earned on the balances.

CROWN FORESTRY RENTAL TRUST - NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2022

9 COMMITMENTS

(i) Assistance to Claimants

The Trust has commitments totalling \$5,651,696 as at 31 March 2022 (2021: \$3,233,948) relating to assistance to claimants which has been approved by Trustees at balance date. The release of these amounts is subject to the claimant groups meeting the various terms and conditions established for their respective funding and the completion of research contracts in progress.

(ii) Capital Commitments

The Trust has no capital commitments at 31 March 2022 (2021: \$nil).

(iii) Lease Commitments

The Trust has no future commitments under operating leases for premises or motor vehicles (2020: \$nil).

10 SUBSEQUENT EVENTS

There have been no events subsequent to balance date.

11 FINANCIAL INSTRUMENTS SCHEDULE

The following table details the Trust's financial instruments, (which excludes other receivables and current payables whose carrying value is already equal to fair value), their estimated fair values excluding accrued interest and the exposure to interest rate risk as at 31 March 2022 are as follows:

The fair values of these financial instruments have been determined using market interest rates.

		Carrying Amount 2022		Carrying Amount 2021
		\$		\$
Cash and Bank		3,044,614		6,060,016
Short Term Deposits		185,000,000		180,000,000
Total Portfolio		188,044,614		186,060,016

(A) CURRENT Maturity	Average Interest Rate	Face Value		Face Value	
		2022	2022	2021	2021
	%	\$	\$	\$	\$
Short Term Deposits	1.44%	185,000,000	185,000,000	180,000,000	180,000,000
TOTAL CURRENT		185,000,000	185,000,000	180,000,000	180,000,000

Maturity Analysis of Short Term Deposits	Highest	Lowest	Highest	Lowest
	2022	2022	2021	2021
Interest Rate Ranges	2.95%	1.03%	2.70%	1.04%

Categories of Financial Instruments		2022	2021
		\$	\$
Financial Assets at Amortised Cost			
Accrued Interest		1,455,546	1,506,555
Other Receivables		44,517	44,120
Cash at Bank		3,044,614	6,060,016
Short Term Deposits		185,000,000	180,000,000
Financial Liabilities at Amortised Cost			
Trade Payables		25,012	14,253
Other Payables		140,219	139,619
Rental Proceeds		127,354,293	122,386,889

CROWN FORESTRY RENTAL TRUST - NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2022

11 FINANCIAL INSTRUMENTS SCHEDULE (cont.)

Sensitivity Analysis

The Trust's financial instruments include trade payables, rental proceeds, cash at bank, short term deposits, other receivables, and accrued interest.

The analysis below has been determined using the average monthly yield of all income generating assets held by the Trust. The table shows the effect of a 0.5% up or down movement in market interest rates on that average monthly yield. There have been no changes to the calculation methodology from the prior year.

	Surplus/Deficit 2022 \$	Accumulated Revenue and Expense 2022 \$	Surplus/Deficit 2021 \$	Accumulated Revenue and Expense 2021 \$
Market Interest Rates Decrease by 0.5%	(909,375)	(909,375)	(914,375)	(914,375)
Market Interest Rates Increase by 0.5%	909,375	909,375	914,375	914,375

12 FINANCIAL INSTRUMENTS

(i) Foreign Exchange Risk

The Trust has no exposure to foreign exchange risk.

(ii) Credit Risk

Financial instruments, which are potentially subject to credit risk, consist primarily of short term deposits. The Trust may be subject to losses up to the value of \$189,544,677 as at 31 March 2022 (31 March 2021: \$187,610,691) in the event of non-performance by all counterparties. The Trust does not expect losses to occur as these instruments are comprised of deposits held with registered banks. Consequently, no collateral is held by the Trust to support these financial instruments. No financial assets are either past due or impaired at 31 March 2022 (31 March 2021: Nil).

(iii) Interest Rate Risk

The Trust's primary interest rate risk is on short term deposits and can be measured as the differential between the rate received and the current market interest rate. As at 31 March 2022 the estimated gain is \$nil (as at 31 March 2021 the estimated gain was \$nil).

The Trust regularly monitors interest rates and manages financial assets when required to limit interest rate risk. Quotes for short term deposit interest rates are sought from at least two banking institutions and highest quotes receive deposits accordingly.

(iv) Liquidity Risk Management

Ultimate responsibility for liquidity risk management rests with Trustees, who have built an appropriate liquidity risk management framework for the management of the Trust's short, medium, and long term funding and liquidity management requirements. The Trust manages liquidity by maintaining adequate reserves, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities, and allowing for expected settlement payments. The Trust's liquidity exposures represent rental proceeds and trade payables.

(v) Capital Risk Management

The Trust manages its retained earnings to ensure that the Trust is able to continue as a going concern while maximising the return to the stakeholders. The Trust manages this risk through regular reviews of relevant policy documents.

There have been no changes in the Trust's exposure to risk or the policies and processes in managing and measuring risk.

13 PROPERTY, PLANT AND EQUIPMENT

	Computer Equipment	Leasehold Improvements	Combined Classes*	Total
2022	\$	\$	\$	\$
Opening Cost 1 April	58,360	-	-	58,360
Purchases	(0)	-	-	-
Closing Cost 31 March	58,360	-	-	58,360
Opening Accumulated Depreciation 1 April	53,928	-	-	53,928
Depreciation	3,950	-	-	3,950
Closing Accumulated Depreciation 31 March	57,878	-	-	57,878
Net Book Value	482	-	-	482

CROWN FORESTRY RENTAL TRUST - NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended 31 March 2022

13 PROPERTY, PLANT AND EQUIPMENT (cont.)

	Computer Equipment	Leasehold Improvements	Combined Classes*	Total
	\$	\$	\$	\$
2021				
Opening Cost 1 April	60,776	-	-	60,776
Disposals	(2,416)	-	-	(2,416)
Purchases	(0)	-	-	-
Closing Cost 31 March	58,360	-	-	58,360
Opening Accumulated Depreciation 1 April	35,140	-	-	35,140
Disposals	(2,416)	-	-	(2,416)
Depreciation	21,205	-	-	21,205
Closing Accumulated Depreciation 31 March	53,928	-	-	53,928
Net Book Value	4,432	-	-	4,432

* The assets aggregated within the Combined Class relates to Furniture and Fittings, Office equipment and Other equipment held by the Trust

Items of property, plant and equipment are initially recorded at cost. When an asset is acquired for no or nominal consideration (i.e. non-exchange transaction) the asset will be recognised initially at fair value as their deemed cost at initial recognition. The fair value of the asset acquired through a non-exchange transaction is recognised as revenue. There is no property, plant and equipment acquired under a non-exchange transaction during the year.

Property plant and equipment is subsequently measured at cost less accumulated depreciation and impairment.

Realised gains and losses arising from disposal of property, plant and equipment are recognised in the surplus or deficit in the period in which the transaction occurs.

The carrying amounts of property, plant and equipment are reviewed at least annually to determine if there is any indication of impairment. Where an asset's recoverable amount is less than its carrying amount, it will be reported as its recoverable amount and an impairment loss will be recognised. Losses resulting from impairment are reported in surplus or deficit.

Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its useful life to estimate residual value. The estimated useful lives, residual value and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Asset Category	Expected Life	Rate	Method
Computer equipment	3 years	33%	Straight line

14 INTANGIBLE ASSETS

		2022 \$	2021 \$
Intangible Assets -Software			
Opening Cost 1 April		199,220	199,220
Purchases		-	-
Closing Cost at 31 March		199,220	199,220
Opening Amortisation 1 April		174,599	119,000
Amortisation	(rounded)	24,622	55,599
Closing Amortisation 31 March		199,220	174,599
Net Intangible Assets		-	24,622

Intangible assets are initially recorded at cost. The cost of the internally generated intangible asset represents expenditure incurred in the development phase of the asset only. The development phase occurs after the following can be demonstrated: technical feasibility; ability to complete the asset; intention and ability to sell or use; and development expenditure can be reliably measured. Expenditure incurred on research of an internally generated intangible asset is expensed when incurred. Where the research phase cannot be distinguished from the development phase, the expenditure is expensed when it is incurred.

Intangible assets with finite lives are subsequently recorded at cost less any amortisation and impairment losses, and are amortised on a straight-line basis over their useful lives as follows:

Asset Category	Expected Life	Rate	Method
Software	3 years	33%	Straight line

Realised gains and losses arising from the disposal of intangible assets are recognised in surplus or deficit in the period in which the transaction occurs.

Intangible assets with finite lives are reviewed at least annually to determine if there is any indication of impairment. Where an intangible asset's recoverable amount is less than its carrying amount, it will be reported at its recoverable amount and impairment loss will be recognised. Losses resulting from impairment are reported in the surplus or deficit.

Independent Auditor's Report

To the Trustees of Crown Forestry Rental Trust

Opinion

We have audited the financial statements of Crown Forestry Rental Trust (the 'Trust'), which comprise the statement of financial position as at 31 March 2022, and the statement of comprehensive revenue and expenses, statement of net assets/equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements, on pages 6 to 15, present fairly, in all material respects, the financial position of the Trust as at 31 March 2022, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

We are independent of the Trust in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor, we have no relationship with or interests in the Trust, except that partners and employees of our firm deal with the Trust on normal terms within the ordinary course of trading activities of the business of the Trust.

Other information

The Trustees are responsible on behalf of the Trust for the other information. The other information comprises the information in the Annual Report that accompanies the financial statements and the audit report.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information obtained prior to the date of our audit report and consider whether it is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If so, we are required to report that fact. We have nothing to report in this regard.

Trustees's responsibilities for the financial statements

The Trustees are responsible on behalf of the Trust for the preparation and fair presentation of the financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trust either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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 conducted in accordance with ISAs and ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-8>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Trustees, as a body, in accordance with Section 7.3 of the Trust Deed. Our audit has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Wellington, New Zealand
21 July 2022

CROWN FORESTRY RENTAL TRUST

Directory

TRUSTEES

Hon Tau Henare
Paul Majurey
Bronwyn Koroheke
Rakihia Tau (Chairperson)
Lynell Huria
Annette Sykes (appointed 20 April 2022)

APPOINTED BY

Crown Appointor
Maori Appointor
Maori Appointor
Crown Appointor
Crown Appointor
Maori Appointor

SENIOR MANAGEMENT

Rama Rewi
Andrew French

Chief Executive
Director Corporate Services and Assurance

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