

Hokotehi Moriori Trust

Financial Report 2022

This financial report comments on the financial results for the Hokotehi Moriori Trust (“HMT”) Group for the 12 months ended 30 June 2022. The HMT Group comprises the results of HMT itself, Kopi Holdings (covering Kaingaroa and Henga farms, Henga Lodge, Investment properties, and Pitt Island), Hokotehi Settlement Quota Holding Company (quota income) and Te Keke Tura Moriori Identity Trust.

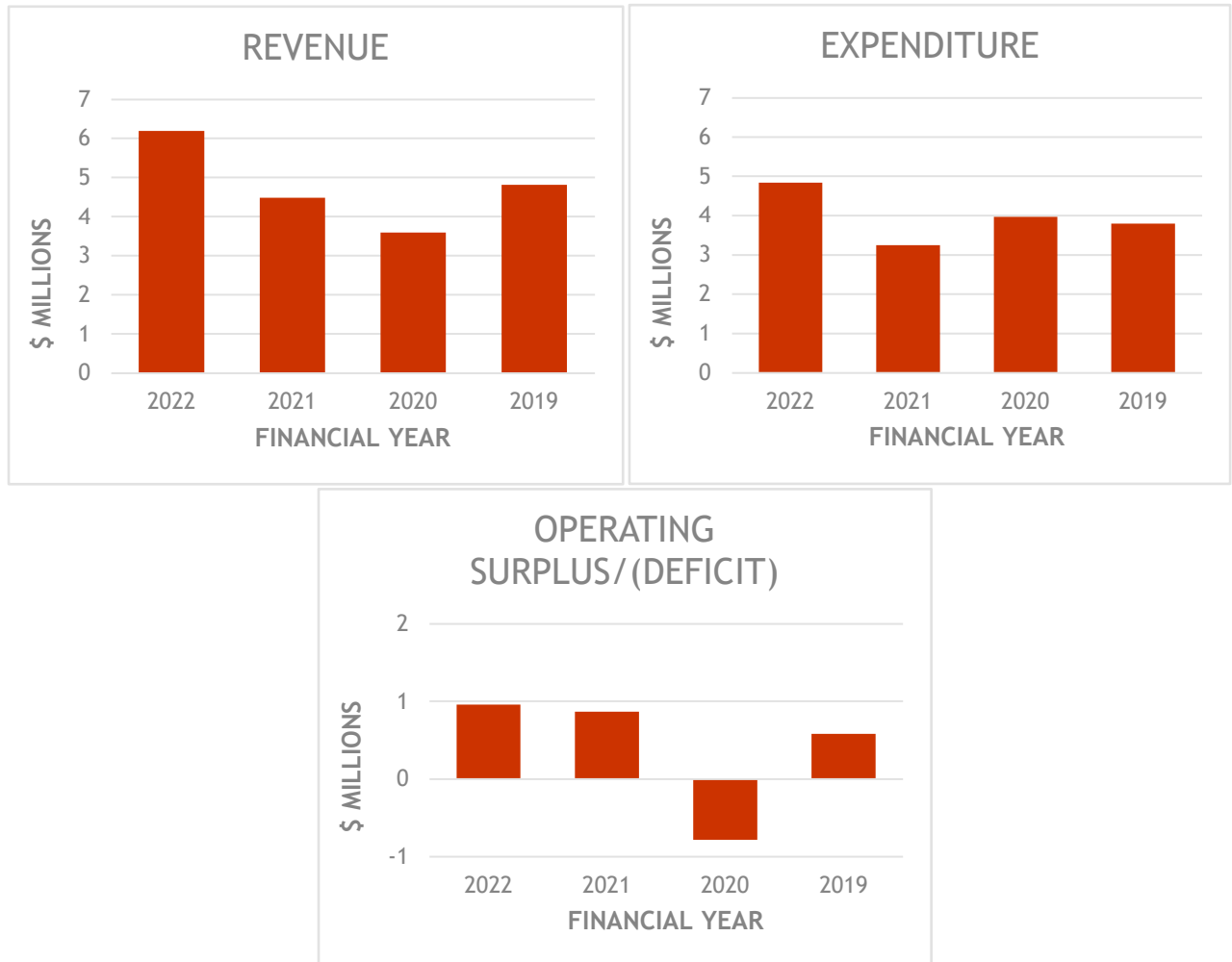
Overall, the Trust has achieved a solid financial result for the year ended 30 June 2022. Total surplus, including quota revaluation, was \$4.945m compared to \$9.880m last year. This lower result was largely driven by the fishing quota valuation for the year being \$3.987m compared to \$9.013m in the previous year. Additional quota was purchased during 2022 of \$1.155m (2021: \$Nil).

The performance from operating activities increased by \$91,000 to a profit of \$958,000 this year compared to a profit of \$867,000 last year. This performance has been consistent between the two years, particularly considering the continued disruptions of COVID-19.

Key components of the result are as follows.

1.0 Revenue and Expenses

SUMMARISED STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSES				
	2022	2021	2020	2019
	\$'000	\$'000	\$'000	\$'000
Total Revenue	6,192	4,487	3,594	4,815
Total Expenses	4,836	3,250	3,971	3,792
Total Finance Costs	398	370	407	442
Operating Surplus/(Deficit)	958	867	(784)	581
Other Comprehensive Revenue	3,987	9,013	4,624	10,361
Total Comprehensive Revenue	4,945	9,880	3,840	10,942



Revenue increased by \$1.706m to \$6.192m, compared to last year of \$4.486m. Material changes in revenue between the current year and the prior year are as follows:

- 1.1 Government grants and subsidies has increased for the year from \$255,000 in 2021 to \$695,000 in 2022. The majority of the grants received during the 2022 year were from the Ministry of Primary Industries (\$448,600), which has been and will continue to be utilised in the One Billion Tree project that is currently underway. Funds were also received from the Ministry of Justice (\$134,000) to recover costs incurred throughout the Treaty Settlement Claim process.
- 1.2 ACE income remained consistent between 2021 and 2022 at \$2.915m in both years. This is largely due to COVID-19 having less of an impact on the industry than it did in the 2020 financial year with China markets remaining open.
- 1.3 Rental income combined with Henga Lodge income has increased from \$380,000 in 2021 to \$1.702m in 2022. This is largely due to increased lodge operations with the provision of accommodation and meals to those involved with the airport extension project, as well as rental of residential properties and the commercial property owned in Wellington. This income will return to normal levels in the current financial year with the airport project set to be complete early in the new year.

- 1.4 Interest income has decreased by \$3,000 to \$18,000, compared to \$21,000 last year. The drop in interest income reflects the continued low interest rates, as well as the removal of funds from a term deposit facility. The current term deposit rate is 0.50% (2021: 0.50%).
- 1.5 Revenue from HMT farms (Kaingaroa and Henga) has increased to \$852,000 in 2022 (compared with \$801,000 in 2021). This increase has largely been driven by the increase in price obtained for stock sold between the two years. In 2022 there were 238 Cattle sold compared to 271 in 2021, whereas 5,511 sheep were sold in 2022 compared to 5,757 in the previous year.

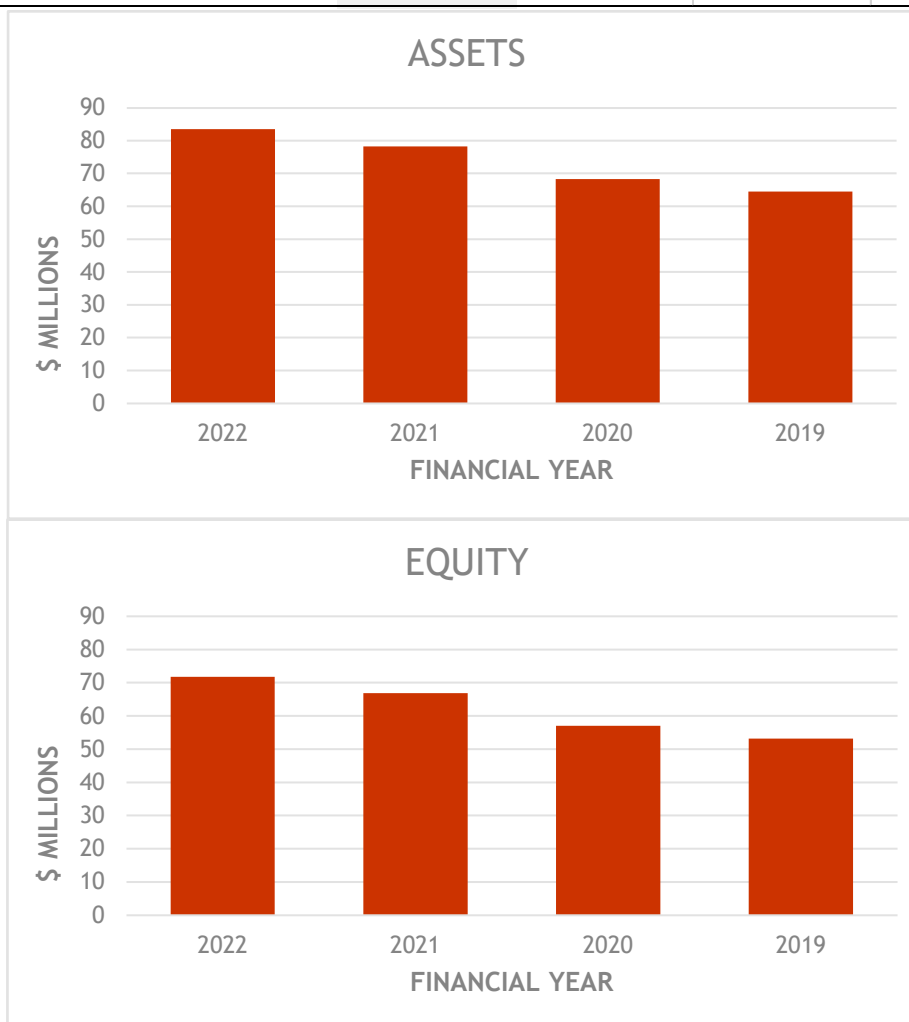
Sheep on hand at year end dropped from 6,949 to 5,484 in 2022. Cattle on hand at year end has also dropped from 416 to 330 in 2022. These decreases have largely been driven by reducing the average age of animals on farm, as well as the infrastructure requirements.

Expenses increased by \$1.587m to \$4.836m, compared to last year of \$3.249m. Material changes in expenses between the current year and the prior year are as follows:

- 1.6 Wages and Salaries have increased from \$895,000 to \$1.501m in 2022. This is largely due to more staff employed because of the increased operation of Henga Lodge, along with the employment of more full-time staff during the year to support operations.
- 1.7 Cost of goods sold has increased to \$649,000 in 2022 (from \$413,000 in 2021). While increasing freight costs contribute to this increase, this also represents increased costs from Henga Lodge with the provision of meals.
- 1.8 Other overhead and administrative expenses have increased from \$1.676m in 2021 to \$2.394m in 2022. There are several expense items that comprise this balance, however the largest changes were as follows:
 - 1.8.1 Legal and treaty settlement related expenses totalled \$120,000 for 2022 (2021: \$76,000). This is an increase of \$44,000.
 - 1.8.2 Consultancy fees totalled \$91,000 for 2022. There were no fees in 2021. These fees related to several independent advisors utilised during the year for specific projects.
 - 1.8.3 Accountancy fees increased from \$95,000 in 2021 to \$159,000 in 2022. This increase was largely as a result of a number of particular projects advised upon for the Board.
 - 1.8.4 Repairs and maintenance costs increased from \$201,000 in 2021 to \$495,000 in 2022. This is evident in the extensive repair work being undertaken on all property under HMT Group ownership.
- 1.9 Finance costs (mainly interest expense) has slightly increased by \$28,000 to \$430,000 for 2022. This is in line with rising interest costs and is expected to continue to increase into the next financial year.

2.0 Assets and Liabilities

SUMMARISED STATEMENT OF FINANCIAL POSITION				
	2022	2021	2020	2019
	\$'000	\$'000	\$'000	\$'000
Current Assets	7,056	7,506	6,671	7,361
Non-current Assets	76,449	70,720	61,580	57,082
Total Assets	83,505	78,226	68,251	64,443
Current Liabilities	10,110	9,776	11,264	11,296
Non-current Liabilities	1,582	1,582	-	-
Total Liabilities	11,692	11,358	11,264	11,296
Net Assets	71,813	66,868	56,987	53,147



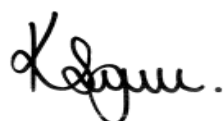
Overall, the Trust has a sound financial position with total assets of \$83.5m, total liabilities of \$11.7m and an overall net asset position increasing by \$4.9m to \$71.8m (compared with \$66.9m last year). Material changes in assets and liabilities between the current year and the prior year are as follows:

- 2.1 Cash and cash equivalents increased from \$1.735m to \$3.566m in the 2022 year. This is mainly a result of \$3.432m withdrawn from term deposits during the year. The majority of the remaining funds withdrawn from the term deposit was spent on Property, Plant and Equipment as well as the purchase of additional Fishing Quota.
- 2.2 Fishing Quota increased in value by \$3.987m from \$61.550m in 2021 to \$66.693m in 2022. The large portion of this is the increase in the value of the CRA6 quota which increased from \$45.866m in 2021 to \$49.689m in 2022, along with the purchase of PAU4 quota during the year (\$1.155m). HMT continues to commit its CRA6 ACE to Port Nicholson Fisheries LP on a rolling three-year basis.
- 2.3 Property, Plant and Equipment increased from \$4.971m to \$5.626m in 2022. This is largely driven by capital expenditure on buildings, as well as addition of new vehicles to the fleet.
- 2.4 Loans and Borrowings through ANZ Bank remained consistent at \$9.100m during the year. These ANZ Bank loans are currently interest only.

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 Bill was finalised through Parliament during the financial year, after many delays due to COVID-19. The balance of the \$14.4m plus accrued interest since the signing of the DOS in August 2017, was received in February 2022. These funds are currently held on term deposit.



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