

Hokotehi Moriori Trust

Financial Report 2021

This financial report comments on the financial results for the Hokotehi Moriori Trust (“HMT”) Group for the 12 months ended 30 June 2021. The HMT Group comprises the results of HMT itself, Kopi Holdings (covering Kaingaroa and Henga farms, Henga Lodge, Investment property, and Pitt Island), Hokotehi Settlement Quota Holding Company (quota income) and Te Keke Tura Moriori Identity Trust.

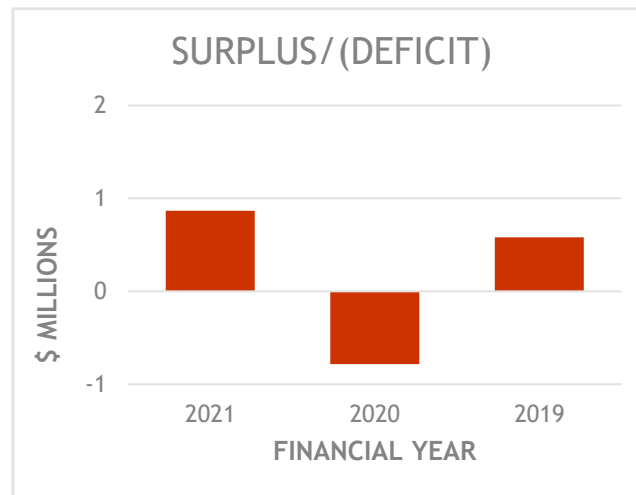
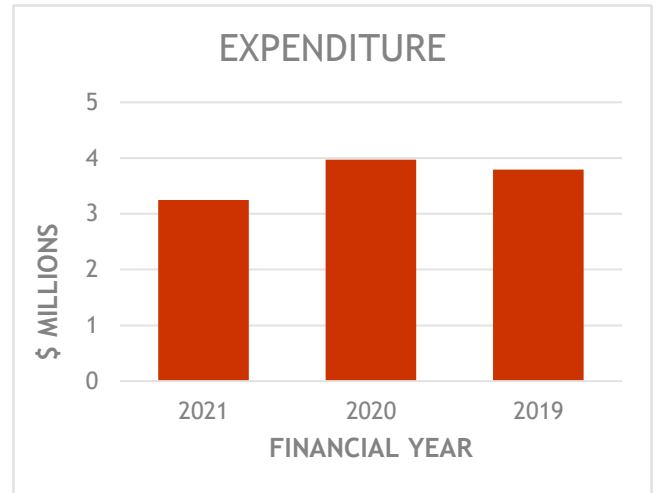
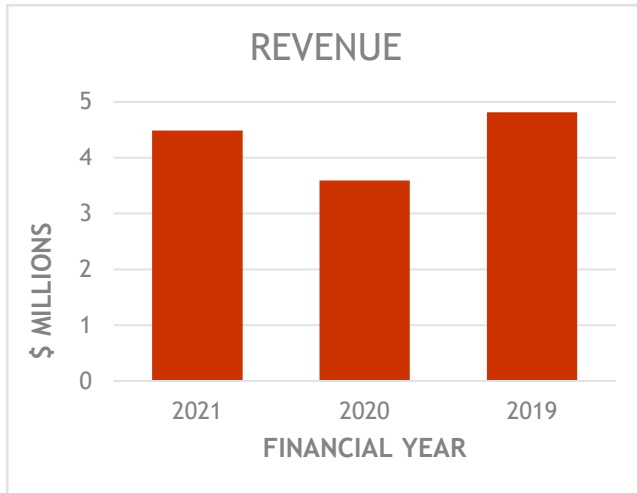
Overall, the Trust has achieved a strong financial result for the year ended 30 June 2021. Total surplus, including quota revaluation, was \$9.880m compared to \$3.840m last year. This significant increase was primarily due to a healthy increase in the market value of the Group’s fishing quota of \$9.013m. No additional quota was purchased during 2021.

The performance from operating activities did increase by \$1.651m to a profit of \$867,000 this year compared to a loss of \$784,000 last year. This has been a strong turnaround in the wake of COVID-19 and the financial impacts that had on the 2020 financial year.

Key components of the result are as follows.

1.0 Revenue and Expenses

SUMMARISED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES			
	2021	2020	2019
	\$'000	\$'000	\$'000
Revenue	4,487	3,594	4,815
Expenses	3,250	3,971	3,792
Finance Costs	370	407	442
Net Surplus/(Deficit)	867	(784)	581
Other Comprehensive Revenue	9,013	4,624	10,361
Total Comprehensive Revenue	9,880	3,840	10,942



Revenue increased by \$893,000 to \$4.486m compared to last year of \$3.593m. Material changes in revenue between the current year and the prior year are as follows:

- 1.1 Government grants and subsidies has decreased for the year from \$476,000 in 2020 to \$255,000 in 2021. The majority of the grants received during the 2021 year were from Te Matawai (\$175,000) which has been and will continue to be utilised, in the culture and language space. Department of Conservation also granted \$50,000 for the Hokotehi Trainee Ranger Position, a position that is currently being advertised.
- 1.2 ACE income has increased by \$1.003m to \$2.915m for the year (2020: \$1.912). This is largely due to the bounce back in the industry post the impact of COVID-19 during 2020.
- 1.3 Rental Income, combined with Henga Lodge income, has decreased from \$587,000 in 2020 to \$380,000 in 2021. This is largely as a result of the limited lodge operation, post the closure during the 2020 year. The lodge operations are set to increase in the coming months, with the provision of accommodation to those involved with the airport extension project.



- 1.4 Interest income has decreased by \$38,000 to \$21,000, compared to \$59,000 last year. The drop in interest income reflects the continued drop-in interest rates. The current term deposit rate is 0.50% (2020: 1.2%).
- 1.5 Revenue from HMT farms (Kaingaroa and Henga) has increased to \$801,000 in 2021 (compared with \$345,000 in 2020). This increase has largely been driven by the increase in quantity of stock sold between the two years. In 2021 there were 271 Cattle sold compared to 1 in 2020, whereas 5,757 sheep were sold in 2021 compared to 2,080 in the previous year.

Sheep on hand at year end dropped from 8,109 to 6,949 in 2021. This decrease is largely reflected in the increased sales, due to stock having been held for improved sheep prices in the 2020 year.

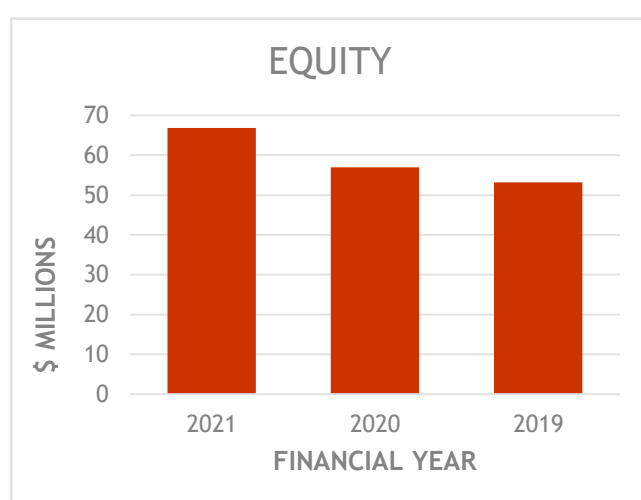
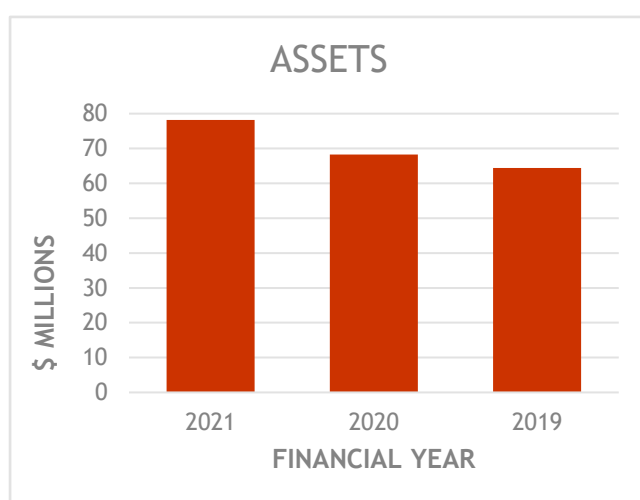
Cattle on hand at year end has also dropped from 559 to 416 in 2021. In a similar manner to the sheep this reduction in quantity is reflected in the increased sales, due to stock having not been shipped in the 2020 year.

Expenses decreased by \$721,000 to \$3.249m compared to last year of \$3.970m. Material changes in expenses between the current year and the prior year are as follows:

- 1.6 Wages and Salaries have decreased from \$1.008m to \$895,000 in 2021. This is largely due to less staff employed as a result of the closure of Henga Lodge in the previous financial year.
- 1.7 Cost of goods sold has increased to \$413,000 in 2021 (from \$118,000 in 2020). A large increase is from freight costs, particularly with the increased stock sold during the year.
- 1.8 Other overhead and administrative expenses have decreased from \$2.546m in 2020 to \$1.675m in 2021. There are a number of expense items that comprise this balance, however the largest changes were as follows:
 - 1.8.1 Legal and treaty settlement related expenses totalled \$76,000 for 2021 (2020: \$268,000). This is a decrease of \$192,000.
 - 1.8.2 There were no Henga Workshop expenses incurred for the year (2020: \$18,000) as this workshop no longer in operation.
 - 1.8.3 Accountancy fees reduced from \$141,000 in 2021 to \$95,000 in 2021.
 - 1.8.4 There were minimal debts considered “bad” during the 2021 year (2020: \$323,000 due to the impact COVID-19 had on ACE income).
- 1.9 Finance costs (mainly interest expense) has decreased by \$80,000 to \$401,000 for 2021. This reduction is largely due to the reduced debt with ANZ bank.

2.0 Assets and Liabilities

SUMMARISED STATEMENT OF FINANCIAL POSITION			
	2021	2020	2019
	\$'000	\$'000	\$'000
Current Assets	7,506	6,671	7,361
Non-current Assets	70,720	61,580	57,082
Total Assets	78,226	68,251	64,443
Current Liabilities	9,776	11,264	11,296
Non-current Liabilities	1,582	-	-
Total Liabilities	11,358	11,264	11,296
Net Assets	66,868	56,987	53,147



Material changes in expenses between the current year and the prior year are as follows:

- 2.1 Cash and cash equivalents increased from \$717,000 to \$1.735m in the 2021 year. This as a result of the strong financial results achieved during the year.
- 2.2 Fishing Quota increased in value by \$9.013m from \$52.537m in 2020 to \$61.550m in 2021. The large portion of this is the increase in the value of the CRA6 quota which increased from \$38.222m in 2020 to \$45.866m in 2021. HMT continues to commit its CRA6 ACE to Port Nicholson Fisheries LP on a rolling three-year basis.
- 2.3 Intangible assets also reflect the \$76,000 spent on the development of the language app, which is now in use by members.
- 2.4 Loans and Borrowings through ANZ Bank decreased from \$10.680m to \$9.100m. This reduction in debt was funded by a loan from 'MIST' of \$1.58m to assist with cashflow funding.
- 2.5 Overall, the Trust has a sound financial positions with total assets of \$78.2m, total liabilities of \$11.4m and an overall net asset position of \$66.9m (compared with \$56.9m last year).

3.0 Update on Moriori Imi Settlement Trust (“MIST”)

Following the initialling of the Deed of Settlement (“DOS”) between Moriori and the Crown in August 2019, the Crown paid across the on-account settlement amount of \$3.6m as a down payment against the agreed cash sum of \$18.0m that Moriori will receive as part of its DOS.

The balance of the \$14.4m plus accrued interest since the signing of the AIP in August 2017, will be paid to MIST once the settlement is finally concluded.

The Bill has had its first reading through Parliament and is expected to be finalised in late 2021. It is not yet determined if the current COVID-19 situation will impact the timing of this.

A handwritten signature in black ink, appearing to read 'P. Roth'.

Phillip Roth
Director
BDO Christchurch