

He Mahi, He Ritenga Hei Whakatinana i te Tūrua Pō 2004

Case Studies: Māori Organisations
Business, Governance & Management Practice



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Foreword

E ngā mana, e ngā reo, e rau rangatira mā o ngā hau e whā tēnei te mihi atu ki a koutou katoa.

This is the second series of case studies on Māori organisations. The first series, *Hei Whakatinana i te Tūrua Pō: Business Success and Māori Organisational Governance Management Study*, was an initial testing of the waters. It showed Māori and Pakeha alike, that Māori are significant and successful players across a range of industries. This second report explores in more depth the reasons behind the success of Māori organisations.

The ten organisations that have been highlighted in this current series of case studies again are successful in their own right. Each is a serious business; most contending with the ups and downs of the global economy and the management and governance issues generic to all companies with shareholders. However, it also highlights some of the other nuances of organisations operating under the unique laws and lores of Māori land.

I thank each of the ten organisations and their boards for being frank about their governance arrangements. I believe that this is a very real way to show leadership in an area which is complex and requires long term commitment. I trust that each has benefited from involvement in the study in some way, and commend the researchers and writers for bringing this information to life. I also acknowledge the Federation of Māori Authorities for contributing to this step in promoting Māori success.



Leith Comer
Chief Executive
Te Puni Kōkiri

Preface

*E ngā mana, e ngā reo, e ngā karangatanga maha,
tēnā koutou, tēnā koutou, tēnā koutou katoa.*

E ngā mate – haere, haere, haere.

I roto i te rīpoata e whai ake nei i puta ake ētahi o ngā kōrero i te ao Māori.

It is important that the Māori perspective is taken into account when Māori governance and management policy issues are being considered. Te Puni Kōkiri accordingly commissioned this to provide insights into the governance and management of successful Māori owned businesses as part of its wider work on governance.

The research involved the development of a survey and interviews most of which were conducted ‘kanohi ki te kanohi’ with a sample of ten Māori businesses. The participants interviewed govern or manage organisations involved in a broad spectrum of industry activities including tourism, health, education, seafood, primary resources and property. The organisations interviewed are structured under legislation such as Te Ture Whenua Māori, Companies Act, Statutory Body, Charitable Trusts Act, providing diversity and differing scale of shareholder equity for research.

The report identifies key principles that can be further explored for better recognising current Māori perspectives on governance and management, and facilitating more effective education and training programmes for governance self improvement.

This research builds on the long term commitment that the Federation of Māori Authorities (FoMA) has made to improve governance and management practice and will provide useful input into the development of policy to better meet the needs of Māori and their organisations. It is also intended that Māori organisations can draw on these case studies to build their own governance capacity.

Document Context

It is important to note that these case studies are prepared to reflect how these organisations say they conduct their business. Great effort has been made to retain the context and honesty of the information supplied. Editing has been undertaken and feedback from the organisations incorporated; the aim has been to preserve the richness of information and anonymity of the people involved.

Document Format

This document is presented in the following format:

- Executive Summary
- Recommendations
- Ten Case Studies
- Appendices

This research contains three Appendices:

- Appendix One outlines a governance skills matrix: Te Pou Apaarangi and provides five examples from the case studies in this publication;
- Appendix Two provides summary information from all ten case studies under the key governance and operational components – this information enables a comparative analysis;
- Appendix Three details the case study questions used as the framework for this research.

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Project Overview

This report was commissioned by Te Puni Kōkiri to provide insight into Māori collective organisational policies and practices that are used for decision making, particularly at the governance level. The report is in the form of ten case studies, providing information on the business, governance, management, policies and organisational structure of ten organisations.

The Federation of Māori Authorities (FoMA) has undertaken the research and writing of this report. A number of organisations were approached to seek their participation in this project, and the ten organisations are a mix of larger and smaller organisations predominantly constituted under Te Ture Whenua Māori Act 1993.

Drawing on interviews and input from these ten organisations, most of the case studies also include an analysis of financial information and findings from the governance skills matrix survey¹.

Rationale for the study

In early 2003 Te Puni Kōkiri (Ministry of Māori Development) and the New Zealand Institute Economic Research (NZIER) released *Māori Economic Development Te Ōhanga Whanaketanga Māori* on the Māori economy and its contribution to the New Zealand economy. This study provided a general insight into the economy and types of enterprises owned and operated by Māori.

Later in 2003 *Hei Whakatinana i te Tūrua Pō* was published. This report was commissioned by Te Puni Kōkiri and written by FoMA. It sought to explore in more depth, using case studies, the key drivers of successful Māori organisations. The idea was to develop a report that could be used to:

1. assist Māori in the planning, preparation and mentoring of their businesses to become successful industry leaders;
2. provide insight into governance, management and entrepreneurship and some characteristics of successful Māori organisations;
3. demystify, balance or break stereotypical assumptions held by a large portion of New Zealand's population on 'what and how' Māori are involved in business.

He mahi, Hi ritenga Hei Whakatinana i te Tūrua Pō is a second series of case studies following on from the *Hei Whakatinana i te Tūrua Pō*. It again seeks to provide more in-depth information on organisational forms and practices. However, this time it focuses more on governance decision making processes and is intended to show how Māori entities go about making investment decisions or bring about a change in direction or a change in policy.

The report is also intended to give an insight into why policies and procedures are important to the operations of the organisations and how they provide accountability and ways to measure performance and ensure good practice is followed. Lastly the report recommends the development and implementation of a programme to assist organisations increase productivity, value and opportunities.

¹ Te Pou Aapaarangi Skills matrix survey, introduced in the report *Hei Whakatinana i te Tūrua Pō*

Acknowledgements

FoMA wishes to firstly acknowledge the leadership and support provided by the ten Māori organisations. The time and information is truly appreciated and FoMA is confident that these case studies provide a greater understanding of Māori governance decision making processes, good governance practices, and an insight into the skills types governing these various Māori entities.

FoMA also wishes to acknowledge Te Puni Kōkiri and its support for this study. Te Puni Kōkiri has recognised the need to develop strong Māori business leadership and good governance practices. The Federation has long advocated the need for implementing good governance practices and is pleased that Te Puni Kōkiri has commissioned this report (He mahi, Hi ritenga Hei Whakatinana i te Tūrua Pō) to accompany the first, *Hei Whakatinana i te Tūrua Pō*.

Lastly, FoMA would like to thank Wayne Mulligan (M.Mgmt), BBS Student Louise Mulligan and Nadia Kimberley-Ward (BCA/LLB); Wayne and Louise for analysing and providing leadership on the case study findings and skills matrix survey; and Nadia for conducting the interviews and writing the case studies. Their research and analysis has been invaluable.

Participating Organisations

The following were the participating organisations.

<i>Organsiation</i>	<i>Region(s)</i>	<i>Core Business</i>	<i>Contact</i>
Whangara B5	Whangara, Gisborne	Sheep and Beef farming	Ingrid Collins
Whakatohea Māori Trust Board	Opotiki	Dairy farming	Tahu Taia
Pakirarahi No 2 Trust	Coromandel	Mineral Development, Native Timber Recovery	John McEnteer
Ngāti Rarua Atiawa Iwi Trust	Motueka, Nelson	Land Management	Paul Morgan
Te Uranga B2	Taumarunui	Dairy and Sheep farming	Tracey Houpapa
Oromahoe Trust	Waitangi	Sheep and Beef farming	Leon Penney
Te Taiwhenua o Heretaunga	Heretaunga, Hastings	Treaty Based Services	Alayna Watene
Te Awahohonu forest Trust	Napier	Sheep and Beef Cattle farming, forestry	Tamihana Nuku, Ewen Gardiner
Paraninihi Ki Waitotara Incorporation	Stratford, Taranaki	Land Management	Spencer Carr
Atihau Whanganui Incorporation	Whanganui	Sheep and Beef farming	Dana Blackburn

Executive Summary

The case studies provide a number of insights into the approach used for guiding decision making. The business environments of the organisations are varied. The predominant areas of business are agriculture, horticulture and forestry. However there is also evidence of investment diversification occurring within many of the organisations with the majority of organisations indicating the need to increase diversification.

All ten participating organisations discuss strategic planning. Of these, eight organisations have strategic plans in place and two organisations have had strategic plans in a draft form for more than one year.

Performance measurement and the review of strategic plans is varied with some being reviewed annually, others 3-5 yearly and, in two cases, on an ad-hoc basis. Less than half of the organisations illustrate a link between their strategic plan and their annual business plans.

Formal business planning is undertaken by all but one of the organisations. However in some instances business planning is implemented through budgeting and budget management. The organisations that linked strategic and business planning tended to have more detailed measurement and evaluation of performance. All organisations had their business plans and budgets subject to final approval by the board/trustees.

In terms of investment and due diligence, the majority of the organisations had no formal due diligence policy. Primarily the process commenced with an internal feasibility study undertaken on an investment opportunity. If an opportunity met the risk and return rate criteria, a full due diligence report would be commissioned through an external professional.

There are two key themes associated with risk management. Firstly, there was little evidence that risk was being identified and mitigated at the governance level. Secondly, the focus of risk management was at an operational level.

Policy with regard to conflict of interest was in most cases informal. Generally board/trustees declared their interests, participated in discussion and, if required, abstained from voting. Only two organisations had formal Conflict of Interest registers.

Board size ranged from five to fifteen members. All were structured with sub-committees. The election process was generally on a three-year rotational basis with a clear desire to shift from 'whānau-based' to 'skill-based' representation. This was reinforced with the fact that most of the organisations now require candidates to provide formal profiles prior to election. Three organisations indicated a form of succession planning or a desire to implement succession planning.

Communication with shareholders was undertaken in a variety of ways. This ranged from informal discussions where board members kept whānau up to date personally, through to formal presentations at Annual General Meetings, newsletters, emails and websites. The organisations indicated that technology was significantly improving communication, particularly as shareholders are often geographically dispersed.

The structure of organisations incorporated chief executives, general managers and farm/forestry managers to undertake the operational aspects of the business. In terms of measuring performance all organisations indicated the use of standard financial reporting and most organisations used external consultants for financial, administrative and other expert advisory services to augment management. The majority of organisations also measured social, cultural and environmental factors to varying degrees.

Recommendation

Consideration should be given to strengthening and reinforcing planning and governance.

This should provide both immediate and mid term benefits and should ultimately increase the value of the organisation. Moreover, this should address two elements. Firstly, it should be sustainable and tied to evaluation to look for productivity and innovation improvements. Secondly, it should be designed for businesses that are already in business.

A programme should be relevant and practical and cover the following:

1. Development and alignment of a Strategic Plan with:
 - i annual business planning;
 - ii investment/divestment and diversification planning;
 - iii performance monitoring;
 - iv stakeholder management;
 - v communication and information technology; and
 - vi risk management.

2. Development of a Governance Plan to enable:
 - i role clarification;
 - ii accountability charter;
 - iii sub-committee terms of reference;
 - iv organisation policies;
 - v liabilities and responsibilities;
 - vi succession and mentoring; and
 - vii training programmes.

This research contains three Appendices. Appendix one outlines Te Pou Apaarangi Skills Matrix and provides five examples from the case studies in this publication. Appendix two provides summary information from all ten case studies under key governance operational components. Appendix three details the case study questions used as the framework for this research.

The background features several overlapping, curved bands in shades of teal and light blue, creating a sense of depth and movement. The bands are arranged in a roughly circular pattern, with some being solid and others having a fine, grid-like texture.

Case Studies

Whangara B5 Incorporation

Background

Whangara B5 Incorporation was established in the 1930s as a result of the land consolidation schemes that were initiated by Sir Apirana Ngata. The land consolidation scheme was an initiative where scattered pieces of land were consolidated into one single unit for the purpose of forming an economic farm.

Whangara B5 is located 30 km north of Gisborne and has 686 shareholders. The core business of the Incorporation is in sheep and beef farming. Other business interests are sand mining, forestry, a stud ranch (goats) and hay sales. The total landholding is 2600 ha most of which is farmed and some of which is leased. The Incorporation's asset base is approximately \$11 million.

The Incorporation has seven committee members and a Secretary; this body is referred to as the Committee of Management. The Incorporation has two sub-committees; education and housing. A farm manager is employed to manage their farms and there are five employees under the farm manager. Overall the Incorporation has six full time workers, four casuals and several seasonal workers, such as shearers who are employed twice a year.

The Incorporation has no joint venture partnerships, subsidiary companies or associate companies. However, it is currently investigating a farming partnership with Pakarae Māori Farming Incorporations.

Governance Decision Making Processes

The Incorporation commenced strategic planning nine years ago, and has a current three year strategic plan that is reviewed annually. The strategic plan takes a long term view of the farming businesses and other business projects including a sand mining operation, tourism, horticulture and property investments and buying into the local infrastructure of the Gisborne District Council.

The Incorporation's financial year runs from April to March. Annual planning for the farms is done by the farm manager who consults with the secretary. The plan is then taken to the Committee of Management for approval.

One of the objectives in the Incorporation's strategic plan is to increase the asset base. The Incorporation has a benchmark minimum return on investment of 10%. A full due diligence is undertaken for all large investments and all investment decisions must be approved by the whole Committee of Management. A full due diligence process is not undertaken unless the investment fits within the Incorporation's strategic plan.

The Incorporation has extensive risk management policies for different aspects of its farming operations. Separating the operations of the two farms is one way it manages risk. For example, this allows the Incorporation to operate at one farm even if the other farm were quarantined.

The Incorporation does not have a conflict of interest register. Due to the close knit nature of members it is considered their interests are well known. Conflicts arising in relation to whānau applying for grants are dealt with by members abstaining from voting.

Key changes in governance practices for the Incorporation have been:

- Developing a long term strategic plan with annual business plans
- Increasing the asset base – acquisition of two substantial property investments
- Establishing sub-committees
- Delegating authority – to sub-committees and the farm manager

Operational Practice

The Incorporation benchmarks itself against farming industry practice. Its farming operations comply with the health and safety requirements set out under the health and safety legislation. The farm uses an OSH consultant to consult on these practices.

To maintain best practice, in 2003 the Incorporation entered the Māori Farmer of the Year Award. Committee of Management members also attend Federated Farmers meetings regularly.

Accountability to Shareholders

The Incorporation reports to shareholders at the AGM by reporting against the goals in the strategy and annual business plans. The Incorporation also organises field days at the farm for the shareholders to attend. Shareholders also have access to the share register.

The Incorporation consults with shareholders on all important issues. For example, the Incorporation is considering undertaking a feasibility study on a partnership with another organisation but will seek the approval from the shareholders before making decisions.

Performance Reporting

The Incorporation undertakes the standard reporting mechanisms to measure financial performance, such as equity/debt ratios or return on investment. The Incorporation takes the initiative and reports against social and cultural performance, mainly in the form of grants such as:

- Education grants
- Kaumātua grants
- Marae development grants
- Church grants
- Tangi grants

The Incorporation also reports on wider social, cultural and environmental activities. For example, the Incorporation invested \$90,000 in erecting a wall around the urupa to preserve this area.

Environmental initiatives that the Incorporation has undertaken include planting trees on the property to prevent slippages, using goats for weed control and minimising the use of sprays. For obvious environmental reasons the Incorporation has also fenced off an area of native bush on its land.

Board Performance Review

The Incorporation does not have a formal review process. It is also something that is not likely to happen in the foreseeable future. A particular factor is that some committee members perceive themselves as being

there on behalf of their whānau and not as an individual subject to broader scrutiny.

Engaging with Shareholders and Stakeholders

Communication with shareholders primarily occurs at the AGM although the farm manager does communicate with stakeholders and shareholders regarding farm issues, and the chairperson and secretary take responsibility for communication of all other issues.

Elections

The Incorporation uses a three year staggered rotational system for electing committee members. It has not amended the constitution to change the nomination close off date which remains two days prior to the elections.

The Incorporation has unsuccessfully sought to amend its constitution to give it the ability to co-opt on a younger person as part of a strategy to build in succession and to add new skills and dynamics to the committee. The Incorporation also finds that it receives more proxy votes than votes from those present on the day of elections. This is something that it may address in the future. The Incorporation has also sought agreement for candidates to submit profiles for the elections.

Operational Processes

The Incorporation recognises the difference between governance and management. It does not have a CEO, although its business activities, which are mainly in farming, are managed by a farm manager. The decisions made at the sub-committee level are recommended and go back to the Committee of Management for final approval.

The farm manager has authority to spend money within budget limitations in accordance with the agreed annual business plan. The farm manager can also shift funds within the budget but all major decisions are brought to the Committee of Management for final approval.

The farm manager attends Committee of Management meetings every two months. Outside the bi-monthly meetings, the farm manager will discuss any management issues with the chairperson and/or secretary.

The Incorporation's employment policy is to employ the 'best person for the job'. Management performance reviews are annual and reviewed against the financial results of the farm.

The Incorporation's farm operational policies are continually reviewed and changed to fit the conditions. These policies are based on practice as opposed to being formally documented.

People

The chairperson and secretary regard the five Committee of Management members as an optimum number for the governance role.

The Incorporation encourages committee members to attend governance training workshops and conferences.

Financial Analysis

	<i>Actual 1999</i>	<i>Actual 2003</i>
Revenue	1,146,679	1,937,693
Operating surplus before tax	309,108	862,580
Net Surplus (NPAT)	259,158	730,357
Average Total Assets	8,316,776	11,234,380
Average Shareholders' funds	7,532,038	11,006,897
Profitability		
Operating Surplus (%)	26.96%	44.52%
Return on average equity after tax (%)	3.44%	6.64%
Return on assets (EBIT)/average total assets (%)	3.72%	7.68%
Liquidity and Efficiency		
Current Ratio	6.01	17.70
Quick Ratio (equity ratio)	0.62	6.89
Financial Leverage		
Debt to average equity (%)	3.86%	15.67%
Gearing (%)	7.24%	1.63%
Proprietorship (%)	92.76%	98.37%

Whakatohea Māori Trust Board

Background

The Whakatohea Māori Trust Board was established in 1952 to administer funds then held by the Māori Trustee as compensation for 'land confiscation'. The Trust Board is governed by the Māori Trust Boards Act 1955 and has approximately 9000 beneficiaries on its roll.

The Trust Board's total landholdings are approximately 250 hectares. Since its establishment the most significant investment made by the Trust Board has been dairy farms on the Waioweka flats, totalling about 190 hectares. Dairy farming is the Trust Board's core business. It also has business interests in horticulture, health and education. The Trust Board is also developing its interests in the aquaculture sector. As one of Te Ohu Kai Moana fisheries recipients, the Trust Board will also have future interests in the fishing industry. There are six hapū in the Whakatohea rohe, each hapū has two representatives on the Trust Board. These twelve make up the Trust Board. The Trust Board also has a Board secretary – a position that is confirmed by the Minister of Māori Affairs.

The Trust Board has established an executive committee of seven Board members. The executive committee governs five separate entities. These are in the areas of investments, dairy farming, horticulture, fisheries and social and health services. The dairy farms have an independent advisor who reports directly to the executive committee on a monthly basis.

The Trust Board has a number of joint ventures, notably it is a partner in Eastern Seafarms Ltd. The joint venture is between the Trust Board, Tasman Mussels and New Zealand Sea Farms Ltd. It also has joint ventures with a local packhouse, Opotiki Packaging and Cool Storage (OPAC), a forestry investment located in Tolaga Bay called Waiteata Forestry Partnership and a joint venture dairy unit, Te Waiti Trust. The Board has a subsidiary company, Te Wheke Atawhai Ltd incorporating Whakatohea Health Centre and Whakatohea Iwi Social & Health Services, Te Aria Toka Family Service Centre and early childhood pre-school.

The Trust Board is a major employer in the district. It employs approximately 64 people across all its activities.

Governance Decision Making Processes

The Trust Board's current strategic plan is in draft. The strategic plan is concurrent with the Trust Board's internal restructuring model. It is envisaged that this plan will be for 3-5 years. The strategic plan was developed by key people within the organisation and in consultation with Board members.

Each entity provides its annual plan and budgets by June every year. The Trust Board is also required under the Māori Trust Boards Act 1955 to produce a full set of accounts. The Trust's financial year runs from June to July and all budgets and annual plans are required to be done before the end of the financial year. Each entity submits its budgets to the executive committee for approval. The reason why the plans and budgets are approved by the executive committee is because the Board only meets quarterly. The executive committee is an interim measure and has allowed for more effective governance of the Board's business. Full Board meetings are provided with comprehensive reports on all of the activities.

The Trust Board's major investment decisions were made over 20 years ago with the expansion of the dairy farms. The more recent decisions relate to the joint venture investments.

The process for making investment decisions is that an investment opportunity is firstly brought to the table for discussion. The Trust Board then approves whether a full due diligence process is to be undertaken. Once the process is undertaken the analysis comes back to the Trust Board for final approval.

The Trust Board used various consultants and experts in undertaking the due diligence process on the joint ventures, particularly on the aquaculture venture. The Trust Board went to Blenheim for an aquaculture seminar and to see first hand the mussel farms there. Because the aquaculture industry was a new business activity of the Trust Board, the Trust Board consulted with iwi and hapū. Ninety percent of hapū agreed to the investment. Although it is not a legal requirement for the Trust Board to consult with iwi and hapū, the Board felt it was important given the nature of the investment.

The Trust Board has yet to formalise a policy on due diligence but has adopted a prudent practice as illustrated above. The Trust Board uses the equity to debt ratio for benchmarking investments.

Managing risk at a governance level is a relatively new concept to the Trust Board. Although the health and social services, Private Training Enterprise (PTE) and farms have their own risk management policies, the Trust Board is now aware of the need to have a central risk management policy for the whole Trust Board. The secretary is required to identify risks and make recommendations to the Trust Board on ways to mitigate those risks.

The Trust Board does have a conflict of interest policy and members must disclose any conflict of interest. However, there is not a conflict of interest register. Board members have trustee and fiduciary responsibilities to ensure that the assets of the Board are not put at risk. The Minister of Māori Affairs has the power to remove a Board member if particular actions compromise the specific sections of the Māori Trust Boards Act 1955.

In 1996 following a review, the Trust Board changed the method for the election process from tikanga-based to the formal systems of the Māori Trust Boards Act 1955. This has resulted in a change in philosophy regarding representation.

Operational Practice

The Trust Board endeavours to maintain best practice throughout its business interests. The Trust Board farms have a farm consultant for advice. The health and social services operations maintain a best practice philosophy for accreditation, and the private training establishments are subject to New Zealand Qualification Authority audits.

Accountability to Shareholders

The Trust Board members are responsible for reporting back to their hapū. However, this is often difficult as 80% of the beneficiaries reside outside the area. The Trust Board does not send out newsletters due to the costs associated with 6000-8000 newsletters.

The Trust Board has recently established a website which fulfils two purposes: first to inform and update Whakatohea on the activities of the Board, and second, to inform individuals on the efforts to resolve the raupatu claims.

The Trust Board is still in the process of building its database and welcomes the 'Tuhono' – Māori Registration Service initiative – as it will provide the Trust Board with more contact information.

Performance Reporting

Standard financial reporting is used for performance reporting. In terms of farming, the Trust Board also reviews the monthly returns provided by Fonterra to report on the economic performance of the farms.

The health and social services and PTE contracts require outputs that are measurable, as stipulated by government funding agencies. Additional to these accountability aspects, the Trust Board needs to translate economic performance into real benefits for Whakatohea. The Board does not have shareholders and does not make dividends. However, the Board is a Charitable Trust and is required to make substantial charitable grants. Therefore, grants are available to those of Whakatohea descent for sporting, educational, marae and other cultural activities (eg kaphaka groups).

Board Performance Review

The Trust Board's performance is only judged against its financial performance. However, the Board is looking at putting in place a formal policy to review its performance as a collective.

Engaging with Shareholders and Stakeholders

The Trust Board has a good relationship with regional bodies. The chairperson or the secretary have the most immediate relationship with stakeholders and are usually the ones to represent the Trust Board.

Elections

The Trust Board follows the formal process as prescribed under the Māori Trust Boards Act 1955. It costs the Trust Board approximately \$15,000 for each election. The Act requires an independent group to organise the election. The Trust Board believes the Act is too pedantic. For example, it requires a different colour voting form for each hapū. Also it can take up to six months to resolve any objections that arise from the election process. Although providing a profile or curriculum vitae is not a requirement for nominees, it is a practice that the Board adheres to. This information is sent out with the voting forms. The ultimate aim is to exit the Māori Trust Boards Act regime following raupatu settlement and to establish a new organisation under Whakatohea legislation.

Operational Processes

The Whakatohea Trust Board recognises the different roles of governance and management. In an effort to aid governors' understanding of their role the Trust Board has organised governance workshops for Board members in the past.

The Trust Board employs the Board secretary on a full-time basis to manage the office and work on risk management issues. The secretary's contract is reviewed annually by the executive committee.

The Trust Board's employment policy is to employ the best person for the job and it follows standard procedures for employing people, including advertising the position and having a panel to conduct interviews.

Managers within the Trust have authority for financial expenditure within a limit and according to the budget, although ultimately the budget is controlled by the financial manager. The secretary usually monitors the signing of cheques and any expenditure outside of the budget must go to the financial manager and must meet certain criteria. The executive committee monitors any extraordinary expenditure.

The majority of management issues are dealt with through the executive committee. The executive committee meets monthly and receives monthly reports and deals with them as required. Managers and advisors provide the required reports as part of their management responsibilities. All managers' contracts are reviewed annually.

All operational policies are reviewed regularly. Reviews for the health, social and education services are contractual requirements and are therefore highly regulated. Extensive mechanisms are put in place and issues arising as a result of the reviews are addressed accordingly by the Trust Board.

Any conflict of interest arising between management and governance is dealt with by the executive committee.

People

The twelve people elected as Board members is considered an appropriate number for representing the Whakatohea rohe. However, the secretary believes any more Board members would be too cumbersome.

The Trust Board has a formal policy requiring new Board members to undergo training at the beginning of their terms. In the past there was not such a need for Board member training because they had long serving Board members.

Pakirarahi No.2 Trust

Background

Pakirarahi No.2 Trust is located in the Hauraki area. It was created in 1977 as an Ahu Whenua Trust (previously known as s.438 Trust under the Māori Affairs Act 1953). The Trust had 287 owners and the land was held in seven separate land blocks.

In 2002 the Trust had 506 owners and all land held by the Trust was amalgamated into one title. The landholding totals 610 hectares and is all Māori freehold land.

The Trust's core business activity is in mineral development (gold), native timber recovery (kauri) and commercial investments (property and shares). The Trust has five trustees and three subcommittees for education, forestry and minerals. The trustees make up the subcommittees with some trustees covering two committees.

Overall the Trust retains an administrator on a part-time basis, a forestry supervisor and a geologist. The Trust also uses the services of chartered accountants who act as financial advisors and Whenua Kete Ltd is used for secretarial and administration services.

The Trust employs a forestry supervisor who measures the timber and supervises any contractors. This operation is separate from the Trust and is on a royalty basis whereby the Trust is paid for stumpage. The Trust has considered having a joint venture relationship instead, but this would require management time from the trustees (since the work is not sufficient to employ someone fulltime), and would potentially confuse the roles of management and governance.

Timber covers 80% of the Trust's land block. The process of recovering kauri involves recovering the trees (stumps/trunks) that have been felled and left in the forest (some as a result of a massive wind storm hundreds of years ago, and others as a result of logging in the early 1900s). The Trust does not allow milling of live trees on the block.

Over the years the Pakirarahi No.2 Trust has had multinational mining companies as joint venture partners. At present it is negotiating with a potential joint venture partner. The Trust also has a consultant geologist retained on a permanent basis.

Governance Decision Making Processes

Formulating the Trust's initial strategic plan involved the trustees and a consultant having workshops. The plan was then taken to the AGM for input. Some modifications were made and the plan was then signed off. This initial strategic plan set the platform and the Trust has worked off this plan ever since.

The Trust's current strategic plan runs from 2003-2005. The plan is reviewed every three years so that the Trust can be more flexible in its business activities. The Trust also wanted owners to formally measure the trustees' performance on a regular basis. Although the Plan is reviewed every three years, longer term horizons are documented in the strategy.

Once the trustees modify the plan, the plan is sent out to all owners before the AGM and is then approved

by the owners at the AGM. The basic strategy has remained the same; there have been few fundamental changes made in the last two strategic plans.

The annual business plan is derived from the strategic plan. The Trust's financial year runs from April to March. In September the Trust reports on the previous financial year as the accounts have by then been audited. In February the annual business plan and budgets for the following financial year are approved. This coincides with the renewal of the timber contract.

Any trustee can bring investment opportunities to the Trust. Usually such opportunities are 'spotted' through the FoMA network, Lake Taupō Forest Funds, other trusts (eg Taharoa C) or various other channels. The Trust has a policy about the proportion of assets that can go in different business activities. The trustees on the investment subcommittee decide whether the investment complies with the strategic plan.

Once this is completed a cost benefit analysis is undertaken and all information is taken back to the trustees where they approve a full due diligence process to be undertaken. This process is undertaken by an independent professional. Once this is completed it goes back to the trustees for final approval. The trustees do not need to go back to owners as provisions for investments are made in the strategic plan.

The Trust uses policies to mitigate risks. For example, in forestry operations the Trust requires public liability insurance for any licence, and for investments the Trust has a policy that investments must have a debt to equity ratio of 70:30.

The Trust does not have a conflict of interest register. However all conflicts of interest are declared at the meetings and are documented. If there is a conflict the trustee usually leaves the room unless the particular trustee is required to participate in the discussion. Examples include approving education grants, discussing a possible investment where a trustee is a business partner in the investment or a director of a competing company. In such cases the particular trustee would be absent from the decision making process. However, in one particular case the trustee was asked to participate in the discussion to provide information before the other trustees made the decision.

The major changes or milestones the Trust has achieved since its inception are:

- Reducing the number of trustees
- Changing the philosophy of representation – from whānau-based representation to skills-based representation
- Amalgamation of blocks and consolidation of an owners list
- Adoption of a strategic planning approach
- Amendment to the Trust Order to give wide powers of investment and business activities compared to the original narrow mineral focus

Operational Practice

Pakirarahi No 2 Trust is continually reviewing its strategic plan looking at generic issues on governance. The Board also talks informally with other Māori trusts and professional directors about what they are doing in the way of good governance practices.

The Trust strives for all business affairs to be managed prudently and according to best practice. The Trust ensures that all channels of communication are honest and transparent.

Best practice is also provided for in the values that underpin the Trust's role as kaitiaki. As kaitiaki they will always ensure that best practices are adhered to in the use of their land.

Accountability to Shareholders

The financial accounts are available for owners to peruse. The Trust also sends out a mid-year newsletter and an AGM is held in the last quarter of the year.

Performance Reporting

Apart from financial reporting, the Trust undertakes various activities that it can report against. The Trust distributes education grants to owners or descendents of owners and koha kauri timber to marae for cultural purposes (pouwhenua, poupou etc).

The Trust manages all activities consistent with kaitiakitanga practices. Kaitiakitanga values are recognised by the Trust and are practised accordingly.

Board Performance Review

The Trust has not adopted any formal practice for reviewing the Board as a collective or as individuals but would not oppose such an idea. The financial performance of the Trust is seen as a reflection of the Board's collective performance.

Engaging with Shareholders and Stakeholders

The Trust engages with shareholders through newsletters and at the AGM. The trustees themselves will engage with stakeholders, the chairperson in particular, engages with stakeholders on political issues.

Elections

Elections are not undertaken by rotation but come about because trustees resign or owners express their dissatisfaction with particular trustees. An election has yet to be held because of the latter reason. People are nominated and are asked to provide a curriculum vitae or profile. The candidates then present themselves at the AGM and voting is carried out by secret ballot.

Operational Processes

As stated above, the Trust has a forestry supervisor and a consultant geologist. On the administrative side of the business, all accounting functions are contracted to an accounting firm and the administrative and secretarial services are also contracted out to a specialist firm. The Trust's limited land based activities means that there is not a lot of management involved and hence the Trust does not have a Trust manager or CEO. However, the employment policy is to employ the best person for the job.

The Trust has not delegated any authority for capital expenditure. All expenditure is monitored through the accounting system. Each manager (including the geologist and timber contractor) reports at every Board meeting. If a matter of conflict arises with management, a member of the relevant subcommittee liaises with the manager and then reports back to the subcommittee and the subcommittee will make recommendations to the trustees. The final decision is made by all trustees.

All contracts are reviewed annually or when a contract is up for renewal. However, if the need arises to cancel a contract, the Trust will execute this. In the past the Trust Board has cancelled a contract because of misappropriation of timber and poor performance against the contract.

Although the Trust does not have an operations manual, all policies are documented in the minutes. Operational policies have culminated from practice and experience. The operations policies are constantly reviewed.

People

Before the land was amalgamated, the Trust had seven trustees: a representative for each whānau block. On one occasion there were three nominations for the one whānau block and it was decided that 10 trustees would be elected. They passed a resolution and the necessary amendment was made to their constitution. However, once the land was amalgamated into one block, the philosophy behind representation changed from whānau based to skills-based representation. The owners elect trustees with various skills. The Trust tries to have trustees with the following skills:

- Knowledge of tikanga, kaumātua
- Commercial, business and industry skills
- Gender and age balance

Over the years the number of trustees has slowly reduced often due to trustees retiring or passing away, or to reduce overheads. There are currently five trustees. Although the chairperson believes there is potential to have one more trustee, he also believes that this is an optimum number for the time being, as no mining activity is being undertaken. The chairperson also has a casting vote in a deadlock situation. However, over 25 years “95% of decisions have been by consensus”. If trustees get into an entrenched position on a particular decision, the issue is often carried over to a second meeting.

The Trust has no formal policy for professional development of trustees. Training is provided on an ‘as needed basis’. The trustees attend various industry conferences, particularly the FoMA conference. All trustees also have the opportunity to do the Institute of Directors course.

The Trust also has a ‘buddy’ system where an owner can ‘buddy’ with a trustee which enables the owner to attend meetings. Although the concept has been approved in principle it is yet to be realised but is something the Trust hopes will eventuate in the future.

Financial Analysis

The basic approach to assets is that an asset should be recognised only when it is possible that the service potential or future economic benefits embodied in the assets will eventuate; and the asset possesses a cost or other value that can be measured reliably. Accordingly, the Trust reports on the activity and possible value of the mineral rights. Negotiations on minerals are taking place and the trustees expect shortly to make a decision on the mineral rights and value them accordingly. If the value of the minerals reaches expectations, then the Trust could possibly become one of the largest FoMA members.

	Actual 1999	Actual 2003
Revenue	102,242	43,138
Operating surplus before tax	30,233	-953
Net Surplus (NPAT)	34,137	2,872
Average Total Assets	558,346	587,281
Average Shareholders' funds	498,339	542,539
Profitability		
Operating Surplus (%)	29.57%	-2.21%
Return on average equity after tax (%)	6.85%	0.53%
Return on assets (EBIT)/average total assets (%)	5.41%	-0.16%
Liquidity and Efficiency		
Current Ratio	0.71	6.00
Quick Ratio (equity ratio)	0.71	6.00
Financial Leverage		
Debt to average equity (%)	58.35%	317.81%
Gearing (%)	12.20%	6.00%
Proprietorship (%)	87.80%	94.00%

Ngāti Rarua Atiawa Iwi Trust

Background

The Ngāti Rarua Atiawa Trust is a statutory Trust which was created under the Ngāti Rarua Atiawa (NRAIT) Empowering Act 1993. This Act was created by a Private Members Bill sponsored by Hon Doug Kidd.

In 1853, land originally owned by Ngāti Rarua and Atiawa Iwi, were subject to Crown grants made to the then Bishop of New Zealand for the purposes of establishing a school. No school was ever erected on these lands but a school operated intermittently supported by income earned from the land.

The NRAIT Empowering Act 1993 gave effect to the resolution made by the Nelson Diocesan Synod of the Anglican Church to vest the assets for the Whakarewa School Trust Board in a Charitable Trust for the descendants of the original Māori owners.

The Bill was crafted by the body of owners for charitable purposes and in such a way that the terms of the Charitable Trust were broader than the Trust objects contained in the Anglican Church Trust Act 1981.

The Trust has 2000 registered owners who are the direct descendants of the original owners. The Trust consists of owners from three hapū (two hapū from Ngāti Rarua and one hapū from Atiawa). The Trust is therefore hapū-based and the assets are owned communally and not with shareholdings (unlike, for example, Wakatu Inc where the owners have defined beneficial interests).

The Trust's core business activity is land management. It has interests in horticulture, pastoral operations and leasing land. Since its inception the Trust's primary objective has been to diversify its assets.

The size of the landholding is over 1200 acres, including land in interests across companies and associate interests. The Trust has approximately \$25-30 million worth of assets under its management.

The Board consists of eight trustees. Three years ago the Trust was divided into two divisions. The business plan identified the need to divide the social and cultural functions from the commercial functions. Koru Investments is the commercial division of the Trust. Social Co focuses on the social and cultural functions of the Trust. These two divisions have separate agendas and the recommendations from each meeting go back to the whole Trust. The Board has been split in half to work on these two aspects; although non-trustees can be invited onto the social and cultural committee.

The Trust has several associate companies or subsidiaries which are operated as joint ventures with shareholder agreements (see below) and has approximately 60 staff across all its businesses.

- Viticulture – 33% share in the following companies: Tohu Wines, Tohu Vineyards and Marlborough Rootstock (Vine Nursery Company)
- Horticulture – 50% share in Abel Tasman Fruit (infrastructure support and packhouse), 51% share in Golden Bay Fruit (an international marketing company) and 33% share in Estuary Pack and Coolstore (coolstore and domestic markets)
- Seafood – 50% share in Abel Tasman Seafoods (mussel farming company), 50% in Sea Products (mussel processing factory) and 50% in Mussel Extracts (biotech company)

Governance Decision Making Processes

The Trust's strategic direction is documented in hard copy form and is subject to review annually. The strategic direction is forecasted for five years. The Trust's financial year is the same as the calendar year.

Mid-way through the year the Trust reviews the overall strategy and tests the 'current thinking' of the Board. The primary objectives of the Trust are to diversify its asset base, improve returns, even out volatility of returns, and grow and maintain its social and cultural development programmes. At the mid-year planning session the trustees do not debate the financial figures, but instead take a strategic approach looking at the 'big picture'. The annual business plan is not signed off until the end of the year.

The strategy 'mix' is not changed annually and changes are only made if the Trust wants to exit from a particular strategy. For example, two years ago the Trust strategically positioned itself to invest in tourism. It then set out to secure a comprehensive package of Department of Conservation concessions.

The annual business plan flows out of the strategic review. The general manager consolidates all business plans and each manager (of each business sector) is able to debate their plan with the general manager. The plan and draft budget is then referred back to the Trust in December.

All investment decisions are predicated on an opportunity considered against the strategic plan. This is intended as a filtering mechanism. Anyone can bring an investment opportunity for consideration.

Due diligence is undertaken if an investment fits within the context of the strategic plan, is seen to add value to the whole organisation and meets the 10% minimum rate of return on investment. If it is a business acquisition a full due diligence process is undertaken (legal and financial). Once the due diligence process is undertaken a comprehensive paper is put to the Board for consideration. The trustees make the final decision.

Managing risk is the main responsibility of the trustees. The business activities could be considered a high risk because of the exposure to climate and export markets and so the asset mix, type of activity and the level of risk are constant factors that are monitored. The Trust has a risk management policy that operates at two levels. The first is the operational and governance matters at the trust level and the second is the operational matters at the business level. All matters are reported on and reported back to the trustees.

NRAIT has insurance covering all aspects of its business. However, the Trust has recently finished a review, in partnership with Wakatu Inc, of its insurance policies. As a result it has one insurer where previously it had a number of companies providing insurance cover.

The Trust has a conflict of interest register and all trustees are required to declare their interests on a regular basis. If a trustee has a conflict of interest, that trustee can participate in the discussion but cannot vote.

The major change that has taken place since the Trust's inception has been the evolution of the Trust's strategy from a passive investment focus to an active role managing businesses. For example, the Trust has invested in the seafood industry, which is a complex industry requiring the trustees to have an active role. Since the Trust's inception other changes have been the establishment of two subcommittees (audit and remuneration) and the employment of a general manager.

Operational Practice

The Trust strives to be the best in the industry and focuses on best practice whether it is in governance or management. Managers' performances are benchmarked against the industry.

The level of the skill and knowledge of trustees has grown since the creation of the Trust. If the Trust requires development in a particular area, the opportunity for collective training is given - for example, in risk management or improving governance practices.

Accountability to Shareholders

The NRAIT Empowering Act 1993 requires the Trust to hold two meetings of owners annually. The AGM is held in April every year and presents the financial audited results of the year and an overview of the performance of the Trust. The mid-year meeting is to update the owners on the Trust's progress.

Other accountability and communication mechanisms the Trust has used are a webpage, email database and quarterly newsletters.

Performance Reporting

The Trust recently undertook a research project which included conducting an extensive survey and focus group hui on the social and cultural development of the owners. This project culminated in a social and cultural plan. As a consequence the Trust is now prioritising its actions on a more 'cultural' basis. It is also in the process of employing a project manager to implement the plan.

The Trust's economic performance is measured against the business plan and benchmarked against industry best practice.

The Trust is very committed to implementing environmentally sustainable measures as part of its business. The Trust has a restoration project on and off the land. It also has a wetland restoration plan and a waahi tapu planting programme. In terms of industrial use of land, the Trust is a leader in protection of the land. This can be seen in the spray programme, where the risk of spraying is assessed using computer based information and on international standards, such that the sprays used 5-10 years ago are no longer used. The focus of the spray programme is now on composting matter for the soil.

The Trust is also actively involved in water management at a district and regional level. It is also involved in the marae resource management committee which includes Wakatu Inc, NRAIT and all iwi and marae in the Nelson/Marlborough region. Some things the committee is involved in are monitoring land disturbance and the active planting of native trees for tribal resources.

Board Performance Review

The trustees' performance is reviewed by the chairperson. The Board, as a collective, reviews the Board's performance but has in the past been reviewed by a consultant.

Engaging with Shareholders and Stakeholders

The general manager generally interfaces with stakeholders. Regionally-based industry issues are dealt with by management. However, if issues are at a national level then the trustees will get involved, as it is political and they are representing the views of the Trust. Usually it is the chairperson who will front national issues.

Elections

Under the Trust's constitution Ngāti Rarua makes up 80% (six trustees) and Atiawa makes up 20% (two trustees) of the trustees on the Board. The trustees are elected on a three year rotation system. All nominations for trustees close three weeks prior to the AGM. All candidates are required to provide a curriculum vitae or a profile. The candidates are also required to present themselves at the AGM. Voting is done by ballot.

Operational Processes

The Trust recognises the difference between governance and management and gives direction to the manager.

The Trust has a general manager who has an employment contract based on key performance indicators. The contract includes a base salary with a performance component. The general manager is assessed against achieving the goals in the business plan and the overall strategy. Management performance is reviewed annually.

The Trust's employment policy is 'all things being equal employ the best person for the job'. Otherwise preference is given firstly to owners, secondly to whānau and thirdly to Māori.

Authority is delegated to the manager to implement the business plan. Any expenditure outside the business plan must be signed off by the trustees. Although the general manager has delegated authority, there are many checks and balances in place for all expenditure. Trustees are able to check a schedule of payments (three months in advance) which must be signed off by two trustees. The Trust has a direct credit payments system and uses independent accountants.

The Trust has an operations policy manual which is considered a living document. Policies are always evolving as it is sensitive to industry and customer changes.

People

The Trust has eight trustees. This is considered an optimum number by the chairperson, given the nature of the Trust's workload and the Board's split between Koru Investments and Social Co. It also allows the trustees to rotate between the two.

The Trust uses a democratic process to elect trustees. The chairperson delegates responsibility for portfolios. This tends to mean that the quality of reporting is high as the trustees have to 'front up' to owners.

All trustees participate in the Institute of Director's programme. Each trustee's training needs are assessed. Likewise, the whole Board's training needs as a collective are also assessed. All trustees attend various industry conferences and specific workshops (often in conjunction with Wakatu Inc).

Financial Analysis

	Actual 1999	Actual 2003
Revenue	3,131,045	3,513,056
Operating surplus before tax	572,197	-653,005
Net Surplus (NPAT)	572,197	-653,005
Average Total Assets	15,474,105	25,587,317
Average Shareholders' funds	14,973,028	20,797,468
Profitability		
Operating Surplus (%)	18.27%	-18.59%
Return on average equity after tax (%)	3.82%	-3.14%
Return on assets (EBIT)/average total assets (%)	3.70%	-2.55%
Liquidity and Efficiency		
Current Ratio	14.81	2.05
Quick Ratio (equity ratio)	12.74	1.38
Financial Leverage		
Debt to average equity (%)	1.94%	8.29%
Gearing (%)	0.44%	19.25%
Proprietorship (%)	99.56%	80.75%

Te Uranga B2 Incorporation

Background

Te Uranga B2 Incorporation was established in 1958. It was first incorporated in 1910. Located on the Ngakonui Ongarue Road, 13kms north east of Taumarunui, Hikurangi Station is approximately 2328 hectares (5754 acres). The Incorporation has 629 shareholders.

The core business of the Incorporation is in dry stock, dairy and sheep farming with some interests in forestry. Hikurangi Station is separated into three farming units managed independently, therefore spreading risk and capturing market opportunity. The three units are:

- Koromiko Dairy Unit (269 ha) – currently managed under a sharemilking scheme
- Tiwhareika Sheep and Bull Beef unit (627 ha) – developed with a particular focus on bull beef breeding. A farm manager is employed by the Committee
- Harurunga o te Ao Sheep and Beef Unit (627 ha) – managed by a farm manager employed by the Committee

In addition Hikurangi Station has three areas for environmental and forestry activities. They are:

- Ngā Whenua Rahui forest protection venture (120 ha) – Ngā Whenua Rahui is a national project aimed at encouraging Māori landowners to protect and re-establish regenerating native forest and wetlands on their land. The Incorporation has entered into a 25 year covenant with Ngā Whenua Rahui after which time the owners decide whether to continue or not with the project
- Woodlots (57 ha) – the Incorporation has a number of pine trees, nitens woodlots, and poplar nurseries on Hikurangi Station. These plots are being managed under the environmental portfolio and pruned by the Ngāhere Trust (local community work group). The poplar trees are primarily used to stop land erosion
- Ue Pango (525 ha) – this unit is a ‘forestry right area’ in conjunction with Carter Holt Harvey. The Incorporation continues to own the land and Carter Holt Harvey has the right to grow the trees on the land. Carter Holt Harvey also manages the pine forest.

Te Uranga B2 has a Committee of Management which comprises five committee members. All members are shareholders who are elected for a three year term at the AGM. The chair and the secretary are chosen annually from this number by the Committee members.

The Incorporation has no subsidiaries, joint venture partnerships or associate companies. The dairy unit is run by sharemilkers who are directly responsible for five staff.

Both the sheep and beef units have one manager and one part-time casual staff. Casual staffing is usually required for seasonal work. The Committee of Management engages casual local labour to manage the woodlots for seasonal work such as pruning.

Governance Decision Making Processes

The Incorporation has a ten year strategic plan, which is reviewed annually. One of the major priorities for the next ten years is to diversify assets and increase revenue through off-farm investments.

The Incorporation meets in May to review its plan, coinciding with the Incorporation's financial year (July to June). This means the Incorporation has most of the financial data enabling it to be better prepared for its strategic meeting.

Annual budgets for the operations are prepared initially by the farm managers and the farm consultant who make recommendations in conjunction with the Incorporation's accountant. The draft budget then goes to the Committee for approval. The Committee's decision regarding the budget is final and the manager is required to work within that budget. The operational budgets are prepared before the strategic meeting.

Budget management is the responsibility of each farm manager who has the flexibility to use funds according to immediate priorities in order to meet agreed farming goals and objectives. Budget blowouts are brought to the Committee's attention as soon as possible and strategies are agreed upon to mitigate budget negative effects.

The accountant participates in the monthly Committee meetings in an advisory capacity. The farm consultant attends Committee meetings bi-monthly.

At present the Incorporation does not have a formalised process for making investment decisions as it only recently established an investment portfolio and assigned this to a Committee member. The portfolio holder has the responsibility to consider investment opportunities to table for the Committee to consider.

The Committee is in the process of establishing terms of reference by which to measure investment opportunities. A former policy (yet to be reviewed and formalised) that the Committee has always had, is to buy back farms from their original block.

The Incorporation does not have a specific due diligence policy. However, it has an 'unspoken' policy, or a standard of best practice, when making any business decisions. It always seeks professional advice whether it is legal, financial or in other specific fields of expertise.

The Incorporation does not have any formal risk management policies. The farm managers are responsible for on-farm safety and compliance with the health and safety legislation. It also has a good relationship with the Regional and District Councils making compliance issues regarding land management easier to manage.

The Committee discusses the monthly budgets at regular monthly meetings (also attended by the accountant). Although there is no formal risk management policy the Committee relies on the experience, intuition, commonsense and good practice of the members to mitigate any risks.

The Incorporation does not have a conflict of interest register. However, it has a policy of declaring all matters that may give rise to a conflict of interest. Any Committee members that have a conflict will abstain from the decision making process, although they may participate in discussion before leaving, if they have information to contribute.

As stated above the Incorporation was created in 1910 and leased out to four lessees. These leases were wound up in 1953 and the present Incorporation was formally incorporated in 1958. Over time the Committee dynamics have changed.

Shareholders have taken on a more participatory role in recent years. The way the Committee engages with shareholders has also changed. Communication is now a major focus with the Incorporation providing a quarterly newsletter and a website. The Committee also uses powerpoint presentations at the AGM.

Some of the major changes made in terms of governance policies have been:

- Establishing portfolios – the Committee expects people to perform even though they have no specific terms of reference for each portfolio (portfolios are education, off-farm investments, environmental management, Te Ture Whenua Māori/share register, housing (on-farm repair and maintenance), human resources (personnel and employment)
- Delegations of Authority – all management responsibilities for the farms are delegated to farm managers. Both managers and the farm consultant are required to provide a written report at the monthly committee meeting

Operational Practice

Te Uranga B2 Incorporation has a policy of hiring the best people for the job. The policy is based around employing people who will add value to the business.

The Incorporation has now formalised terms of reference for its consultants who also have reporting timeframes to comply with.

The Incorporation encourages the farm managers to adopt methods that may contribute to best practice. Recently one of the farm managers trialled computer software to analyse farming results and to make business decisions based on those. This approach was compared with another farm manager who adopted a more intuitive farming management style. Although both approaches were vastly different the farms had similar results. The Incorporation also encourages farm managers to be part of district and regional farming support groups.

Accountability to Shareholders

The Incorporation adopts an ‘open door’ policy for shareholders. Shareholders can see the share register or financial accounts at any time. The Incorporation sends a quarterly newsletter to all shareholders and last year set up a website.

The website has been an effective communication tool. The Incorporation now has had contact from shareholders who live overseas and shareholders that have never had contact with the Incorporation before.

The Incorporation also has an AGM where all shareholders are informed of the Incorporation’s progress over the past year.

Performance Reporting

The Incorporation has not adopted any formal reporting process for ‘social and cultural investment’. However, it strives to adopt a balance by providing returns to shareholders while maintaining resources for business development.

The Incorporation is well known for its social contribution to the community. It has contributed to various community initiatives, in particular it has resurrected a district garden tour, and sponsored many events such as the national women's ATV (all terrain vehicles) championships, a field day organised by the HORIZONS Manawatu and Wanganui Regional Council, the Central King Country Axemen's Association, and the Taumarunui Speed Shears. The Committee also sponsors a cup at the local primary school, awarded annually for excellence in culture and arts. Further to this, the Committee supports a native planting programme run in conjunction with the local primary school and HORIZONS Manawatu and Wanganui Regional and Ruapehu District Councils.

The Incorporation also offers secondary and tertiary education scholarships to shareholders or descendents of shareholders, as well as providing koha for tangihanga of shareholders.

Board Performance Review

The Incorporation has an annual farm business analysis completed by AgFirst Rotorua. This benchmarking exercise analyses the performance of the Incorporation against approximately 30 other Māori authorities throughout the country.

Engaging with Shareholders and Stakeholders

The secretary of Te Urunga B2 Incorporation holds the Environment portfolio as she has great understanding of environmental planning. This is particularly important as she is often lobbied by the outside community and in many ways is the first point of contact.

The Committee also encourages farm managers to create good relationships with stakeholders and the business community. Creating and maintaining relationships with the community and stakeholders is part of the philosophy of the Incorporation.

Elections

The Incorporation follows the standard procedure under Te Ture Whenua for elections. The elections are held every three years by rotation, and committee members may be re-elected or new ones appointed. Shareholders choose either by show of hands or by poll.

Operational Processes

The Incorporation recognises the difference between governance and management. The Committee of Management manages at a strategic level. It makes decisions about what it wants to achieve and these decisions are then relayed to the managers.

The managers are also clear about their role. They meet monthly with the Committee and manage the farm according to the decisions made at the governance level and within the budget approved by the Committee. However, the managers have the authority to shift funds around as long as their expenditure is within the bounds of the budget, and the accountant and farm consultant are informed.

The Incorporation does not have a trust manager or chief executive. It believes that this is unnecessary, preferring to outsource any services required. The Incorporation does not have an operations manual. Its

administration services are conducted in part by the secretary and in part by the professional advisors (eg accountants or lawyers).

The Incorporation does not have any subcommittees. The Committee fully participates in all business decisions and activities; portfolios are assigned for specific responsibilities and any expert advice is outsourced through professional advisors.

When conflict arises between management and governance the Committee of Management nominates the most appropriate person on the Committee to speak with the manager and Committee member concerned. Issues arising between Committee members are brought to the table and discussed 'kanohi ki te kanohi'.

The Committee follows procedures of due process if issues arise with management. The issue is discussed with the Committee collectively and someone is nominated to deal with the manager exclusively. The Incorporation finds this to be an effective method, particularly when delegating the matter to the person who would be most effective in the given situation.

All managers have employment contracts. Management performance and operations policies are reviewed annually. However, operations policies are changed if unviable. Management performance is reviewed against the budget, stock figures, sale prices and stock condition.

People

The Committee of Management consists of five people. This is regarded as an optimum number.

Shareholders nominate individuals for governance roles at the AGM. As stated above each Committee member is elected for a three year term. The Incorporation has no criteria for people to be nominated or appointed as a Committee member. The nomination is also not contingent upon producing profiles or curriculum vitae. The Committee of Management and shareholders have yet to request that all candidates provide such information. However, all nominated candidates make a presentation to the shareholders and are then able to answer any questions from the floor.

The Incorporation does not have a training plan for its Committee members although all have attended Māori trustees training courses. The Committee is informed of any legislative and industry changes by its professional advisors.

Financial Analysis

	Actual 1999	Actual 2003
Revenue	1,064,689	1,622,451
Operating surplus before tax	86,977	-501,720
Net Surplus (NPAT)	86,902	-501,720
Average Total Assets	7,117,010	9,789,581
Average Shareholders' funds	5,850,707	8,947,475
Profitability		
Operating Surplus (%)	8.17%	-30.92%
Return on average equity after tax (%)	1.49%	-5.61%
Return on assets (EBIT)/average total assets (%)	1.22%	-5.13%
Liquidity and Efficiency		
Current Ratio	11.14	5.11
Quick Ratio (equity ratio)	1.58	1.21
Financial Leverage		
Debt to average equity (%)	4.97%	19.27%
Gearing (%)	17.72%	8.91%
Proprietorship (%)	82.28%	91.09%

Oromahoe Trust

Background

The Oromahoe Trust is an Ahu Whenua Trust under Te Ture Whenua Māori Act 1993. The Trust was established in 1990 and is located 15 minutes from Keri Keri, Kaikohe, Paihia and Waitangi. The Trust has approximately 700 shareholders.

The core business of the Trust is in sheep and beef farming, forestry and property. The total landholding is 1351 ha, having grown from 1000 ha in 1990. The Trust's asset base is now valued at approximately \$5.6 million.

The Trust has seven trustees including the secretary. The Trust does not have any permanent subcommittees but forms them on an 'as needed basis'. At present the Trust has an informal education subcommittee.

Trustee meetings are held bi-monthly. Special Trustee meetings are called as needed, with an average of about one to two per year. An AGM is held in November each year.

The Trust does not have any joint venture partnerships, subsidiary companies or associate companies, although it has had joint ventures in the past. The Trust employs five full-time staff and three part-time staff. Administration of the Trust is contracted out.

Governance Decision Making Processes

The Trust's first strategic plan was developed by the trustees in 1991. The plan consisted of a set of objectives and timeframes. The strategic plan has fundamentally been the same since. The plan is reviewed on an ad-hoc basis: where old objectives are met new objectives are put in their place. Last year the Trust considered whether it needed to develop a more comprehensive strategic plan. It decided to stay with the status quo.

The Trust's financial year is from July to June and receives its financial accounts at the end of June. Annual planning usually takes place around August to September. The administrator and farm manager develop the plan together. The plan is more in the form of a budget. Once the plan is completed by the farm manager and administrator, it is then presented to the trustees who discuss it at the next Trust meeting. If it is in order, it is adopted by the trustees. Sometimes the plan is not adopted until the next meeting, usually because something requires further clarification.

The Trust has a checklist which basically outlines the process undertaken for making an investment decision. If an investment opportunity is brought to the table the trustees first decide whether it fits within the Trust's constitution, objectives, broad strategy, other plans and budgets and whether professional input is required. Input will also usually be sought from management and administration. The Trust will then either decide to undertake a feasibility study internally or employ someone external.

The Trust has had two investment opportunities in the recent past where these methods were used. One was a tourism opportunity (internal subcommittee) and the other was a papakainga/housing opportunity (external expert).

A feasibility study for the tourism investment opportunity was undertaken internally. The Trust decided to go ahead and went to the shareholders for approval. The general policy of the Trust is to take all major decisions to the AGM. It has yet to hold special general meetings for such decisions.

The Trust's due diligence policy is to undertake a due diligence process for all investment opportunities either internally or externally. If undertaken internally it is in the form of a feasibility study and a subcommittee is formed specifically for this purpose. External due diligence is undertaken through professional services.

The Trust has full insurance cover but does not have trustee indemnity insurance. The decision about whether to get indemnity insurance has been debated. One reason against seeking the insurance was that trustees may be less accountable if they have this 'safety net' to fall back on. The Trust has no formal risk management policy, instead employing a common sense approach. For example, shareholders must seek permission from the farm manager to be able to enter the farm.

If a trustee has a conflict of interest he or she must declare the conflict of interest and abstain from voting.

The secretary maintains that the Trust has operated successfully because it employs excellent staff; realises the difference between governance and management, has good planning; has a good chairperson who has the respect of the shareholders, adopts a consensual decision making approach, knows its limitations and understands the importance of seeking and accepting expertise when needed.

The Trust has discussed the possibility of amalgamating with three or four similar trusts in the area. The trustees were initially keen to amalgamate but decided that they still had the economies of scale to operate as a Trust on their own. The secretary believes that this is a possible change that could take place in the future.

The governance milestones for the Trust have been:

- Trust creation
- Appointment of farm manager
- Attempt at amalgamation
- Forestry contracts
- Stockyards lease
- Purchasing another farm

Operational Practice

The Trust uses the Institute of Directors best practice guidelines and has modified these guidelines to suit the Trust's needs. The farm manager has a draft Occupational Safety and Health (OSH) policy in the form of an OSH manual. The Trust has in the past used Ministry of Agriculture and Forestry industry forecasts. These forecasts monitor other farms thereby giving the Trust an indication about expenses and income. The Trust also benchmarks the performance of the farm against other similar sized local trusts and farms.

Accountability to Shareholders

The Trust is accountable to its shareholders through the audited financial reporting system. The financial report is presented at the AGM along with the annual reports. These include the Trustees' report, grants

report, farm manager's report, forestry report, financial report and shareholder ownership list. Many of the shareholders live locally and are based around the one marae, so trustees informally consult with the shareholders often.

Performance Reporting

The Trust undertakes standard reporting mechanisms to measure economic performance. Initiatives reported against for social and cultural performance are mainly in the form of grants, such as:

- Tertiary grants
- Kaumātua grants
- School grants
- Whare karakia development grant
- Roopu based employment initiatives
- Grants to kapahaka groups

The Trust has a draft environmental policy. Some of the environmental initiatives suggested include fencing off native bush, rivers and waahi tapu sites. The Trust also funded the formation of a landcare group which is to promote the enhancement and water quality of the Waitangi River.

Board Performance Review

The trustees have undertaken to review their performance bi-annually. The review is to be undertaken internally. The trustees regard the AGM as their external review.

Engaging with Shareholders and Stakeholders

If stakeholders want to engage with the Trust they can request to attend a bi-monthly trustees meeting. The Trust prefers any proposals to be put in writing in the first instance and be given to the Secretary prior to the meeting. The Secretary can then forward copies of the proposal so that the Trustees are more informed on the night of the meeting.

Elections

Elections are held on a three year rotational basis at the AGM. Voting is done by a show of hands and representation is whānau-based. Usually each of the seven whānau nominates someone. The Trust may in the future move towards requiring a profile or curriculum vitae from candidates.

Operational Processes

The Trust understands the difference between governance and management believing that this is essential to operating as an effective Māori organisation. The secretary has seen first hand other trusts 'fall apart' because this distinction is not recognised.

The Trust has a farm manager who has an employment contract which is reviewed annually using key performance indicators and is renewed every three years.

The Trust's employment policy is to employ the best person for the job. However, it is likely to employ whānau first and then people from the local community. At present no whānau are employed full-time.

The Trust's policy on delegation of authority ensures transparency within the Trust. The policy outlines the farm manager's responsibilities, providing him with the ability to employ people and terminate their contracts, and to operate the farm independently of trustee input. The farm manager has the authority to utilise funds as long as the expenditure is according to the budget. The Trust has an open meeting structure whereby the farm manager attends and participates at the bi-monthly meeting. This is one way the management interacts with the trustees. Otherwise the chairperson and other trustees are always accessible to the farm manager. Operational policies are reviewed annually and are usually documented in the minutes.

People

The secretary believes that seven trustees is an optimum number although conceding that the Trust could function effectively with five trustees. All trustees are democratically elected but representation is very much whānau-based.

The Trust encourages trustees to attend various courses or conferences. A key aspect of the Trust's professional development strategy is to fund trustees for 'out of pocket expenses' for attending various hui, conferences and training. The Trust is also investigating developing a succession strategy. The Trust will, in time, require in time people with new skills, and hopes that the tertiary grant recipients will bring their skills back to the Trust.

Financial Analysis

	Actual 1999	Actual 2003
Revenue	737,210	755,253
Operating surplus before tax	187,561	56,017
Net Surplus (NPAT)	141,334	45,304
Average Total Assets	5,250,181	5,866,529
Average Shareholders' funds	4,728,310	5,559,043
Profitability		
Operating Surplus (%)	25.44%	7.42%
Return on average equity after tax (%)	2.99%	0.81%
Return on assets (EBIT)/average total assets (%)	3.57%	0.95%
Liquidity and Efficiency		
Current Ratio	1.66	3.12
Quick Ratio (equity ratio)	0.08	0.36
Financial Leverage		
Debt to average equity (%)	6.15%	31.02%
Gearing (%)	8.28%	4.71%
Proprietorship (%)	91.72%	95.29%

Te Taiwhenua o Heretaunga

Background

Te Taiwhenua o Heretaunga is a Charitable Trust, which was incorporated in 1988. As it is a Charitable Trust, the Trust is governed by the Charitable Trusts Act 1957.

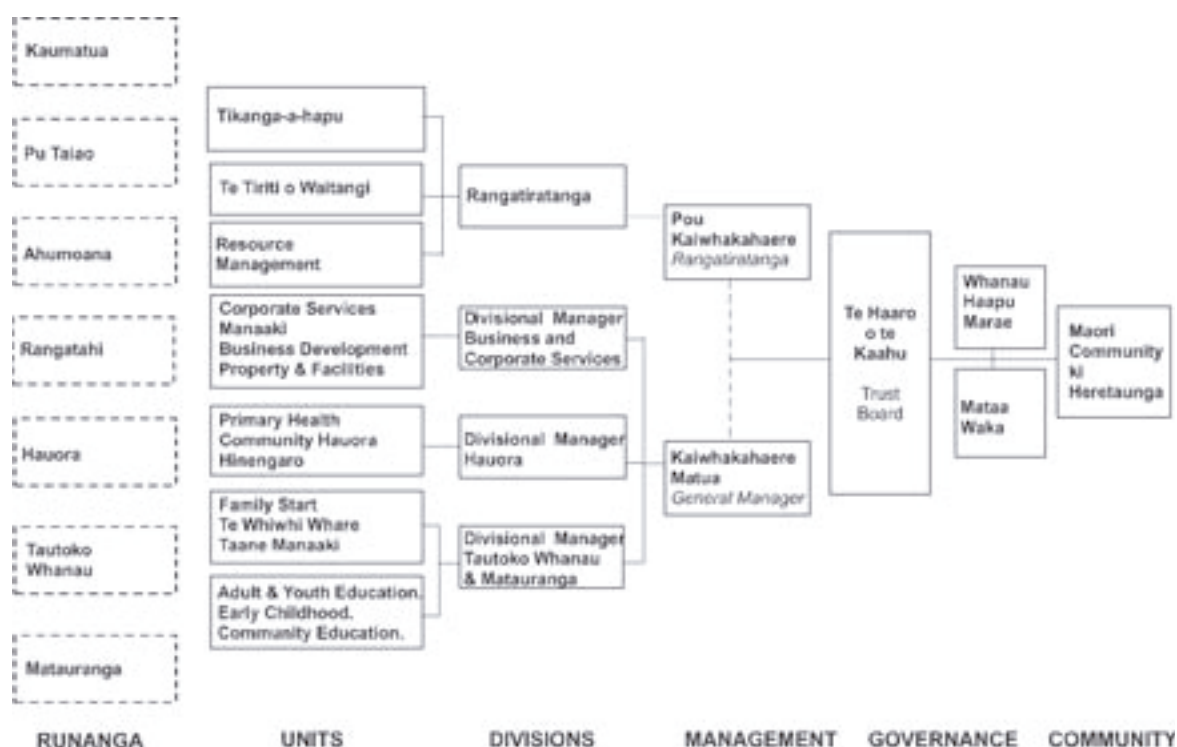
Te Taiwhenua emerged from numerous hui held throughout the mid-eighties, after the Hui Taumata in 1984. In 1988 Ngāti Kahungunu Iwi was urged by the Department of Māori Affairs to form itself and Taiwhenua structures into legal entities. Tautoko Wahine, which had been incorporated as a Charitable Trust in 1985, offered its constitution to Te Taiwhenua o Heretaunga, which was adopted in 1988.

The beneficiary roll is not reflective of who the Trust represents. While the roll has approximately 4500 beneficiaries, the Trust considers its shareholders as all Māori residing within the boundaries (Heretaunga) prescribed in their constitution, which is approximately 16,000.

The Trust Board (Te Haro) consists of 15 democratically elected representatives of 17 marae, including one urban marae. The core business of Te Taiwhenua is Treaty based services. Treaty based services means giving application to the Treaty of Waitangi from a Māori perspective. The Trust offers various health and education services as well as social services. It also provides services on mana whenua concerns, for example resource management issues and Treaty of Waitangi claims and partnerships.

The Trust’s total landholding is 3.5 ha. This includes the property the Trust is located on and property it bought in a residential area to be used for a housing project. The Trust’s total assets amount to \$4.3 million. The Trust employs 62 full-time employees.

The structure of Te Taiwhenua is likened to *te arero*, the head of the *taiaha*. (see structure below). This depicts an organisational structure that is led by the community as it drives forward.



The base of te *arero* is the seven rŭnanga and the tip of te *arero* consists of ngā tāngata Māori ki Heretaunga (Māori community of Heretaunga). Also of significance is that the Trust has two senior managers. One is the chief executive and the other is the general manager. They both report to the Trust Board. The general manager manages 95% of the Trust's activities and the chief executive manages the rangatiratanga division.²

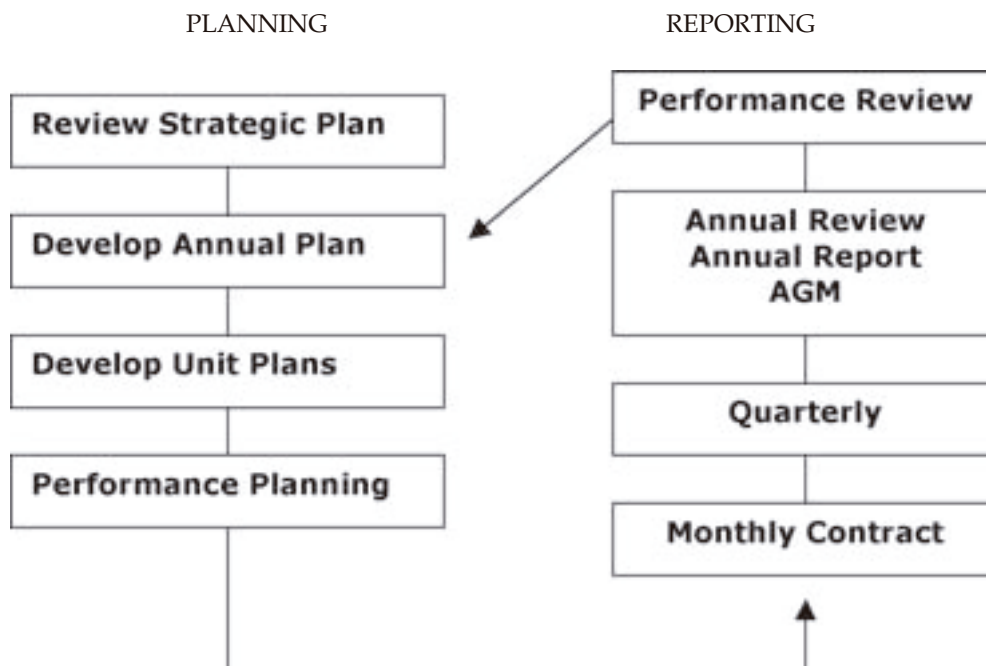
The Trust has a limited liability company established for commercial holding purposes. The Trust is looking at using this company for future joint ventures.

Governance Decision Making Processes

The Trust developed its first strategy plan in 2001. This involved a facilitated one day workshop with trustees, the chief executive and general manager. The strategic plan is reviewed annually in February or March at management and Board level. The Trust's financial year runs from July to June.

The annual business planning process is approved at two levels. The Trust Board approves the strategic plan and the high level management plans. The annual planning process is undertaken around April/May. Every year in July the Trust Board and all staff have a noho marae where all annual plans are presented. These annual plans have a strategic direction component and tend to be more detailed.

The annual planning and reporting cycle is described in the diagram below



All investment decisions are approved by the Board. The Trust recognises that it needs an actual written policy on investments and the general manager has been given approval to contract someone to put together an investment policy. The Trust would also like to formalise a due diligence policy. The practice it follows is that all investment decisions go before the Board for approval before a full due diligence process is undertaken.

² The Rangatiratanga division focuses on mana whenua issues, working directly with ngā marae and hapū o Heretaunga. This role principally focuses on Te Tiriti o Waitangi and resource management issues.

Due to the nature of the services provided by Te Taiwhenua and the fact that many are government funded, the Trust has extensive risk management policies in place. The Trust uses consultants in quality management systems who advise on best practice issues.

The Trust has had intensive audits undertaken and provisions for addressing the findings are made in the annual business plans. The Trust has also received funding to develop a service manual for accreditation which is a requirement for delivering those services. The Trust has extensive insurance cover and full indemnity insurance.

The Trust has a policy that no one at governance level can be an employee. The Trust is also looking at formulating a policy on delegations of authority and reviewing the terms of reference for committees to better reflect the role and distinction between management and governance.

Operational Practice

The Trust maintains planning, contract monitoring and reporting systems that are continually being refined. Best practice is also maintained by performing and working to the sector best practice standards in service delivery (eg NZQA accreditation, Mental Health Standards).

Accountability to Shareholders

The Trust sends out approximately 3000 annual reports to households. The Trust also sends out newsletters regularly and advertises its meetings. The Rūnanga committees ensure that the Trust is accountable to its community. The purpose of the Rūnanga is to provide stakeholder input into the direction of specific sectors serviced by the organisation. The Rūnanga in essence are delegated subcommittees to Te Haro – the Trust Board. All Rūnanga meetings are documented.

Performance Reporting

The Trust undertakes the standard reporting mechanisms to measure economic performance. Due to the nature of the Trust's business there are various activities that they can report against for social and cultural performance. They are:

- Marae koha
- Marae wananga
- Sponsoring the Annual Waitangi Day Event
- Health care outcomes
- Educational outcomes
- Cultural assessments for local council Resource Management Act consents
- Submissions and participation with local council resource management activities
- Liaison between hapū and Ministry of Fisheries on customary fisheries legislation and gazetting.

Board Performance Review

The Trust Board is aiming to develop and implement a formal Board performance review this year.

Engaging with Shareholders and Stakeholders

The Trust engages with its stakeholders on a daily basis in an open and transparent way at gatherings and hui. The general manager and chief executive engage with stakeholders on issues that they are responsible for in their respective roles.

Elections

The trustees are democratically elected. A trustee's term is three years. Rotational elections are held each year, with four positions per year coming up for election.

At Rūnanga level representatives are members of Te Haro or community representatives who are identified to have the skills and experience required at this level.

Operational Processes

The Trust recognises the difference between management and governance. This is illustrated through its policy on governors not being employees of the Trust.

As stated above the Trust has a chief executive and general manager. The chief executive's role is to:

- Attend external meetings
- Organise and facilitate various wānanga
- Advocates on fisheries issues
- Participate on local, regional and national forums eg chair the Association of Māori Training Providers, Chair of Healthcare Aotearoa

The general manager's role is to manage the service arm of the organisation. The general manager does the following:

- Manages the organisational and operational aspects including staff, systems and procedures.
- Advocate on issues affecting Te Taiwhenua
- Fiscal controller
- Project initiator
- Performance management

Both managers have employment contracts and job descriptions. The employment contract is based on key performance indicators. The Trust has a human resource policy which was developed with the assistance of a human resource consultant, to accord with employment law. The Trust's employment policy is to employ the best person for the job.

All delegations of authority are 'charged' to the chief executive and general manager with delegations to divisional managers. A policy on delegation of authority has yet to be developed. A subcommittee of the Trust called Te Kāhu (including the chairperson and deputy chairperson) has a closer functional role with the chief executive and general manager. They meet two weeks after a Board meeting to review minutes and follow up on actions. The chairperson is also very accessible to both managers.

The general manager reports to the Board formally and accepts the decision made by the governors. The trustees know not to interfere with management issues. If a trustee has an issue they refer it to either the chief executive or general manager first.

Management performance is reviewed annually. Te Kāhu has a performance review process which caters for the executive through to operational staff.

The Trust is in the process of reviewing its operational policies. These operational policies are audited annually by organisations such as New Zealand Qualifications Authority, Child, Youth & Family Services, and the District Health Board.

People

The general manager (a former trustee) regards the number of trustees as too many. It is difficult for 15 trustees to participate fully or give productive input. However, in saying that, having 15 trustees provides widespread representation from the various hapū and communities which strengthens the Board.

The Trust has a governance training budget. The trustees have attended various courses and conferences. The chairperson has attended the Institute of Directors course.

Financial Analysis

	Actual 1999	Actual 2003
Revenue	1,713,198	3,840,755
Operating surplus before tax	242,468	491,095
Net Surplus (NPAT)	242,648	491,095
Average Total Assets	2,095,569	4,678,966
Average Shareholders' funds	1,811,303	3,658,270
Profitability		
Operating Surplus (%)	14.15%	12.79%
Return on average equity after tax (%)	13.40%	13.42%
Return on assets (EBIT)/average total assets (%)	11.57%	10.50%
Liquidity and Efficiency		
Current Ratio	2.81	1.39
Quick Ratio (equity ratio)	2.81	1.39
Financial Leverage		
Debt to average equity (%)	16.05%	47.13%
Gearing (%)	13.57%	19.36%
Proprietorship (%)	86.43%	80.64%

Te Awahohonu Forest Trust

Background

Te Awahohonu Forest Trust is an Ahu Whenua Trust governed under Te Ture Whenua Māori Act 1993. The Trust was established in 1971 for forestry development. The remaining developed farm land was vested back into the Trust in 1987. When the Trust was first established there were 650 owners, at present there are approximately 850 owners.

The Trust is based in Napier but the land block is located on the Napier-Taupo road. The core businesses of the Trust are sheep and beef cattle farming and forestry. Other business interests are in tourism (hunting and fishing). The total landholding is 20,961 ha, of which 9,909 ha are undeveloped lands. This area is covered in native trees. The tourism activities are undertaken on this part of the land block.

The Trust has five trustees which excludes the secretary. The Trust established a farm committee 15 years ago, and other subcommittees were established five years ago. The subcommittees are forestry, farming, social (education), waahi tapu, and ahi manawa (undeveloped lands).

The Trust has a 50% interest in a forestry joint venture partnership called Toropapa. This joint venture employs a harvesting and marketing manager who employs the harvesting contractors. Overall the Trust employs 22 people directly through this joint venture. A forest manager is employed to replant the land that has been harvested. The Trust also employs a farm consultant as well as five farm employees.

Governance Decision Making Processes

The Trust developed its first strategy plan three years ago with the assistance of a facilitator. From this workshop the trust developed a framework and the trustees filled in the details themselves. The plan is still in draft form and is to be reviewed shortly. Once the plan has been formalised, the trustees will seek the approval of the owners.

The Trust's financial year operates from July to June. This coincides with the annual planning. The annual planning process involves the managers developing their own business plans. These are taken to the respective subcommittees for approval. The farm annual plan then goes straight to the Trust for final approval and sign off.

The forestry annual plan then goes to the joint venture Board, of which the Trust has 50% representation due to their 50% shareholding in the venture. Once the plan has been approved by the joint venture Board it then goes to the Trust for the trustees to 'sign off'.

The Trust is not a significant off-land investor yet as it is constrained by the large mortgage it has as a result of buying back the pinus radiata forest from the Crown. However, the Trust adopts a transparent process for making investment decisions.

An investment opportunity is first scrutinised at Board level. The opportunity must comply with the strategic plan and must have a minimum rate of return of 10%. Once the investment has passed the scrutiny

of the Board, the Trust finds an appropriate consultant to undertake a due diligence process.

Under the Trust Order the Trust is not allowed to engage in activities off the land or activities that are not farm or forest based activities unless the owners approve the investment. The Trust can undertake tourism activities on the undeveloped land as it is an activity on their land. Owners are always consulted for substantial new land use investments. In this instance the Trust undertakes a due diligence process before going to the owners for approval.

The Trust's due diligence policy is not formalised but the policy is to seek information about the industry and 'head hunt' someone to provide expert advice.

The Trust has experienced the benefit of undertaking a due diligence process. A few years ago it was approached to invest in a timber mill company. The preliminary analysis showed that it was a good investment opportunity, but a due diligence process revealed otherwise. Consequently the Trust did not invest in the mill.

The Trust has comprehensive risk management policies for its businesses. The forestry joint venture has an extensive reporting system. A report is sent to the BNZ bank every three months and the joint venture produces a health and safety report. The forestry assets are valued annually. There are mechanisms in the forest manager's and marketing and harvesting manager's contracts to remove them from their positions if they are underperforming. Another risk management strategy saw the Trust lobby the Rural Fire District Authority to have a fire engine on the forestry site. The Trust also has access to eight helicopters in the event of a fire.

The farm and the forestry joint venture must also comply with OSH requirements. The forestry joint venture holds safety meetings every month.

The farm has houses placed strategically on the farm to mitigate risks and every contractor is extensively briefed about health and safety regulations. The farm does not use the same livestock company every year, making stock firms compete against each other. The farm also has back-up if farm workers 'walk off'. The Trust operates a stringent permit system for their farm, forest and ahi manawa block. The permits are issued through a security system. Controlling the land access is a large part of mitigating risks on its land.

Trustees must declare all conflicts of interest. If there is a conflict of interest the Trust Order states that the trustee must leave the room and have no vote on the decision. Conflicts of interests among trustees are usually managed through a consensus decision making process.

The major change in governance for the Trust has been a change in the representation make-up of the Board. Representation in the past was more whānau-based; it is now more skills-based, electing the best person for the job.

The major governance milestones for the Trust have been:

- Change to Trust Order – voting procedure
- Establishment of committees
- Rotation of trustees from 2004

Operational Practice

There are various things the Trust has done to maintain best practices. On the farming side, the Trust joined a farm group with other similar farms where they visited farms and had candid discussions about these operations. This year the Trust entered into the Māori farmer of the year award and won the Eastern Region. The Trust encourages employees to continually up-skill. The Trust also believes in using technology as part of farming operations. The Trust's philosophy is that the best practice is to employ the best person for the job. The Trust also employs a consultant as well as a farm manager.

In terms of forestry, the Trust undertakes various practices. The Trust did not want to operate the forest as it did not have the required expertise: hence the reason for putting the harvesting and marketing manager's position out for tender.

The company that won the contract was willing to invest in the forestry joint venture. This indicated its commitment. The Trust also engaged in the joint venture company to have partners that offer a wide range of experience and expertise in the forestry sector internationally and nationally. This is particularly important as the forestry sector is sensitive to many commercial factors.

The Trust has interest fixing contracts and currency hedging options in place for its forestry operations. There are also quarterly checks and balance processes between the forest manager and the harvesting and marketing manager. The trustees also make a point of visiting the forests regularly.

Accountability to Shareholders

The Trust produces an extensive annual report at its AGM. The Trust is also subject to a Māori Land Court review every 10 years. Additionally, the trustees communicate with the owners informally and hold special purpose meetings with the owners when the need arises. The Trust video tapes parts of the farm itself in order to show the owners at the AGM. The AGMs are also video taped.

Performance Reporting

The Trust uses the standard financial reporting methods to measure economic performance. Initiatives that the Trust report against for social and cultural performance are:

- Education grants
- Donations to schools
- Tangi grants
- Recording of waahi tapu sites on a map
- Encouraging the collection of customary materials

There are also various environmental initiatives that the Trust undertakes. The Trust employs a 'work with nature' philosophy. The various initiatives are:

- Undertaking a scoping report of undeveloped land to determine the health of the forest
- Undertaking initiatives to restore, enhance and protect the conservation values of the land
- The use of traps that are compatible with the environment to exterminate predators.
- Protection of native timber on the block

Board Performance Review

The financial performance is one mechanism that is used to measure the Board's performance. The Māori Land Court reviews the trustee's performance every 10 years, the most recent being in 2003. The trustees received an excellent review in 2003.

Engaging with Shareholders and Stakeholders

The chairperson is responsible for engaging with the owners on behalf of the trustees. One of the trustees is a member of the Hawke's Bay Regional Council Māori advisory committee and so by default is the person responsible for engaging with local government stakeholders.

Elections

The election system the Trust adopts is a five year rotational system. One trustee comes up for election every year. The Trust adopted a 'show of hands' procedure for casting votes. However, the Trust has recently changed the Trust Order so that voting can also be done by post. The Trust will send out a voting form before the AGM so that the owners can vote on all resolutions to be put forward at the AGM and for election of the next trustee. The Trust also requires a candidate for a trustee's position to provide his or her curriculum vitae.

Operational Processes

The Trust recognises the difference between governance and management. This is evidenced through the fact that it employs a farm manager, a forestry manager and a professional secretariat. The Trust has a policy to employ the best person for the job.

All major capital expenditure must ultimately be approved by the Board. The farm manager informs the consultant who then goes to the Board. The farm manager and forestry manager have authority to spend money within the bounds of their budgets.

The Trust operates a very transparent system which has meant that the Trust rarely has conflicts between management and governance. If governors did interfere with management issues, the matter would be dealt with by taking a direct approach where the particular trustee(s) would be told not to interfere. The Trust maintains that its system is very robust and such interferences would be 'shut down'.

The Trust has had an example of resolving an employment issue. In this situation the Trust employed a consultant to undertake the negotiations to resolve the issue. The trustees were not involved in the negotiations but were briefed accordingly and gave strict terms of reference for the negotiations.

Forestry management is reviewed quarterly and farm management is reviewed monthly. The Trust has always undertaken this practice. Operational policies for forestry are reviewed quarterly because of the contracts. Due to the nature of the present businesses all operational policies are considered living documents and changed as necessary. All operational policies are documented in hard copy form and distributed to trustees in a package for documenting in the Board minutes.

People

The chairperson and secretary regard the number of trustees on the Board as optimal. If there were more trustees they consider that the Trust would become more 'top heavy'.

The Trust is looking at developing a training policy. Although it has experienced trustees, the Board has encouraged them to attend the FoMA conference, other industry conferences and Māori land seminars. The Trust also organises discussions with banks and other organisations on topics such as currency and other economic issues.

Financial Analysis

	Actual 1999	Actual 2003
Revenue	34,759,072	11,385,429
Operating surplus before tax	-566,339	1,156,949
Net Surplus (NPAT)	-566,339	897,231
Average Total Assets	29,244,620	40,112,662
Average Shareholders' funds	19,832,161	27,099,895
Profitability		
Operating Surplus (%)	-1.63%	10.16%
Return on average equity after tax (%)	-2.86%	3.31%
Return on assets (EBIT)/average total assets (%)	-1.94%	2.88%
Liquidity and Efficiency		
Current Ratio	5.94	2.78
Quick Ratio (equity ratio)	2.36	2.06
Financial Leverage		
Debt to average equity (%)	1.47%	6.36%
Gearing (%)	36.82%	30.92%
Proprietorship (%)	63.18%	69.08%

Paraninihi Ki Waitotara Incorporation

Background

Parininihi Ki Waitotara Incorporation (the Incorporation or PKW) was constituted under Te Ture Whenua 1993. The Incorporation was established by Order in Council in 1976 to administer the lands previously known as the West Coast Settlement Reserves. Their office is located in Stratford, Central Taranaki.

The Incorporation has 7971 owners. The core business of the Incorporation is the administration of the unimproved value contained in 350 leases and incorporates 22,000 hectares of farmland. Following the Reserved Land Amendment Act 1997 the Incorporation purchased back lessees' improvements of some 33 leases. With amalgamation the Incorporation now has 18 dairy farms. It now produces some 1.56 million kilograms of milksolids.

In 1997, the PKW Board with consultants produced a land management plan, which was taken around the motu and eventually passed by a large majority of shareholders. The land management plan outlined desirable leases to be purchased and contiguous blocks of freehold but also provided for sales of uneconomic or unsuitable blocks of land.

In order to diversify its investments, which are mainly land, the Incorporation has diversified and now has the following investments portfolio:

1. Shares
2. Joint venture with Wakatu Incorporation
3. Joint venture Australia - buildings
4. Joint venture Taharoa C block - building (since sold)
5. Syndicate large dairy operation
 - a) New Zealand
 - b) Australia
6. Commercial properties
7. Joint venture - forestry

The asset base of the Incorporation at current market value is approximately \$200 million.

The farming operations of the Incorporation are carried out by a subsidiary company, PKW Farms Ltd. This company is wholly owned by the Incorporation. The company has five directors; three are members of the PKW Board with the other two being independent directors with extensive knowledge of the sector and business environment.

Three years ago the Incorporation employed its first chief executive, who was previously a partner in a chartered accounting firm. The administration work is carried out by an external firm. The Incorporation has recently formed a transition committee to review the future administration of the Incorporation.

The Incorporation has seven members on its Board and has operating subcommittees in the following areas:

- Communication;
- Investment;

- Education; and
- Social.

Governance Decision Making Processes

The Incorporation has a strategic plan which is reviewed annually. The strategic planning process is carried out by the Board which is assisted by a consultant. The business plan is also updated at strategic planning meetings. The review of these plans is carried out annually following the annual general meeting, normally held in September or October.

The financial year of the Incorporation ends 30 June with the annual budget being prepared and approved prior to 30 June.

The Incorporation receives many offers to invest; when considering investments the Board undertakes due diligence. This is carried out by the CEO and/or consultants. A hurdle rate may be applied to investments.

The major change in governance since the inception of the Incorporation has been the review of the Incorporation's policies and processes. This has resulted in a transition sub-committee being established to recommend strategic direction regarding governance. The Board has accepted suggestions from the subcommittee and is preparing to implement those considered necessary.

Operational Practice

The Incorporation is currently reviewing its policies and performance against international and domestic best practice.

Accountability to Shareholders

The Incorporation reports to shareholders in the following manner:

1. Half yearly publication - Whenua
2. Annual report and accounts
3. A full transcript of half yearly and annual meeting minutes forwarded to all shareholders.

The Incorporation is at present preparing for the introduction of a website.

Performance Reporting

The Incorporation undertakes standard reporting mechanisms to measure financial performance. Trustees are provided with disks, which show all accounts: actual versus budget, and other financial milestones on a monthly basis.

In respect of the sub committees, budgets are provided for:

- a) Marae grants
- b) Education grants and/or scholarships

The Incorporation employs sound environmental practices in oil/gas exploration and metal removal.

The Incorporation is reviewing their reporting mechanisms with the objective of enhancing performance measures.

Board Performance Review

The Incorporation currently does not undertake any formal Board performance review. However as part of the review the Incorporation is considering implementing Board performance measurements.

Engaging with Shareholders and Stakeholders

The Incorporation engages with shareholders through the 'Whenua' publication and the AGM. Meetings are sometimes held with groups of shareholders to discuss issues as they arise rather than at formalised meetings.

Elections

The Incorporation follows the procedures as contained in the Act. There are seven elected members and appointments are made on a three-year rotational basis.

Operational Processes

The Incorporation recognises the difference between governance and management. This is illustrated through the appointment of a chief executive three years ago. The Board is the ultimate decision-making body on direction and planning. Management's role is the implementation of the direction and plans. The Board and management have a clear understanding of their roles, and this helps to avoid any conflict between management and governance.

The chief executive has an employment contract based on KPIs. A committee of two review the chief executive's performance. As the Incorporation does not directly employ staff, there is no need for formal employment policies but this will obviously be reviewed should there be a change in circumstances.

The Incorporation however has service level contract agreements with external parties to whom work is outsourced. The chief executive has delegated authority to operate subject to the strategic and business plans and within financial limitation policies. The Board must be consulted on any expenditure over the set policy limit.

The Board of PKW Farms Ltd (subsidiary) has delegated authority to operate and manage the farms and to make their own policy decisions. The strategic plan and policies must be approved by the full Board; this includes investments and annual budgets. The decisions relating to lease buybacks, where the leases are contained in the land management plan, do not require approval from the full Board

People

The Incorporation is mindful of the need to develop a governance succession plan and has recently appointed an associate director for a period of twelve months.

Board members are nominated and voted upon at annual meetings in accordance with the Act. The Board has no formal criteria for those standing. Representation has moved from mainly Taranaki shareholder based representation, to now include members from outside the province and in some cases, particularly in the subsidiaries, non-members of the Incorporation.

The Incorporation supports the professional development of their Board members encouraging them to attend suitable training courses.

Financial Analysis

	Actual 1999	Actual 2003
Revenue	3,262,462	13,599,319
Operating surplus before tax	1,450,797	4,325,536
Net Surplus (NPAT)	1,255,200	3,536,129
Average Total Assets	52,195,804	151,448,802
Average Shareholders' funds	50,250,284	102,887,557
Profitability		
Operating Surplus (%)	44.47%	31.81%
Return on average equity after tax (%)	2.50%	3.44%
Return on assets (EBIT)/average total assets (%)	2.78%	2.86%
Liquidity and Efficiency		
Current Ratio	28.68	0.82
Quick Ratio (equity ratio)	28.68	0.76
Financial Leverage		
Debt to average equity (%)	0.58%	1.68%
Gearing (%)	3.58%	34.95%
Proprietorship (%)	96.42%	65.05%

Atihau Whanganui Incorporation

Background

Atihau Whanganui Incorporation was established in 1970, following the formation of the vested lands in 1966. The Incorporation has approximately 6500 shareholders. It has similar shareholders to Morikaunui Incorporation which was incorporated in 1953. Morikaunui Incorporation has 4000 shareholders. There is a possibility that these two Incorporations will be amalgamated in the future, but for this case study Atihau Whanganui Incorporation was chosen as it is the larger.

The core business activity of the Incorporation is sheep and beef farming. The Incorporation farms eight stations. It has interests in forestry (2000 ha) and has made some small investments in property. The Incorporation's total landholding is 40,874 ha. The social, educational and cultural activities are managed under a Charitable Trust called Whanganui Trust. This Trust also services Morikaunui Incorporation.

The Incorporation has no subsidiaries but has joint ventures in forestry. It has a lease arrangement with Winstone Pulp International Ltd where Winstone Pulp International Ltd manages the whole contract and pays stumpage. The lease is for 99 years giving the Incorporation three crops during this period – the trees were planted 26 years ago in 1978. The Incorporation has another joint venture with their lessees. This is a 50/50 arrangement whereby the block is farmed by the lessee but the trees are planted on a 50/50 basis which the Incorporation contributing 50% towards the costs.

The Incorporation has seven members on its Committee of Management. Under the Committee of Management is the general manager who has been employed since April 2003. As a result of the restructuring process the Incorporation established three subcommittees. These are the farm committee, which has a farm manager, the forestry committee that needs limited management input because of the arrangement with joint venture partners, and the financial committee which also includes general administration. The financial and administration services are contracted out.

In a move towards regaining autonomy the Incorporation wants to eventually have the administration services provided by the Incorporation. Across all its business interests the Incorporation employs approximately 35-40 staff.

Governance Decision Making Processes

The Incorporation's first strategic plan was created in 1995. This plan was developed by a mix of shareholders and members from the Committee of Management. The Incorporation has recently reviewed this strategic plan. This time specialists were engaged and the Committee of Management attended workshops. The Incorporation envisages that the strategic plan will now be reviewed every five years. The farms, however, do have a three year strategic plan.

Although the Incorporation has never had a formal business plan prepared annually, the Incorporation since its inception has been guided by the policy of resumption and retention of its lands. In 1970 the Incorporation had 101,000 acres, and since then a further 26,841 acres have been resumed. Specifically speaking the Incorporation wants to resume all leases that expire in June 2005. This amounts to 28,915 acres.

The Incorporation's financial year runs from July to June. The AGM is not till late November – December as

it takes about three months for the Incorporation to settle accounts and to have them audited after the end of the financial year.

All farm budgets are reviewed six monthly. The budgets are reviewed twice a year because of the nature of the operation. Reviewing the budgets in July allows the Incorporation to better estimate what the commodity prices will be like in December so that in January the Incorporation can 'tweak' the budget accordingly. The forestry budgets are prepared once a year during February.

In the past the Incorporation did not prepare annual business plans. However, the general manager as part of his position is to develop an annual plan for the Incorporation. The standard process of having the plan go to the Committee of Management for approval will apply.

The Incorporation has not made any investments in recent years. Its portfolio consists of investments that are arguably past their 'used by date' as they were made 10-12 years ago and are not making any returns.

Although the Incorporation does not have a due diligence policy, it undertakes due diligence methods for all investment decisions. The Incorporation has an informal process whereby the preliminary financial analysis is put before the Committee. It then approves a due diligence process to be undertaken.

The Incorporation has various risk management policies. Each farm station has a health and safety plan. The Incorporation encourages employees to up-skill themselves in all facets of their work on the farm. The Incorporation also has a comprehensive insurance policy and payment system. Although it does not have an investment policy, its approach is very much a conservative one.

The Incorporation does not have a conflict of interest register and conflicts of interests rarely occur. However, trustees must declare any conflicts of interest. If a conflict of interest arises the trustees can participate in discussion but cannot vote on the decision. For educational grants, trustees with a conflict of interest withdraw themselves entirely from the decision making process.

The major change the Incorporation has experienced since its inception has been the separation between governance and management in 2000. Prior to 2000 the Trust only had a station manager. The Trust now has a general manager who handles all management issues.

Some of the milestones for the Trust are:

- Separation of management and governance
- Moving towards achieving autonomy in 2000
- Reviewing the 1995 strategy plan
- Establishment of committees
- Delegations of authority to the general manager
- Improved accounting and reporting systems
- Improved communication systems

Operational Practice

The Incorporation benchmarks itself against industry practices. It strives to be better than average. In 2003 it entered the Māori Farmer of the Year Awards, where it was able to access information and to network with people in the industry. This exercise proved beneficial, showing the Incorporation where it needed to improve in its practices.

Accountability to Shareholders

The Incorporation only reports to the shareholders at the AGM. However, the shareholders have access to all financial accounts and station data at any time. The Incorporation's website has recently gone 'live' and the Incorporation believes this is another way of being transparent to shareholders.

Performance Reporting

The Incorporation's economic performance is measured through the standard financial reporting mechanisms. There are various initiatives that the Incorporation can report against for social, cultural and environmental performance.

The Incorporation offers education and sporting grants and also gives grants for marae development.

On the farm the Incorporation endeavours to use environmentally friendly practices and operates on the philosophy of 'putting back what they take out'. The Incorporation has also made an effort to protect native bush on the land by fencing off areas and has a process in place to protect waterways.

Board Performance Review

Last year the Incorporation had its first Board performance review. This process is to be conducted annually. As part of the review each committee member did a self-analysis exercise. Most committee members see themselves as representing the whānau as opposed to being there in an individual capacity. Therefore, undertaking a self-analysis exercise was something new for them.

Engaging with Shareholders and Stakeholders

The Incorporation engages with shareholders through the AGM and the website. The general manager engages with stakeholders on most issues. All national issues are reported back to the Board. The number of issues arising in recent years meant that there needed to be more interaction between the Committee of Management and the general manager. Meetings are now held monthly rather than quarterly to ensure ease of reporting between them.

Elections

The election process is undertaken on a three year staggered rotational basis. Nominations are received prior to the AGM. All candidates' profiles are sent out to shareholders before the AGM. Candidates also present themselves at the AGM.

Operational Processes

The Incorporation's Committee members have done a number of things to better understand their role as governors. Since 2000 they have undertaken several governance workshops and attended the Institute of Directors course. The appointment of a general manager in 2003 illustrates that the Incorporation recognises the difference between governance and management. It was also another step for the Incorporation towards achieving autonomy, which has meant that less reliance is placed on the role of the accountant.

The managers have authority to spend according to their budgets. However, all capital expenditure must go back to the Board for approval. Any expenditure outside the budget also goes back to the Board through the general manager.

Prior to 2000, farm managers operated on an individual basis and reported monthly to a supervisor who was usually a member of the Committee of Management. Now managers are responsible directly to the general manager and report monthly. The general manager is also required to table a progress report at each monthly meeting.

The general manager is responsible for managing conflict at the management and operational level. A mediator is used if conflicts of interests arise between the general manager and a Board member.

The Incorporation's employment policy is to employ the best person for the job. The general manager's performance is reviewed annually and has a contract based on key performance indicators. Management performance for farm managers is reviewed annually. However, new employees are reviewed after the first six months.

People

The general manager (a former Committee member) believes that seven members on the Committee of Management is an optimum number. The Incorporation does not have a formal governors training policy, but training is provided on an 'as needed basis'. The training is usually done as a collective through workshops and courses, although the Incorporation does support individual development.

Financial Analysis

	Actual 1999	Actual 2003
Revenue	3,441,601	6,320,123
Operating surplus before tax	845,011	1,462,321
Net Surplus (NPAT)	745,950	1,210,857
Average Total Assets	15,739,857	24,161,890
Average Shareholders' funds	14,394,047	21,989,572
Profitability		
Operating Surplus (%)	24.55%	23.14%
Return on average equity after tax (%)	5.18%	5.51%
Return on assets (EBIT)/average total assets (%)	5.37%	6.05%
Liquidity and Efficiency		
Current Ratio	4.62	5.33
Quick Ratio (equity ratio)	0.55	0.49
Financial Leverage		
Debt to average equity (%)	2.02%	7.84%
Gearing (%)	8.47%	8.25%
Proprietorship (%)	91.53%	91.75%



Appendices

Appendix 1

Te Pou Apaarangi Skills Matrix

Te Pou Apaarangi Skills Matrix³ (TPA) is a tool designed to assist Māori organisations and planners to strategically consider and analyse the mix of skills and experience required on a governing body. This tool can be used to study existing entities for instance, trust boards and Māori businesses or it can be used to help plan the governance of a new venture. In doing this, an analysis of the following is possible:

- (a) The current skills on the Board;
- (b) Identification of gaps and risks; and
- (c) Plan to obtain the future skill types.

Te Pou Apaarangi Limitations

The TPA tool does not determine whether the skill mix is right or wrong, it merely highlights where the skill set and experience reside. Understanding the actual skills and experiences of the Board allows the identification of strengths, possible skill gaps and areas of risk with regard to decision making. The TPA does not determine the calibre or behaviour of those on a Board. That domain resides in human resource policy and an organisation's selection processes.

Who can use Te Pou Apaarangi tool?

The tool can be used by:

- 1. Shareholders; or
- 2. Board members; or
- 3. Beneficiaries.

Using Te Pou Apaarangi

- a. Before identifying the ideal or actual skill/experience mix, it is important that the organisation is clear on its business and core purpose. This is important because it informs the skills/experience the organisation will require to realise its core purpose.
- b. The TPA spans a continuum of commerce and business, management, politics and small enterprise, then to social, cultural and community services.
- c. The tool has seven skill types; however an organisation can modify these if it provides greater clarity and understanding.

³ Te Pou Apaarangi Matrix (TPM) was developed by Federation of Māori Authorities in conjunction with Wayne Thomas Tamerangi Mulligan in 2003. The TPM is based on a study of governance and is an extension to Wayne Mulligan's Master of Management Thesis.

Te Pou Apaarangi

Commerce and Business			CONTINUUM				Community and Social								
Commercial		Professional		Business Management		Political		Small Enterprise		Government Services		Cultural			
Skill Type		Skill Type		Skill Type		Skill Type		Skill Type		Skill Type		Skill Type			
- Finance & Investment - Venture Capital - International Business		- Legal - Accountancy - Valuation - Consultant - Engineering		- Entrepreneur - Senior Executive - Policy Analysis		- Councillor - Lobbyist - Politician - Advocate		- Owner Operator - Manager Local Business		- Education - Health - Social Justice - Courts		- Kaumatua - Marae - Tikanga - Te Reo			
Ideal															
Actual															

Example:

A Māori organisation is about to receive a large Treaty Settlement and will develop a range of commercial, business, investment and social programmes. The board consists of 11 members. The aim is to get a board that has the skill/experience to achieve the core purpose.

Commerce and Business			CONTINUUM				Community and Social								
Commercial		Professional		Business Management		Political		Small Enterprise		Government Services		Cultural			
Skill Type		Skill Type		Skill Type		Skill Type		Skill Type		Skill Type		Skill Type			
- Finance & Investment - Venture Capital - International Business		- Legal - Accountancy - Valuation - Consultant - Engineering		- Entrepreneur - Senior Executive - Policy Analysis		- Councillor - Lobbyist - Politician - Advocate		- Owner Operator - Manager Local Business		- Education - Health - Social Justice - Courts		- Kaumatua - Marae - Tikanga - Te Reo			
Ideal	X			X	X			X				X	X		
Actual															

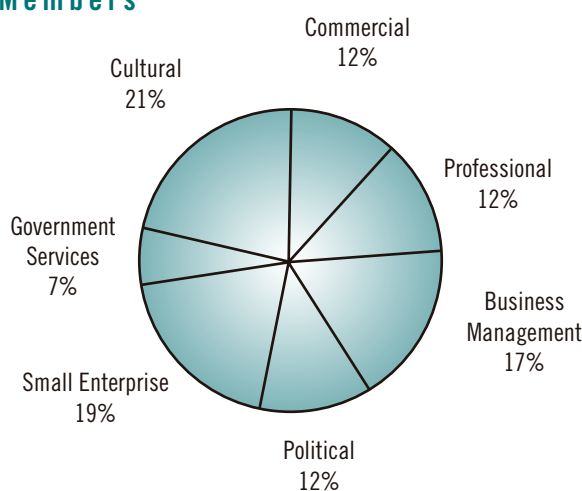
Application to case studies

Five of the organisations in this series of case studies provided information in relation to the skills matrix -Te Pou Apaarangi. Each board member was given the opportunity to identify their skills by completing a survey.

There are two levels of analysis in the Skills Matrix. First is a pie chart that illustrates the range of skills on the Board. Second is a ratio table that compares commerce and business skills with social and community skills. This information was provided by the organisations. Each Board member was given the opportunity to identify their skills by completing a survey.

It should be noted that both the percentage and ratios should be reflected against the actual number of trustees/board members.

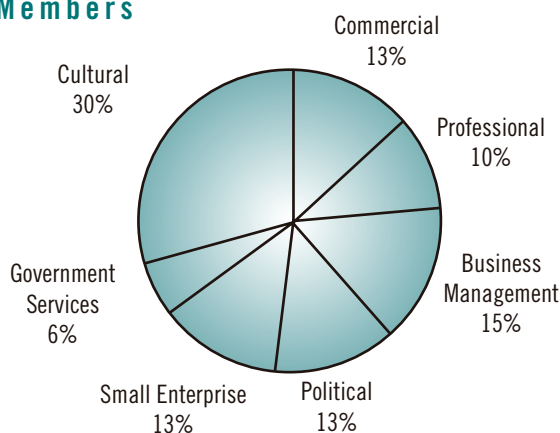
Pakirarahi No.2 Trust Skills Mix of Board Members



1: 1.5

Commerce & Business : Community & Social

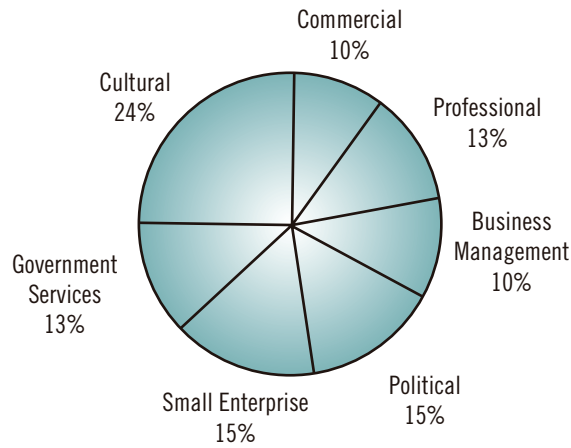
Ngāti Rarua Atiawa Iwi Trust Skills Mix of Board Members



1: 1.6

Commerce & Business : Community & Social

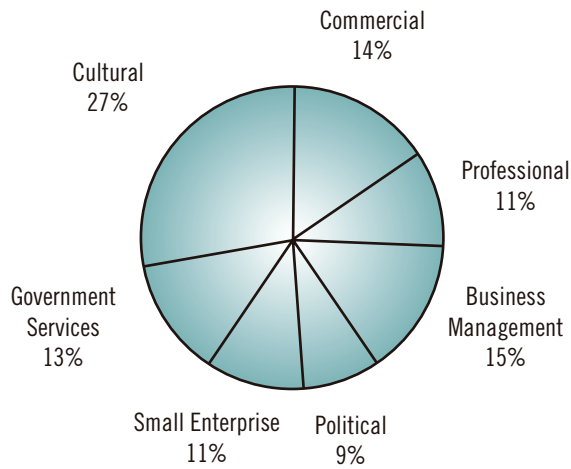
Te Uranga B2 Incorporation Skills Mix of Board Members



1: 2.1

Commerce & Business : Community & Social

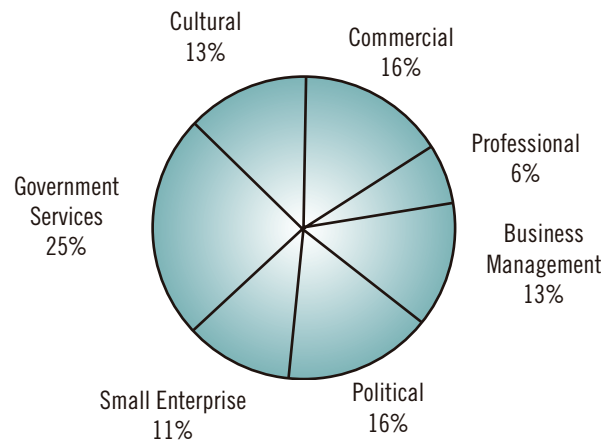
Te Awahohonu Forest Trust Skills Mix of Board Members



1: 1.5

Commerce & Business : Community & Social

Paraninihi Ki Waitotara Incorporation Skills Mix of Board Members



1: 1.8

Commerce & Business : Community & Social

Appendix 2

Summary of Governance Operational Practices

This section provides in summary form, the key components or evidence of how each of the organisations in this series of case studies is meeting various governance and operational practices.

Strategic & Business Planning Systems

<p>Atihau Whanganui Inc</p> <ul style="list-style-type: none"> • Strategic Plan created 1995 • Plan to be reviewed every 5 years • No formal business plan • General Manager now required to develop annual business plan 	<p>Oromahoe Trust</p> <ul style="list-style-type: none"> • Strategic Plan created in 1991 • Set objectives and timeframes • Reviewed on ad-hoc basis • Business planning in form of budget
<p>Te Taiwhenua o Heretaunga</p> <ul style="list-style-type: none"> • Strategic Plan developed in 2001 • Reviewed annually • Business planning conducted annually • Have reporting cycle 	<p>Te Awahohonu Forest Trust</p> <ul style="list-style-type: none"> • Strategic Plan developed 2001 • Plan still in draft form • Annual planning process - managers develop their own business plans
<p>Te Uranga B2 Inc</p> <ul style="list-style-type: none"> • Strategic plan period of 10 years • Reviewed annually • Strategic priority to diversify assets and increase revenue through off-farm investments • Budget management responsibility of farm managers 	<p>Ngati Rarua Atiawa Iwi Trust</p> <ul style="list-style-type: none"> • Strategic Direction forecasted for 5 years • Strategy has evolved from passive investment focus to active role managing businesses • Annual business plans flow out of the strategic review • Measure economic performance against plans and benchmark against industry practise
<p>Pakirahi No2 Trust</p> <ul style="list-style-type: none"> • Strategic Plan covers 2003-2005. • Three yearly reviews to enable the trust to be flexible in business activities • Longer term horizons documented in strategy • Business plan derived from Strategic Plan 	<p>Whakatohea Maori Trust Board</p> <ul style="list-style-type: none"> • Strategic plan in draft • Strategic plan will cover 3-5 years • Each entity provides an annual plan and budget
<p>Whangara B5 Inc.</p> <ul style="list-style-type: none"> • Strategic Plan developed in 1995 • Three year strategic plan, reviewed annually • Strategic objective is to increase asset base • Annual business planning for farms undertaken by Farm Manager 	<p>Parininihi ki Waitotara Inc</p> <ul style="list-style-type: none"> • Strategic Plan developed • Have Land Management and Investment Plans • Reviewed annually by Board • Annual plans prepared by CEO, Board sign off - process under review
<p>Comments:</p> <p>All organisations have strategic plans with review processes in place, however two are still in draft form. Business planning is more often in the form of budgets and budget management. There are only two organisations that indicate their business planning is derived from their strategic plans. This indicates there is wide variation in the interpretation and understanding of the roles of strategic and business planning.</p>	

Risk Management/Policy Documentation

<p>Atihau Whanganui Inc</p> <ul style="list-style-type: none"> • Various risk management policies • Comprehensive insurance policy • Conservative investment approach • No Conflict of Interest Register • Trustee with conflict cannot vote 	<p>Oromahoe Trust</p> <ul style="list-style-type: none"> • No trustee indemnity insurance • No formal risk management policy • No Conflict of Interest Register • Trustee with conflict cannot vote
<p>Te Taiwhenua o Heretaunga</p> <ul style="list-style-type: none"> • Extensive Risk Management policies in place • Extensive Insurance Cover • Full indemnity Insurance • Limited liability company established for commercial holding purposes • Audits undertaken on operational policies by NZQA, CYFS and DHB 	<p>Te Awahohonu Forest Trust</p> <ul style="list-style-type: none"> • Comprehensive risk management policies • Joint Venture has extensive reporting system • Forestry assets are valued annually • Livestock companies compete for Trust business • Access to 8 helicopters in event of fire. Fire engines on site. • Stringent Permit system • Trustees declare conflict of interest
<p>Te Uranga B2 Inc</p> <ul style="list-style-type: none"> • No formal risk management policies, relies on experience, intuition, commonsense and good practice of members to mitigate any risks • No Conflict of Interest Register • Trustee with conflict cannot vote 	<p>Ngati Rarua Atiawa Iwi Trust</p> <ul style="list-style-type: none"> • Risk management responsibility of Trustees • Asset mix, type of activity and the level of risk factors are monitored • Risk management policy operates at operational and governance level and business level • Extensive insurance cover, recent review of all policies undertaken • Has Conflict of Interest Register • Trustee with conflict cannot vote
<p>Pakirarahi No2 Trust</p> <ul style="list-style-type: none"> • Trust uses policies to mitigate risk • In forestry operations Trust requires public liability insurance for any licence • No Conflict of Interest Register • Trustee with conflict cannot vote 	<p>Whakatohea Maori Trust Board</p> <ul style="list-style-type: none"> • In process of documenting risk management policy • Health and Social Services, PTEs and Farms have their own risk management policies • No Conflict of Interest Register but does have conflict of interest policy
<p>Whangara B5 Inc.</p> <ul style="list-style-type: none"> • Extensive risk management policies for farming operations • No Conflict of Interest Register • Trustee with conflict cannot vote 	<p>Parininihi ki Waitotara Inc</p> <ul style="list-style-type: none"> • Policies under review • No Conflict of Interest Register mentioned • Reviewing best practice
<p>Comments:</p> <p>All organisations have risk management policies in place, these tend to be at the operational level of the organisation. There were only two organisations that indicated any form of indemnity insurance at a governance level. Only one organisation indicated it had a Conflict of Interest Register. There was however, evidence that all organisations had informal policies in place regarding conflict of interest, these policies were based on all required conflicts of interest being declared, allowed participation in discussion and required the trustee/ member with the conflict to abstain from voting.</p>	

Due Diligence/Investment Decision Process

<p>Atihau Whanganui Inc</p> <ul style="list-style-type: none"> No due diligence policy – informal process. Preliminary analysis is submitted to committee, committee approves whether due diligence undertaken 	<p>Oromahoe Trust</p> <ul style="list-style-type: none"> Due diligence undertaken for all investment opportunities Checklist for making investment decisions Investments must fit objectives, strategy, plans and budgets
<p>Te Taiwhenua o Heretaunga</p> <ul style="list-style-type: none"> General Manager in process of creating policies on investments and due diligence All proposed investments seek board approval before and after due diligence 	<p>Te Awahohonu Forest Trust</p> <ul style="list-style-type: none"> Investment opportunity must comply with Strategic Plan must have minimum rate of return of 10% Trusts uses external consultant to undertake due diligence. If substantial new land use investment Trust always consults with owners
<p>Te Uranga B2 Inc</p> <ul style="list-style-type: none"> No formalised due diligence policy Currently establishing terms of reference to measure investment opportunities Seeks professional advice – legal, financial or other expertise as required 	<p>Ngati Rarua Atiawa Iwi Trust</p> <ul style="list-style-type: none"> All investment decisions are predicated on an opportunity considered against the strategic plan Due diligence is undertaken if an investment fits within the context of the strategic plan and will add value Investments must meet the 10% minimum rate of return Trustees make the final decision
<p>Pakirarahi No2 Trust</p> <ul style="list-style-type: none"> Trust has a policy about the proportion of assets that can go in different business activities Investment sub-committee established to decide whether investment complies with strategic plan Debt/Equity Ratio policy of 70:30 for investments Due diligence undertaken by external independent consultant Trustee’s final approval required 	<p>Whakatohea Maori Trust Board</p> <ul style="list-style-type: none"> No formal due diligence policy practice Board uses various consultants for conducting due diligence Seek advice from experts in the industry If new business activity Board will consult with iwi and hapu Uses debt/equity ratio for benchmarking investments
<p>Whangara B5 Inc.</p> <ul style="list-style-type: none"> Full due diligence undertaken for all large investments Incorporation has minimum return on investment of 10% Full due diligence not undertaken unless investment fits within Incorporation’s strategic plan 	<p>Parininihi ki Waitotara Inc</p> <ul style="list-style-type: none"> All investment opportunities undergo due diligence, due diligence conducted by CEO and/ or consultant. Set hurdle/benchmark rate of return
<p>Comments:</p> <p>All organisations employ external consultants to undertake due diligence on their behalf. Trustees/ members were very aware of the importance of seeking expert advice on investment opportunities. Many organisations have policies specifying a minimum rate of return on investments and debt/equity ratios applicable to the organisation. Organisations had both formal and informal processes for presenting investment opportunities.</p>	

Governance, Board Selection and Succession Planning

<p>Atihau Whanganui Inc</p> <ul style="list-style-type: none"> • 7 Members on Committee of Management, plus General Manager • Elections 3 year staggered rotational basis • Annual performance review of Trustees • General Manager has delegated authority from Trustees 	<p>Oromahoe Trust</p> <ul style="list-style-type: none"> • 7 Trustees • Elections 3 year rotational basis • Representation is whanau based • Board performance reviews bi-annually • Investigating succession strategy – hope tertiary grant recipients will bring their skills back to the Trust
<p>Te Taiwhenua o Heretaunga</p> <ul style="list-style-type: none"> • 15 Trustees • Developing formal board performance reviews • Elections 3 year rotational basis • Chief Executive and General Manager – both reporting to Trust Board • Formulating a policy on delegations of authority • Has governance training budget 	<p>Te Awahohonu Forest Trust</p> <ul style="list-style-type: none"> • 5 Trustees plus Secretary • Skill based representation • Elections 5 year rotational system • Measure Boards performance through Trust’s financial performance • Maori Land Court review trustee’s performance every 10 years • Establishment of committees for decision making
<p>Te Uranga B2 Inc</p> <ul style="list-style-type: none"> • 5 members on Committee of Management (CoM) • All CoM are shareholders • Elections - Te Ture Whenua. – 3 year rotational basis • CoM have established portfolios • All management responsibilities are delegated to Farm Managers 	<p>Ngati Rarua Atiawa Iwi Trust</p> <ul style="list-style-type: none"> • 8 Trustees • Elections 3 year rotation system • Trust divided into 2 divisions – commercial and social/cultural • The two divisions have separate agendas • All trustees participate in Institute of Directors (IOD) programme • Trustee’s performance reviewed by Chairperson • Board as a collective reviews the board’s performance • Employ General Manager
<p>Pakirarahi No2 Trust</p> <ul style="list-style-type: none"> • 5 Trustees • Skills based representation • Elections occur when trustees resign or owners express their dissatisfaction with particular trustees • No formal policy on professional development of Trustees • All Trustees have opportunity to IOD course • No formal practice for reviewing Board • Financial performance of Trust is seen as reflection of Board’s performance • Succession plan in form of buddying system where an owner can buddy with a Trustee enabling them to attend meetings 	<p>Whakatohea Maori Trust Board</p> <ul style="list-style-type: none"> • 12 Trustees • Executive Committee (EC) of 7 Board Members • EC governs 5 separate entities • Shifted from being elected for Rangatira purposes to kaimahi purposes • Board Performance is judged by financial performance • Policies in place to differentiate governance and management • Board members attended governance workshops

<p>Whangara B5 Inc.</p> <ul style="list-style-type: none"> • 7 Committee Members and Secretary • Two sub-committees – education and housing • Elections 3 Year rotational system • Committee members encouraged to attend governance training workshops and conferences • No formal review process of Board’s performance • Investigated succession planning in the form of co-opting younger persons to the Board, with the intent of adding skills and dynamics. Whangara were unsuccessful in amending their constitution to enable this to happen 	<p>Parininihi ki Waitotara Inc</p> <ul style="list-style-type: none"> • 7 Board members • Election procedures under Te Ture Whenua • 3 year rotational system used for elections • No formal criteria used to elect board members • Board members encouraged to attend training courses • Do not undertake any formal board performance review • Have Chief Executive • Chief Executive has delegated authority to manage budget subject to strategic plan and business plan • Implemented an Associate Director as form of succession planning
<p>Comments:</p> <p>The organisations had between 5 and 15 trustees/members on their Boards. There was evidence of a shift from whanau based representation to skill based representation. The elections were generally on a three year rotational basis. However one organisation specified 5 years and another indicated elections were held when resignations were received or owners were dissatisfied with trustees. All boards have some form of board performance review in place whether formal or informal. Many indicated performance was measured by financial performance. Three organisations indicated succession planning, however such planning was in early stages of development. Three organisations encouraged members to attend Institute of Directors courses.</p>	

Business Environment/Practice

<p>Atihau Whanganui Inc</p> <ul style="list-style-type: none"> • Benchmark against industry practices • Standard Financial Reporting Mechanisms • Financial and Administration services outsourced • Reports on social, cultural and environmental performance • Report to Shareholders at AGM and have website • Employ best person for job 	<p>Oromahoe Trust</p> <ul style="list-style-type: none"> • Administration of trust outsourced • Employ best person for job • Initiatives reported against social and cultural performance are in forms of grants • Standard reporting mechanisms to measure performance • Communication with shareholders through AGM and informal methods
<p>Te Taiwhenua o Heretaunga</p> <ul style="list-style-type: none"> • Maintains planning, contract monitoring and reporting systems these are continually refined • Work to best practice standards such as NZQA, Mental Health Standards • Standard Reporting mechanisms • Measure economic, social and cultural performance • Employ best person for the job • Reviewing operational policies • Communication through regular newsletters and AGM 	<p>Te Awahohonu Forest Trust</p> <ul style="list-style-type: none"> • Engaged in joint venture company to have partners that offer a wide range of experience and expertise in the forestry sector internationally and nationally • Standard financial reporting methods • Operational policies reviewed quarterly because of contracts • Communication through AGM and by Chairperson engaging with Shareholders informally

<p>Te Uranga B2 Inc</p> <ul style="list-style-type: none"> • Employ best person for the job • Communication through website and quarterly newsletters and AGM • Has formalised terms of reference for consultants • No formal reporting process for social and cultural investment • Administration services are conducted in part by secretary and in part by professional advisors • Management performance is reviewed annually against the budget, stock figures, sales prices and stock condition 	<p>Ngati Rarua Atiawa Iwi Trust</p> <ul style="list-style-type: none"> • Trust focuses on best practice whether it is in governance or management • Managers' performances are benchmarked against the industry • Communication through website, email database, quarterly newsletters and AGM • Trust has social and cultural plan • Trust is committed to implementing environmentally sustainable measures as part of its business • General Manager's performance assessed against achieving the goals in the business plan and the overall strategy. Reviewed annually
<p>Pakirarahi No2 Trust</p> <ul style="list-style-type: none"> • Trust strives for all business affairs to be managed prudently and according to best practice • Communication through AGM and newsletter • Trust manages all activities consistent with kaitiakitanga practices • Accounting, administration and secretarial functions are outsourced • Employs best person for the job • All contracts are reviewed annually or when contract up for renewal 	<p>Whakatohea Maori Trust Board</p> <ul style="list-style-type: none"> • Each entity provides its own annual plan and budgets • Maintains best practice throughout business interests • Communication through informal report back by Board Members and recently established website. • Standard Financial reporting • Employs best person for the job • Managers performance/contracts are reviewed annually • Operational policies are reviewed regularly
<p>Whangara B5 Inc.</p> <ul style="list-style-type: none"> • Incorporation benchmarks itself against industry practice • Reports to shareholders at AGM by reporting against the goals in strategic plan • Consults with shareholders on all important issues • Standard reporting mechanisms to measure economic performance and wider social, cultural and environmental activities • Employ best person for the job • Annual management performance reviews • Operational policies continually reviewed and changed to fit the conditions 	<p>Parininihi ki Waitotara Inc</p> <ul style="list-style-type: none"> • Currently undergoing review that will consider and implement international and domestic best practice in different areas • Communication with shareholders through AGM, quarterly newsletter and informal meetings • Standard reporting mechanisms to measure economic, social and cultural performance • Reviewing reporting mechanisms with objective of enhancing performance measures • CEO's contract based on Key Performance Indicators. • Operational policies are under review
<p>Comments:</p> <p>The organisations have policies and review procedures in place at an operational level. Many used industry standards as benchmarks for their performance. Most organisations used external consultants for financial reporting and administrative services. They also contracted expert advice from external consultants when required for opinions on matters outside their skill base. Communication with shareholders was generally informal and through newsletters. However, there is evidence that some of the organisations have established websites. Those organisations are finding communication is improved greatly especially when shareholders are geographically dispersed.</p>	

Appendix 3

Case Study Questions

Background

1. What governing legislation and/or governance arrangements does the entity have?
2. How many owners/shareholders do you have?
3. What is your core business activity?
4. What is the size of the landholding (ha)?
5. How is your organisation structured?
6. Do you have any subsidiaries, joint venture partnerships or associate companies – please name?
7. How many staff do you employ – full/part time/casual?

Governance Decision Making Processes

1. What is the process for determining the strategic direction (vision) of your organisation for the next 5 years?
2. Is your strategic plan documented in hard copy form or has it only been documented in the minutes?
3. What is the process for determining the annual business plan/budgets (1 year timeline)?
4. What is the process undertaken for making investment decisions? Please provide examples.
5. Do you have a due diligence policy. What is it? What was the process involved in formulating this policy?
6. What process does your organisation have for implementing key concepts of good governance and how effective are they?
 - a) Best practice
 - b) Accountability (to shareholders)
 - c) Performance measures – economic, social, cultural and environmental
 - d) Performance review – Board performance review
 - e) Engaging with shareholders and stakeholders
 - f) Elections – do you follow the standard procedure under the Te Ture Whenua Maori Land Act 1993 or have you amended your constitution to allow for a different procedure?
7. What risk management policies do you have in place? How do you mitigate these risks? What reporting mechanisms do you have in place? (e.g for health & safety, investment & insurance policies).
8. How does your Board manage conflicts of interest? Do you operate an interest register?
9. Have there been any major changes in governance policy/processes since the inception of your entity? If so, why were these changes made?
10. What have been the some of the governance milestones for your entity?
 - amendment to order/Trust
 - amendment to constitution
 - change in governance philosophy
 - delegations of authority
 - establishment of committees

Operational Processes

1. Does your organisation recognise the difference between governance and management?
2. Do you have a Trust manager or a CEO?
3. Does this person have an employment contract - is it based on key performance indicators.
4. Do you have an employment policy i.e. is it the best person for the job or whānau first?
5. What committees does your Board operate? (farm, communications, investment etc...)
6. What is your policy on delegations of authority?
 - some authority
 - how much control on money, capital expenditure
7. What processes do your governors employ for interacting with management issues? How effective are these processes?
8. If conflict arises between management and governance how does your organisation resolve it?
9. How often is management performance reviewed?
10. How often are your operational policies reviewed?
11. Do you have an operational policy manual or are your operational policies documented in the minutes?

People

1. How many people are on your governance Board/committee? Do you think this is an optimum number?
2. How does your organisation appoint individuals to governance roles?
3. What particular criteria do you use?
4. What strategies does your organisation employ to develop its governors/leaders? How effective are these strategies?
5. Does your governors/management participate in any directors' programmes?