

Memorandum

To: NZASB members

Meeting date: 12 October 2026

Subject: **Supplementary memo to mixed group issues: Application to post settlement governance entities, and other Māori asset governance entities**

Date: 1 October 2026

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☒ **Action Required**

☐ **For Information Purposes Only**

Purpose

1. The purpose of this memo is to:
 - **OUTLINE** and reemphasise the relevance of mixed group issues to Māori asset governance entities including post settlement governance entities (**PSGEs**), and
 - **PROPOSE** additional framing for the Discussion Paper to more clearly identify the types of entities and structures that may experience mixed group issues and to ensure consultation adequately targets feedback from affected stakeholders.

Recommendations

2. Staff recommend that the Board:
 - (a) **NOTE** the relevance of mixed group issues to Māori asset governance entities including PSGEs as outlined in this memo; and
 - (b) **PROVIDE FEEDBACK** on the direction of the proposed additional framing for inclusion in the mixed groups section of the Discussion Paper.

Background

3. At the August 2026 NZASB meeting, during discussion of the mixed groups analysis, Board feedback indicated that:
 - (a) the original paper did not sufficiently identify or explain how mixed-group issues may arise within PSGEs and other Māori asset-governance groups, particularly from an assurance perspective; and
 - (b) the initial draft Discussion Paper wording did not clearly identify PSGEs and Māori asset-governance entities as reporting groups that may experience mixed-group reporting issues, and from which feedback would be important.

4. In response to this feedback, staff noted that a supplementary paper could be prepared to further explain the relevance of mixed-group issues to Māori asset-governance entities and propose additional framing for the Discussion Paper.

Nature of PSGEs and other Māori asset governance entities

5. Māori asset-governance groups often operate within governance arrangements established through Treaty settlement legislation, trust deeds, iwi constitutions and charitable purposes. These entities often operate through group structures that pursue a combination of cultural, social, environmental and commercial objectives, and often include charitable entities, trusts, nominee entities, trading subsidiaries and other controlled investment entities. These arrangements may impose different accountability expectations across entities within the same group and influence the form and content of financial reporting
6. Many Māori entities manage assets on behalf of current and future generations. As a result, reporting is often expected to demonstrate not only financial performance, but also the protection, growth and sustainability of assets held for future beneficiaries. This can increase demand for information beyond that traditionally provided in financial statements and cause challenges with current financial reporting frameworks.
7. It is also common for Māori groups to hold commercial investments alongside entities established to advance cultural revitalisation, education, environmental restoration, social development and other kaupapa Māori objectives. These differing purposes can result in significantly different reporting requirements and information needs across the group.
8. In addition, Māori asset-governance entities commonly operate within governance and accountability arrangements that reflect intergenerational stewardship responsibilities and obligations to whānau, hapū and iwi. Many groups hold and manage a diverse range of assets, including commercial investments, settlement assets, whenua and other culturally significant assets, while simultaneously pursuing economic, cultural, social and environmental outcomes. Stakeholders often expect reporting to provide insight into both financial performance and broader outcomes achieved¹. These characteristics can increase the complexity of financial reporting and further amplify the practical challenges associated with mixed-group structures.

Mixed group issues are common

9. As a result of the variety of different activities undertaken, different entities within a group may have different purposes, with some entities being classified as for-profit and others classified as public benefit entities (PBEs). Differences in reporting frameworks may also arise because entities vary in size and may be subject to different financial reporting obligations under legislation or founding documents. Therefore, entities within these groups can often apply different reporting frameworks, which result in challenges associated with underlying reporting requirements, consolidation processes, assurance, and user interpretation.
10. In some cases, the complexity of these challenges may be further compounded by the nature and diversity of the assets, activities and arrangements commonly found within Māori asset-governance entities. For example, it is common for groups to hold a mix of heritage and cultural, mixed-purpose and commercial assets, for entities within the group to have differing tax statuses, and for arrangements to reflect both commercial and social objectives.

¹ Some entities may choose to communicate intergenerational impacts through other reporting approaches, such as [He Tauira](#), which is a voluntary conceptual reporting framework issued by the XRB.

11. Māori entities also frequently hold assets that may not be commonly found in other reporting groups, including whenua, taonga, customary rights, fisheries settlement assets, forestry interests and collectively held cultural assets. The nature of these assets can give rise to additional accounting, valuation and disclosure considerations.
12. These factors often have implications for financial reporting and increase the complexity involved with consolidation and assurance. Furthermore, group reporting is often subject to a high level of stakeholder scrutiny, with users interested in both the financial performance and broader outcomes achieved by these groups. As a result, the understandability and transparency of reporting is particularly important given the range of activities and objectives represented within the group.
13. These underlying drivers result in many of the same issues identified in the original mixed-groups analysis, including the need to align accounting policies, obtain additional group-level information, prepare consolidation adjustments, and undertake additional assurance procedures. PSGEs and other Māori asset-governance entities therefore represent a significant and important example of reporting groups in which mixed-group issues commonly arise and may be particularly pronounced or disproportionately significant and material.

Discussion Paper

14. Following Board feedback, staff consider that the draft mixed groups extract should more clearly identify the types of entities and reporting groups that may experience mixed-group reporting issues.
15. Staff propose amending the draft mixed groups extract for the Discussion Paper by:
 - (a) more clearly signalling that mixed-group issues may arise in a range of reporting groups; and
 - (b) explicitly identifying post-settlement governance entities (PSGEs) and Māori asset-governance entities as examples of groups that may experience mixed-group reporting issues.
16. These amendments should improve the visibility and relevance of the mixed group discussion for Māori asset governance entities and other affected stakeholders.
17. The proposed addition to the excerpt is shown below. For the full excerpt see the Appendix A. The proposed text may be refined during final drafting of the discussion paper to ensure overall coherence and flow.

Examples of mixed groups

Mixed-group reporting issues can arise in a wide range of reporting groups. They often arise where a reporting group undertakes a range of commercial and non-commercial activities through different entities established for different purposes.

Common examples of mixed groups include Māori asset-governance reporting groups, including post-settlement governance entities (PSGEs), charitable groups with trading subsidiaries, for-profit companies with registered charity subsidiaries, councils with council-controlled organisations undertaking commercial activities, and groups where entities are subject to different statutory reporting requirements.

For Māori asset-governance entities, these challenges can be particularly pronounced. Many PSGEs and iwi groups operate through structures established to support intergenerational stewardship of settlement assets and to deliver cultural, social, environmental and economic outcomes for whānau, hapū and iwi. These structures often include charitable entities and

trusts alongside commercial investment companies and other controlled entities with differing purposes and reporting obligations.

These reporting groups may contain a mix of for-profit and public benefit entities, entities applying different reporting tiers, or entities subject to different statutory or other reporting obligations. As a result, different reporting frameworks or accounting requirements may apply across the group and lead to challenges in consolidation, assurance and user understanding.

Questions for the Board

- Q1.** Does the Board have any **FEEDBACK** on staff's observations regarding the relevance of mixed-group issues to PSGEs and other Māori asset-governance entities?
- Q2.** Does the Board have any **FEEDBACK** on the proposed additional framing for Mixed Groups for inclusion in the Discussion paper?

Extract of Mixed Groups for the Discussion Paper

What are mixed groups?

When an entity controls other entities, it is generally required to prepare consolidated financial statements for itself and its controlled entities as a single reporting entity, i.e. the group. Mixed groups occur when entities within the same reporting group prepare financial statements using different reporting frameworks. This can arise from entities being classified into different sectors or tiers, or even being subject to different statutory requirements or cross border obligations.

Reporting groups that are mixed groups must bring together financial statements prepared under different requirements into a single set of consolidated financial statements under a consistent accounting standards framework (such as NZ IFRS or PBE Standards) and consistent accounting policies.

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Why do mixed groups matter in the review of the ASF?

Mixed-group issues arise because reporting requirements based on the entity's sector and tier are determined at a reporting entity level, which means that an individual controlled entity/subsidiaries that has to prepare financial statements may not be classified in the same sector or tier as the parent and consolidated group, and therefore may have different reporting requirements.

Where entities within the same group are classified in different sectors and/or reporting tiers, and therefore apply different reporting frameworks, it can be complex and costly to prepare and audit consolidated financial statements, and may also result in these financial statements being less decision-useful.

Mixed groups and ASF design

Mixed-group issues are closely linked to the design of the ASF. Features such as sector distinctions, tiers and different reporting requirements help the ASF provide reporting requirements that are more proportionate to entities' differing objectives, accountability relationships and user needs. However,

those same features can increase complexity where reporting groups contain entities subject to different requirements.

As a result, reducing mixed-group issues may involve trade-offs between simplicity and other objectives of the ASF, and the ability to tailor reporting requirements to different types of entities.

Two-sector model

The two-sector model (in the current ASF) has several features that influence mixed-group issues:

- entity-level classification;
- purpose-based sector classification;
- different reporting frameworks for for-profit entities and PBEs; and
- tier differentiation within each sector.

These features in one form or another may arise in alternative sector options. Below we reflect on the features of the other sector models outlined in this paper that may influence mixed-group issues.

Sector-neutral model

A sector-neutral model would remove sector-based differentiation and apply a common reporting framework across entities.

Features of a sector-neutral model that may influence mixed-group issues include:

- removal of sector classification boundaries;
- use of a single reporting framework;
- continued use of reporting tiers; and
- any modifications needed to reflect different reporting objectives or accountability requirements.

While a sector-neutral model removes one of the primary sources of mixed-group complexity, it does not remove the underlying differences that can exist between entities within a reporting group. Different accountability relationships, user needs, statutory obligations and reporting requirements may continue to require judgement, adjustments and reconciliation at a group reporting level. Accordingly, the model may reduce mixed-group issues, but is unlikely to eliminate them entirely.

Three-sector model

A three-sector model would differentiate between for-profit, public sector and not-for-profit (or for-purpose) entities.

Features of a three-sector model that may influence mixed-group issues include:

- additional sector boundaries;
- the basis on which entities are classified into sectors;
- the reporting frameworks applied to each sector;
- the extent of alignment between those frameworks; and
- tier differentiation within each sector.

The effect on mixed-group issues would depend heavily on the detailed design of the model, especially the sector definitions and the reporting framework for each sector. While a three-sector model introduces additional reporting boundaries, the extent to which this results in additional mixed-group burden may also depend on how frequently reporting groups span all three sectors rather than

only two. Furthermore, if all public sector entities, including for-profit ones (excluding those that are publicly listed or publicly accountable per XRB A1), are classified in the same sector and are subject to the same suite of standards, this could reduce mixed group issues in the public sector. However, this may detract from the usefulness of individual public sector for-profit entities' financial statements.

Could the impact of mixed groups be reduced?

Changes to sector design in the ASF are not the only way to address mixed-group issues. Other responses may also be available, although they may involve their own trade-offs.

Type of response	Examples
Within XRB control	classification guidance, transition guidance, domestic standard-setting to enhance alignment in accounting requirements between sectors, possible group-alignment relief
Within XRB influence but not control	encouraging IPSASB/IASB alignment and that such alignment happens in a timely manner
Outside XRB direct control	statutory requirements for separate financial statements, overseas reporting obligations

Consultation Question

How significant are mixed-group issues in practice, and to what extent should these issues influence the design of the future ASF?

In responding, stakeholders may wish to consider:

- whether mixed-group issues create significant practical challenges in preparing, assuring, or using financial reports and whether any particular types of mixed-group arrangements create greater challenges than others;
- whether those challenges are an acceptable consequence of an ASF that seeks to provide more proportionate reporting requirements across the reporting system;
- whether mixed-group issues should be a key consideration and influence views on design options for the future ASF; and
- whether targeted responses to address mixed group issues should be considered and, if so, what form those responses might take, and whether the benefits of any response would outweigh the associated trade-offs.