

Ngati Hine Forestry Trust

Annual Report



Year ended June 2012





Annual Report to Owners

Twelve Months Ended 30 June 2012

Contents

Page 1	Contents
Page 1	Agenda
Page 2	Current Trustees and Staff
Page 3	Schedule of Current and Past Trustees
Page 4	Hapu Associated with Ngatihine H2B
Page 5	Trustees' Report
Page 16	Financial Report
Page 32	Audit Report
Page 34	Trustees' Recommendations to the Owners
Page 35	Strategic Plan
Page 37	PF Olsen Forest Report
Page 45	Turners and Growers Report
Page 48	Brief History of the Trust
Page 53	Trust Directory

Annual General Meeting Agenda

8.30 am	Owner registration commences
8.30 am	Kapu Tii
9.30 am	Karakia and Mihimihi
10.00 am	Chairman's Introduction
	Apologies
	Presentation of the Trustees Report
	Election of Trustees
	Presentation of the Financial Report
	Audit Report
	Trustees' Recommendations to Owners
1.15 pm	Poroporoaki
1.30 pm	Lunch

Ngati Hine Forestry Trust - Trustees and Staff



Pita Tipene
Trustee 2005-2006
Chairperson 2007-2012



Caroline Beattie-Wihongi
Trustee 1996-2012



Pita Paraone
Trustee 1996-2012



Edward Beattie
Trustee 2001-2004
2007-2012



Alex Critchfield
Trustee 2008-2012



Tui Shortland
Trustee 2011-2012



Peeni Henare
Trustee 2011-2012



Jonathan Rishworth
Chief Executive Officer



Ian McLelland
Administration Services
Manager



Ngati Hine Forestry Trust - Current and Past Trustees

Period	Trustee	Status
1974 - 1985	Tupinia Te Para Burrows Puriri	
1974 - 1991	John Graham Alexander	
1974 - 1983	Victor H. Hensley	Past Chairman
1974 - 1994	Michael Kaye Deverell	
1974 - 1996	Tamati Huirua Paraone	Past Chairman
1997 - 2008	Tamati Huirua Paraone	Past Honorary Trustee
1974 - 1980	Lou Shortland	Past Chairman
1974 - 1980	Rahui Bristowe	
1980 - 1986	Maori Trustee	Sole Trustee
1980 - 1988	Rewi Pereri (Dave) Wiki	Past Chairman
1980 - 1985	Rongo Morton	
1980 - 1985	Rosie Tipene	
1980 - 1985	Richard (Dick) Kake	
1980 - 1985	Walter Whiu	
1980 - 1985	Steven Brown	
1983 - 2003	Samuel Kevin Prime	
1985 - 1989	Lou Tana	
1985 - 1989	Marie Jean Tautari	
1985 - 1993	William Coffey (Junior)	
1985 - 1996	John Taite Davis	
1989 - 1992	Muriwai Pomare	
1989 - 1996	Rongo Morton	Past Chairman
1991 - 1994	Hanita Tiari Paraone	
1992 - 2007	Mitai Paraone-Kawiti	
1993 - 1996	Ranga Tui Hepi Maihi	
1993 - 1998	Hori Parata	
1994 - 2010	Marie Jean Tautari	Past Chairperson
1994 - 2001	Maryanne Cheryl Baker	
1996 - 1999	Moana Ihaia Kake	
1996 - 2010	Raewyn Tipene	Resigned March 2010
1996 - 2012	Caroline Beattie Wihongi	Current Trustee
1996 - 2012	Reweti Pomare Kingi (Pita) Paraone	Current Trustee
1998 - 2002	Hirini Hori Henare	
1999 - 2006	Jimmy Nukutawhiti Palmer	
2001 - 2004	Edward Graham Beattie	
2002 - 2008	Averill Poa	
2003 - 2006	Mere Maryann Mangu	
2004 - 2012	Pita William Tipene	Current Trustee and Chairman
2006 - 2009	Jason Cooper	
2006 - 2012	Edward Graham Beattie	Current Trustee & Deputy Chairman
2007 - 2010	Lu Hau	
2008 - 2012	Alexander Joseph Critchfield	Current Trustee
2010 - 2012	Tui Shortland	Current Trustee
2010 - 2012	Peeni Henare	Current Trustee

Note: Between 1980 & 1986, the Trust was administered by the Maori Trustee assisted by advisory Trustees elected by the owners.



Hapu Associated with Ngatihine H2B

Whereas the Maori Land Court has named the Trust's parent land Ngatihine H2B, the Trustees are always mindful that many of the owners have Hapu affiliations additional to Ngati Hine.

Other Hapu that are associated with Ngati Hine and from which the beneficial owners of Ngatihine H2B are descended include: -

Te Kapotai	Ngarehauata
Ngareraumati	Ngati Rangi
Ngati Hau	Ngati Kahukuri
Ngati Kawa	Ngati Kopaki
Ngati Korora	Ngati Kuta
Ngati Manu	Ngati Moerewa
Ngati Ongaonga	Ngati Rahiri
Ngati Rehia	Ngati te Rino
Ngati te Tarawa	Ngati Kahu
Ngati te Ara	Pakikaikutu
Parawhau	Patuharakeke
Patukeha	Te Kauimua
Te Orewai	Uriroroi
Te Waiariki	

(Source - Tamati Paraone and Kevin Prime)



Ngati Hine Forestry Trust

Trustees' Annual Report 2012

E nga uri o nga tangata, tena koutou katoa.

Ka mihi tonu ki a nga tini mate kua ngaro atu i te tirohanga kanohi i te tau kua pahure nei. Haere atu ra e nga mate, haere, haere, whakangaro atu. A te wa, ko te tutataki ano tatou katoa.

Ka hoki ano ki a tatou nga mahuetanga mai o ratou ma, e, kei a tatou te mahi ki te whakako atu i nga moemoea o nga matua tupuna. Hei aha? Hei painga ano mo tenei whakatupuranga, a, me nga whakatupuranga kei te heke tonu mai.

Kaati ra mo tenei wa.

It is again a privilege to present this annual report to you on behalf of all the Trustees as we review the year gone by and look to move our forestry trust forward into the future.

Overview of the Trust

Our Trust is currently going through a defining period which is proving challenging for a number of reasons. These will be expanded upon throughout this report. These challenges, for the most part, are not unexpected and it is quite normal for any organisation to have good periods and not so good periods as is the case in any life cycle.

As your elected Trustees, we understand these challenges and are working hard on behalf of you, the beneficial owners to ensure that the best of outcomes can be achieved over time. The Trustees are working with assets and in an environment that requires dedicated commitment over a very long timeframe. This is not a business model that can produce fast results either cheaply or easily. There is no silver bullet and so any progress must be carefully planned, evaluated and implemented.

It is with this in mind that we the Trustees have as a key objective to ultimately pay meaningful dividends. A recent review of our dividends policy has revealed that we should maintain the date of 2019 as the target date for dividends. Anything prior to this date will mean that dividends paid out will be insignificant in relation to what could be paid out in the longer term. Such an early dividend payment would thereby deprive our beneficial owners of receiving something tangible and constant over time.



Strategic Direction

At Special General and Annual General meetings held over the past three years and within recent editions of Te Tātarakihi, it has been communicated to you, the beneficial owners, that the Trustees have a strategy that seeks to move from the “passive” management nature of your investment assets in to a more “active” management regime. This means that the Trustees are working towards having a much more hands on approach as to how your assets are managed – as opposed to having our assets managed for us.

This change of approach was signalled to beneficial owners within the Trust’s Strategic Plan (a copy appears later in this Annual Report) which was first presented to owners in October 2010.

The key reason for this change of approach is to ensure that over time the Trust becomes more of a driver of its own destiny ensuring beneficial owners are able to obtain maximum benefit from the assets and all aspects and activities of the Trust. For example the Trustees want to ensure that as many Ngati Hine people as possible benefit from the employment opportunities within and around the forestry industry.

The Trustees also see opportunities to grow and diversify the Trust’s interests to ensure ongoing income earning asset growth thereby providing additional security for you as owners into the future.

The Trustees see the recent employment of Jonathan Rishworth as the Trust’s new Chief Executive Officer as making a significant step change towards achieving this new two pronged strategy.

We are therefore very pleased to introduce Jonathan as the new CEO to all the beneficial owners who have turned up to this Annual General meeting. Jonathan has come to us from a similar Maori Land Trust in the Bay of Plenty, the Mangatawa-Papamoa Block. He brings with him some very strong skills that we know will be a key asset as we move the Trust forward with the new strategy.

In welcoming Jonathan to the Trust, we must also acknowledge the work carried out by Michael Corrigan who had faithfully and diligently managed the trust since its inception.

Financial Report

The following is a summary of the 2011/2012 financial results:

Income	\$784,536
Expenditure	\$(998,123)
Sundry Expenditure	\$(8,935)
Trustees Income/ (Deficit)	<u>\$(222,522)</u>



The Trust income dropped significantly from the previous year, as 2011 included \$2m from the sale of Emission Trading Scheme NZU's and less rental was received from the Kiwifruit orchards as a consequence of three of the orchards changing to a profit share arrangement.

Expenses dropped a little, but essentially were similar to the previous year. Overall this means that the Trust has gone from a \$2.1m profit in 2011 to a \$222,522.00 loss in 2012.

For taxation purposes our loss was \$346,424 because the Trust claims a deduction on the cost of forest planting, which does not appear in the expenses, but rather as a non current asset in the Statement of Financial Position. Last year \$445,808 was spent on replanting, this year (2012) \$145,520, cumulating in a total of \$591,328.

The accumulative loss to carry forward to offset against future income is now \$1,146,806.00. From the 2012 year onwards depreciation cannot be claimed on residential properties. As a result the depreciation expense has decreased from \$190,050 last year to \$120,262 this year.

The Trust has therefore experienced a difficult year financially and this situation is expected to continue for at least the next one to two years.

This situation is not unexpected for a number of reasons, including an expected reduced income from the kiwifruit orchards and the reducing rent being received from the TPL 4 (Taumata Plantations Ltd) forestry lease.

The financial outlook is expected to improve considerably once income streams from the sale of the 2013 second tranche of Emissions Trading Scheme NZU's, the proceeds from the Matawaia (Taitokerau Forests Ltd) and Ruatangata (Trustees Forest Area) forests start to come on stream from 2014 and 2016 respectively.

In addition so long as Psa V either does not become a threat to Kiwifruit in Kerikeri and/or Psa V risk can be mitigated it is hoped to be able to improve the returns significantly from the Trust's Kiwifruit orchards by converting the Green kiwifruit orchards to a Gold or Red variety. Any such conversions are, however, dependent on the Trust being able to fund or find the funds to do so, or entering into an agreement with Turners and Growers to undertake the initial capital investment.

Harvesting

The lessee TPL 4 (Taumata Plantations Ltd), have through their agents Hancock Forest Management NZ Ltd (Hancock's) been harvesting their lease area steadily since 2008. To date Hancock's have extracted 541,511 tonnes of timber, and that is 19,691 truck/trailer loads.

As the forest area is harvested these harvested areas are progressively surrendered back to the Trust. The lease to TPL 4 has a final expiry date of the 30th September 2021.



Emissions Trading Scheme

The Emissions Trading Scheme and its impact on the Trust have been widely canvassed with beneficial owners at Special General meetings, through Te Tātarakihi and in Annual Reports since mid 2009.

All the first rotation pine plantation of 4,564 hectares situated on the Trust lands is pre 1990 forest in terms of the Climate Change Response Act 2002 (Emissions Trading Scheme). This means that the Trust must ensure that this land is returned to a defined forest species after harvest that meets the criteria which is laid down in the Emissions Trading Scheme.

This criterion for example states that at four years after harvest the land must either be replanted or is naturally regenerated to at least 500 stems of forest species per hectare.

If the Trust does not return the harvested lands into forest as prescribed by the Emissions Trading Scheme then those lands would be deemed to be "deforested" and the Trust would have return up to 750 NZU's per hectare to the Crown. At an example of \$4.00 per NZU this would cost the Trust some \$3,000.00 per hectare.

It is therefore critical that the Trust lands are not only replanted to establish a significant commercial forest asset for the beneficial owners but to also avoid the very significant Emissions Trading Scheme penalties.

As has been explained previously the Crown has awarded the Trust a one off allocation of 273,840 NZU's based on 60 NZU's per hectare. This is part compensation in recognition of the fact that the Emissions Trading Scheme has by legislation locked the land into forestry and thus restricted future land use options by owners of pre 1990 forests.

The first 38% of this allocation of 104,972 NZU's was made in October 2010. All of these NZU's were sold shortly after at an average of \$19.64 per NZU netting the Trust after costs of \$2,040,078.00 in the 2010/2011 financial year.

The remaining 62% of 168,868 NZU's will be made by the Crown at some point in time during 2013. At the time of writing this report the price of one NZU was around \$4.00 which if all of these NZU's were sold would net around \$675,472.00. Just what the price will be of a NZU in 2013 is obviously unknown.

Kaiwae Harvesting Ltd Joint Venture

In November 2009 the Trust entered in to a 50:50 joint venture with Harvest Pro; a substantial forest harvesting Company. This JV was named Kaiwae Harvesting Ltd. This JV Company operates in the Ngati Hine Forestry Trust forest leased to TPL 4 (Hancock's).



The Company Harvest Pro has recently been absorbed into a new Company called Kiwi Forestry International Ltd. This Company also includes Smith and Davies together with Itochu; a large Japanese Company.

Kaiwae Harvesting crew together with a Kiwi Forestry International Ltd forestry crew are currently employing some twenty two local people.

While this JV has not as yet returned financial dividends it has provided Trustees valuable experience working with a JV partner and in a dynamic and operational environment. It has also assisted the Trust to achieve the objective to provide employment to as many local people as possible.

The Trust's two Directors on the JV Edward Beattie and Peeni Henare are in the process of implementing a comprehensive plan to ensure this Joint Venture becomes financially profitable over the next twelve months.

Replanting – Second Rotation

The Trust commenced a replanting programme on the 4th May 2011 with kaumatua, Hare Waiomio planting the first tree on the Titihuatahu (northern) block. Some 353.3 hectares were subsequently replanted in pinus radiata and a further 109.5 hectares (harvested in 2009) was release sprayed. A further 45.8 hectares of swampy land was retired and set aside as a reserve to be left to regenerate in Manuka.

Planting was also undertaken in the winter of 2012. Some 228 hectares have been planted and a further 59.1 hectares was released sprayed. The cost of the 2012 planting programme is \$349,000.00.

In total to date a commercial second rotation forest of 749.9 hectares has been established. This now means that 16% of the Trust's forest lands have been re-established as a second rotation crop, 100% owned by the beneficial owners.

The plantings undertaken in 2011 and 2012 were managed by PF Olsen and their forest management report appears later within this Annual Report.

This second rotation asset and the cost of establishing the forest does not appear within the financial statements as an asset but is dealt with in the notation "Cost of Forest"; sometimes referred to as "Cost of Bush". Essentially a forest is classed as a crop and the value (revenue) is not accounted for until it is harvested.

A final decision as to whether or not second rotation planting will be undertaken during the 2013 winter will be made in early 2013, although at this stage that it is thought unlikely due to financial constraints.

As has been explained previously the estimated cost to the Trust of replanting the whole forest area itself including managing the forest for thirty years is in the region of \$21 million in today's prices.



Matawaia Forest

The Matawaia forest is made up of around 436 planted hectares of pinus radiata that were planted during the period 1981 to 1989. This forest is administered by Taitokerau Forests Ltd (TFL) which has a forest right from the Trust. The Trust is also a shareholder in Taitokerau Forests Ltd with a 9% stake in the Company.

Harvesting is expected to begin in the spring of 2013. Taitokerau Forests Ltd and the Trustees are working together to ensure the value from this forest is maximised both in terms of financial returns and the provision of employment. The Trustees also wish to see Ngati Hine taking as much control of these processes as possible, thus taking real steps towards taking more active control of the beneficial owner's assets.

Ruatangata Block - Trustees Forest Area (TFA)

This is an area of the forest comprising some 430.8 hectares of forest crop in which the Trustees have a 100% interest in the net stumpage. As this area was the last planted it will not be harvested until near the end of the TPL 4 lease with harvesting not commencing until around 2016.

Kiwifruit Orchards

The beneficial owners own four kiwifruit orchards in Kerikeri comprising in total some 35.75 hectares (or 88 acres) of land. Upon these orchards there are 23.9 canopy hectares of kiwifruit of which 17.1 are green kiwifruit and the remaining 6.8 hectares of canopy is Gold kiwifruit.

Production from these orchards this past season was 11,456 trays per hectare from the Gold variety and 6,797 trays per hectare from the Green variety culminating in a total of 189,151 trays of kiwifruit for the season. Green kiwifruit requires adequate winter chill to achieve good yield. Unfortunately this did not occur in the 2011/12 growing season resulting in reduced green production. The vines have however just experienced a colder winter which results in the 2012/13 forecast increasing to 8,500 trays per hectare.

Three of these orchards have been re-named by the Trustees during the year to better reflect the nature of their ownership, namely:

- Paparata – formerly Hillcrest
- Te Tara Kowhai – formerly Rangitane
- Te Ara Kopeka – formerly Colditz

- The fourth orchard of all Gold kiwifruit purchased in 2006 is Ahuareka.

All of these four orchards are managed by Turners and Growers (Kerifresh) under a profit share lease arrangement.



The three orchards (Paparata, Te Tara Kowhai and Te Ara Kopeka) purchased in 2004 are leased for fifteen years. The annual rental for the first five year period was



2012
 based on 8.5% of capital value. In the previous financial year 2010/2011 this resulted in an income of \$258,587.00. From the 1st July 2011 the lease arrangement changed from a rental basis to a 70:30 profit share arrangement. Under this arrangement seventy percent of net profit is returned to the Trust.

These three orchards are predominately Green kiwifruit and consequently returns are marginal, which is the experience of Green kiwifruit orchards, in this region. Income from this revenue stream has therefore decreased significantly. Net income to the Trust for the 2011/12 crop from the three green orchards is projected to be \$61,691. This compares with the net income projection from Ahuareka of \$246,840.

The Trust ideally would like to have converted these Green kiwifruit orchards to a much more profitable Gold variety, however, with the advent of Psa V the Trustees have been reluctant to invest further capital into these kiwifruit orchards. This situation is monitored closely and the Trustees are currently in the process of reviewing all aspects of its orchard investment, including looking into a Red variety.

Housing

The Trust owns twenty two homes, of which twenty one are located in Kaikohe, Kawakawa and Moerewa and are leased to Housing New Zealand. The other home is located on the Ahuareka Orchard.

The twenty one homes (11 purchased 2006 and 10 new builds in 2010) leased to Housing New Zealand were funded by the Crown through very favourable loan facilities. These loans, which are interest free, are being repaid by annual principal loan repayments of \$85,000.00 per annum.

Housing New Zealand has a security charge over the proceeds to be received from the Trustees Forest Area (Ruatangata Block) and when this area is harvested income receipts received will first be applied to paying off the balance of the loan at that time.

The housing investment has performed as well as can be expected given the economic climate. The rental income received has remained static as has capital values while costs such as local authority rates and insurance continue to rise.

The housing portfolio asset is not only a longer term investment asset but it provides much needed social housing.

Election Tie at the 2011 AGM

Those of you who attended the 2011 AGM will recall that the election of Trustees resulted in a tie between Caroline Beattie-Wihongi and John Davis for the second of the two Trustee vacancies available. At the AGM it was decided that the Trust should seek a direction from the Maori Land Court as to how this tie should be decided.



At a Maori Land Court hearing in June 2012 to consider this matter the Deputy Chief Judge C L Fox presiding determined that the 2011 AGM election should be cancelled and that the current Trustees remain in place until the 2012 AGM election. As a consequence of this Court decision four Trustees are to stand down this year thus there will be four "vacancies" to be filled.

The Trustees are also taking steps to have included within the Trust Order an additional provision which provides a way to determine a winner should an election tie occur again in the future. This provision is essentially that there will be a show of hands of those present.

Dividends

The issue of the payment of dividends to beneficial owners is canvassed on an ongoing basis. The most recent update given to beneficial owners was in the July 2012 panui Te Tātarakihi. That update is still current and it is repeated below.

"The Trustees have listened carefully to the call from the beneficial owners to consider the payment of dividends at various general meetings. This issue has provided much frustration for Trustees as we seek to provide some return to our beneficial owners.

After the 2011 Annual General Meeting, the Trustees met and asked that a sub-committee review the subject of dividend payments and to report back to the Trustees.

Our current position as articulated to the General Meetings was that the payment of a dividend is not contemplated until after the first forest harvest which is timed for around 2019.

A fresh set of eyes were asked to be part of this sub-committee so that this position could be reviewed and communicated to the beneficial owners. Tui Shortland and Peeni Henare were asked to provide this fresh analysis and I joined this group along with Michael Corrigan.

After reviewing all the information, we concluded that we could still 'not' pay out a dividend until at least 2019/20. Therefore the original position remains.

However, we have committed to putting in place a strategy that:

- Identifies a clear timeline for the payment of a dividend
- Outlines the reasoning for that timeline
- Annually update you the beneficial owners about the timeline and reasoning
- Begin developing the compliance requirements needed to pay a dividend
- Also promotes other social and cultural alternatives to dividends e.g. employment



Our strategic plan has as one of its objectives – “To pay regular dividends to the owners, commencing after the first forest harvest”. This has been an objective of the Trust for some years.

The main reason why the Trustees are currently unable to provide a dividend to the over 4,200 owners (with 1.8 million shares) are that:

- The Emissions Trading Scheme requires that the Trust must re plant its 4,564 hectares of pre 1990 forest. This re-establishment of a second rotation commercial forest and its ongoing management for 30 plus years is estimated to cost \$21 million.
- Based on a price today of around \$4.00 per NZU (NZ Units) the ETS liability to the Trust for not re-establishing our forest would be \$3.1 million per 1,000 hectares.
- The issues of the Emissions Trading Scheme, the second rotation and their adverse impact on the ability of the Trust to consider a dividend payment have been widely discussed with the owners through newsletters and at every general hui held with owners since May 2009.
- The cost of forest re-establishment plus other financial constraints and potential risks (e.g. Psav in the Trust’s four kiwifruit orchards) means the Trust does not expect to have sufficient reserves to cover its capital commitments as well as be able to fund a dividends payment process within the foreseeable future.

The ability of the Trust to fund the second rotation is still dependent upon a number of events yet to occur, including the second tranche of ETS NZU’s in 2013. Please note that our Trust will be expecting returns to be received from the Trust’s two forests i.e., the Ruatangata (Trustees Forest Area) and Matawaia forests (Taitokerau Forests Ltd) which are due to be harvested from 2013 through to 2019.

As a caution and even on receipt of significant financial returns from these sources and the Trust’s other revenue streams, without a Joint Venture partner to assist in funding the second rotation, the cost to the Trust of self funding the second rotation will use all of the Trust’s foreseeable resources.

Needless to say, this is not a situation that we the Trustees or you the owners desire. However, it is the financial reality that we all face.

Pou Herenga Tai – Twin Coast Cycle Way

The Trustees oppose the development of the Cycleway through the rail corridor from the Otiria marae through to Jacob’s ladder. In saying this, the Trustees were supportive of local land owners in working with the Far North District Council to find an alternative route. The preferred alternative is to build the track alongside the Otiria – Ngapipito road. A secondary alternative was to scope a section of the forestry road going through the Ngati Hine estate. However, this route simply wasn’t viable and is no longer an alternative.



Trust Order

At both the 2011 Special General Meeting and at the 2011 Annual General Meeting the beneficial owners discussed and subsequently approved a new Trust Order to be presented to the Maori Land Court.

This new Trust Order was subsequently presented to the Maori Land Court for its approval incorporating a couple of minor alterations which were canvassed with beneficial owners in the July 2012 Te Tatarakihi.

The consideration of the proposed Trust Order by the Court also incorporated a general review of the Trust in terms of Section 231 of the Te Ture Whenua Maori Act 1993.

A Maori Land Court hearing was held on the 20th August 2012 at which the Court considered the proposed new Trust Order and also the overarching review of the Trust. At this hearing the presiding Judge D J Ambler outlined several concerns.

The Judge determined that the Maori Land Court will commission an independent person to undertake an independent review of the Trust and for a report to be prepared and presented to the Court. The Trust will have the opportunity to respond to that report before it is presented to the Court.

The Judge subsequently adjourned the hearing to allow time for the Court to receive further information from the Trustees and also for the Court to seek and receive its own independent advice.

The Trustees welcome the opportunity for such an independent review to be undertaken.

The Future

The Trust is progressing through a challenging period while dealing with significant and complex issues. This situation is however presenting possible opportunities which, given the Trust's strategic direction of becoming more actively involved with the management of the beneficial owners assets could well see substantial benefits for the owners both in the short and longer term, acknowledging that such a strategy brings with it a higher risk profile, that must be prudently monitored and managed.

The aim over time is for the beneficial owners to move from the passive relationship with their lands and assets (e.g. a lease arrangement) to a situation whereby the beneficial owners themselves have direct control.

The shift required to go from the current model to one of 100% self determination will take considerable time and will have to be undertaken in stages. The forming of



partnerships and Joint Venture arrangements may well be required as stepping stones towards the ultimate goal of self determination.

With harvesting and the replanting of a second rotation now underway and with Matawaia harvesting scheduled to commence in the spring of 2013 there are potential opportunities for the Trust to now become an active and engaged partner within these activities.

The Trustees are therefore actively canvassing all possible and practicable options as to how the Trust's strategic goals and objectives can be best achieved for the benefit of the beneficial owners, while operating in a challenging environment with significant financial constraints.

In conclusion

Our trust has been in existence for just over 30 years now. The inaugural trustees made decisions that put into place some strong foundations in terms of a first rotation and literally put down the 'roots of the trust' alongside lease agreements that are still as relevant today as they were when first signed.

At that time, our lands were valued at approximately \$480,000. Subsequently, 42 trustees have served our trust and made significant decisions to further develop the assets to this point where they are now worth tens of millions of dollars.

We acknowledge the work that every elected trustee has done for the trust in the past and as we now look forward to building on these strong foundations as we move into the future for you the beneficial owners and the generations still to come.

Kua mutu aku korero ki konei. Tena ano koutou katoa.

A handwritten signature in black ink, appearing to read 'Pita Tipene'.

Pita Tipene
Chairman
Ngati Hine Forestry Trust
P O Box 108
Whangarei 0140

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Webpage www.ngatihine.maori.nz

Ngati Hine Forestry Trust
Financial Reports
For the Year Ended 30 June 2012

Ngati Hine Forestry Trust
Financial Reports
For the Year Ended 30 June 2012

Contents	Page
Statement of Financial Performance	1
Statement of Movements in Equity	2
Statement of Financial Position	3
Notes to and Forming Part of the Accounts	4
Audit Report	15

Ngati Hine Forestry Trust
Statement of Financial Performance
For the Year Ended 30 June 2012

	<i>Note</i>	<i>This Year</i> \$	<i>2011</i> \$
Income	1	784,536	3,250,340
Less Expenses	2	<u>998,123</u>	<u>1,059,440</u>
Transfer Interest NWR	9	<u>(8,935)</u>	<u>(9,196)</u>
TRUSTEES INCOME/(DEFICIT)		<u>(222,522)</u>	<u>2,181,704</u>



The accompanying notes form part of these Financial Statements and should be read in conjunction with the Audit Report contained herein.

Ngati Hine Forestry Trust
Statement of Movements in Equity
For the Year Ended 30 June 2012

	<i>Note</i>	<i>This Year</i> \$	<i>2011</i> \$
CORPUS			
Initial Contribution	4	480,000	480,000
Balance at end of Year		480,000	480,000
ACCUMULATIONS			
Balance at Start of Year	4	11,196,677	9,014,973
Trustees Share of Surplus/(Deficit)		(222,522)	2,181,704
Balance at end of Year		10,974,155	11,196,677
TOTAL EQUITY AT END OF YEAR		11,454,155	11,676,677



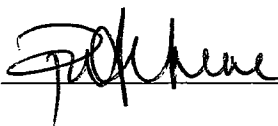
The accompanying notes form part of these Financial Statements and should be read in conjunction with the Audit Report contained herein.

Ngati Hine Forestry Trust
Statement of Financial Position
As at 30 June 2012

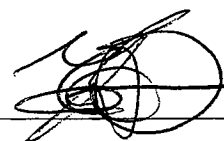
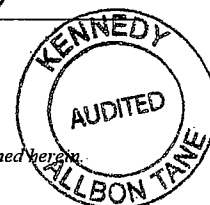
	<i>Note</i>	<i>This Year</i> \$	<i>2011</i> \$
EQUITY			
Corpus		480,000	480,000
Accumulations (Deficiency)	4	10,974,155	11,196,677
TOTAL EQUITY		11,454,155	11,676,677
REPRESENTED BY			
CURRENT ASSETS			
Westpac Bank – Residential		33,784	21,486
Westpac - Cheque Account		47,083	131,191
Westpac – 025 Account		282,783	462,272
Accounts Receivable	5	60,890	27,360
Loan – Kaiwae Harvesting	20	50,000	50,000
Resident Withholding Tax (RWT)		841	1,917
GST Refund		12,783	48,745
Total Current Assets		488,164	742,971
NON-CURRENT ASSETS			
Fixed Assets	19	14,960,134	15,078,932
Investments – Shares	6,7	634,507	634,507
Capitalised Cost of Forest	25	591,328	445,808
Total Non-Current Assets		16,185,969	16,159,247
TOTAL ASSETS		16,674,133	16,902,218
CURRENT LIABILITIES			
Current Portion – Term Loan	17	85,000	85,000
Accounts Payable	10	126,780	29,220
Income in Advance	18	206,934	228,413
Provision for Annual Leave		7,792	11,850
Interest Accrued		4,869	6,382
Total Current Liabilities		431,375	360,865
NON-CURRENT LIABILITIES			
NHH Limited		575	575
Nga Whenua Rahui	9	171,394	162,459
Term Loans	17	4,616,634	4,701,642
Total Non-Current Liabilities		4,788,603	4,864,676
TOTAL LIABILITIES		5,219,978	5,225,541
NET ASSETS		11,454,155	11,676,677

Representatives of the Trust authorised these Financial Statements for issue 17th September 2012

Trustee



Trustee

The accompanying notes form part of these Financial Statements and should be read in conjunction with the Audit Report contained herein.

Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2012

STATEMENT OF ACCOUNTING POLICIES

General Accounting Policies

The general accounting principles recognised by the New Zealand Institute of Chartered Accountants have been adopted in the preparation of these financial statements and include the following.

Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on a historical basis are followed by the Trust.

Specific Accounting Policies

The following particular accounting principles which materially affect the measurement of earnings and financial position have been applied.

a) Depreciation

Depreciation has been calculated at the rates allowed for taxation purposes, using the diminishing value method for all assets except buildings which have not been depreciated.

b) Goods & Services Tax

These financial accounts are prepared exclusive of GST.

c) Investments

Investments are recorded at cost except for the Ngati Hine H2B Maori land shares which were revalued in 2001. For financial reporting purposes this represents deemed cost.

d) Fixed Assets

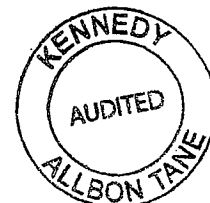
Fixed assets are recorded at cost less accumulated depreciation. Land and buildings were revalued to Government Valuation at 1 September 1998. For financial reporting purposes this now represents deemed cost. The revaluation reserve created in 1998 has been absorbed within the accumulations balance of the Trust.

e) Differential Reporting

The Trust is a qualifying entity in terms of Sec 2 of the New Zealand Institute of Chartered Accountants framework of differential reporting as:

- a. It has no public accountability for the reporting period and
- b. The Trust is not defined as large as it does not exceed 2 or more of the following requirements.
 - i. Total Revenues of \$20 million
 - ii. Total Assets of \$10 million
 - iii. 50 Employees

The Trust has taken advantage of all differential reporting exemptions available except the accounts are prepared on a GST exclusive basis.



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2012

f) Income Tax

The income tax expenses charged to the Statement of Financial Performance includes both the current year's provision and the income tax effects of timing differences calculated using the liability method. Tax effect accounting is applied on a comprehensive basis to all timing differences.

All eligible expenditure for tax deductibility has been claimed, including the reforestation of the Trust's land formerly leased by Taumata Plantations Limited.

g) Forestry Rights

The value of the Trust's interest in pine forestry rights have not been recognised in these financial statements. The varied economic conditions attached to deriving a valuation are subject to significant fluctuation. The benefits of this exercise are outweighed by the ongoing cost of obtaining valuations and the inherent difficulties in obtaining meaningful information.

h) Accounts Receivable

Accounts receivable are stated at estimated realisable value. Amounts not considered recoverable have been written off during the year.

i) Income

Income is generally recorded on an accruals basis or in the case of grant funding, when the contract conditions of the grant have been met. Kiwifruit income earned in respect of the profit share arrangement is accounted for on a cash basis when the supporting data becomes available.

j) Cost of Forest

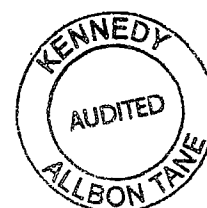
The Stand Unit costing method has been used with forests being recorded at the cost of planting, silviculture and development costs. The Cost of Forest comprises the expenditure on these costs.

Changes in Accounting Policies

There are no changes in accounting policies.

NOTES

1) Income	This Year	2011
Rental Forests	304,482	314,667
Rent - Office	1,899	1,553
Rent - Orchards	140,750	427,459
Rent - Orchard House	14,289	14,560
Overhead Cost Recovery	36,704	63,341
Projects Grant Income	0	119,810
Dividends Received	19,624	34,179
Maori Land Court Recoveries	0	20,680
Sundry Income	11,509	8,750
Interest	10,583	14,876
Housing Portfolio	244,696	190,387
Emissions Credit	0	2,040,078
	<u>784,536</u>	<u>3,250,340</u>



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2012

Orchard income is now solely earned based upon a profit sharing arrangement. \$140,750 represents income earned from Ahuareka in respect of the 2011 harvest. Financial information is not yet available for the 2012 harvest and therefore no further income has been recognised in the 2012 financial year for the Trust.

2) Expenses		This Year	2011
Depreciation	Note 19	120,262	133,669
Loss on Sale		27	0
Orchard Interest		99,551	169,118
Interest - Other		86	6,905
Rent Expenses		25,140	24,771
Auditors Fees - Annual		8,000	6,300
Auditors Fees - Review & Consultancy		1,705	2,400
Project Costs		0	75,804
Orchard Costs		25,202	707
Administration	Note 13	448,387	391,364
Trustee Payments	Note 14	70,968	56,193
Housing Portfolio		175,724	190,387
Meeting Expenses		2,471	1,822
Provision for Doubtful Debts		20,600	0
		<u>998,123</u>	<u>1,059,440</u>
3) Taxation		This Year	2011
Trust Income/Deficit		(222,522)	2,181,704
Add Gross up Dividend for Imputation Credit		8,411	14,648
Less Expenditure on Replanting Forest		(145,520)	(445,808)
Add Back Non-Assessable Income:			
Sale of NZU's		0	(2,040,078)
Add Back Non-Deductible Expenses:			
Nga Whenua Rahui Interest		8,935	9,196
Legal Fees		4,952	0
Audit Accrual Movement		(680)	(500)
Tax Surplus/Deficit		(346,424)	(280,838)
Loss Brought Forward		(800,382)	(444,426)
		<u>(1,146,806)</u>	<u>(725,264)</u>
Loss to Carry Forward from Unused Imputation Credits		(48,063)	(75,118)
Loss to Carry Forward		<u>(1,194,869)</u>	<u>(800,382)</u>
4) Accumulations Account		This Year	2,011
Opening Balance		11,196,677	9,014,973
Add Net Surplus/(Deficit)		(213,587)	2,190,900
Less Transfer Interest NRW Fencing		(8,935)	(9,196)
Closing Balance		<u>10,974,155</u>	<u>11,196,677</u>



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2012

As at 1 July 2005 the historical revaluation reserve created in 1998 was adopted as the deemed cost of land and buildings and absorbed within the accumulations balance of the Trust. For future information purposes, the Trust continues to disclose the compilation of the historic reserve.

The Trust balance of accumulations includes the following historical revaluations;

Government Valuations 1 September 1998

a) Leased to Carter Holt (5062.0407ha)	
Capital Value	6,361,500
b) Subject to TFL Forestry Right	
(i) Pt Ngati Hine H2B (446.8865ha)	
Capital Value	1,105,000
(ii) Motatau IC9B1 (108.193ha)	
Capital Value \$220,000	
Only 60% owned by the Trust	132,000
c) Land & Buildings Moerewa (Lot 40 DP6732)	
Capital Value	58,000
d) Kauri Table	20,000
	<u>7,676,500</u>

Less cost of:

Forestry Block	1,270,748
Land and Building Moerewa	<u>55,764</u>
	<u>1,326,512</u>

Historic Revaluations included within Accumulations

Cost of Forestry Block Land & Improvements (at cost or original valuation)	<u>6,349,988</u>
Owners Initial Contribution	480,000
Cost of Additional Land	122,879
Cost of Permanent Fencing	384,380
Cost of Survey and Title Costs	<u>283,489</u>
	<u>1,270,748</u>

Owners initial contribution was the value of the Ngati Hine Block at the inception of the Trust.

Accumulations Available for Distribution

Corpus and Accumulations are recorded in these accounts in terms of the New Zealand Institute of Chartered Accountants' Financial Reporting Standards. Trust Corpus comprising the Owners' initial contribution of \$480,000 and Accumulations comprising Trust retained earnings and the historical land and share revaluations reserves created in 1998.

However, the Ngati Hine Forestry Trust Trust Deed stipulates that Trust Corpus comprises "the land and interests in land specified in the Second Schedule and any other land or interest in land to which Section 243(1)(b) of the Act applies".

In terms of the Trust Deed then, Corpus and Accumulations are:

Trust Corpus

Leased to Taumata Plantations	6,361,500
Subject to Taitokerau Forests Ltd Forestry Right	1,105,000
Motatau IC9B1 (60% share)	132,000
Trust Deed Corpus Balance	<u>\$7,598,500</u>

Accumulations

Total Equity	11,454,155	
LESS: Trust Corpus	<u>7,598,500</u>	
Balance of Accumulations available for distribution		<u>3,855,655</u>
Total Equity		<u>11,454,155</u>



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2012

5) Accounts Receivable

The total owing to the Trust at 30 June 2012 was:

	This Year	2011
Prepaid Expenditure	560	560
Accounts Receivable	84,020	26,800
Less Prov for Doubtful Debts	<u>(23,690)</u>	<u>0</u>
	<u><u>60,890</u></u>	<u><u>27,360</u></u>

6) Shares in Companies

The Trust owns the following shares:

	This Year	2011
	At Cost	At Cost
Taitokerau Forests Ltd - 2764 shares	27,640	27,640
Zespri - 327,080 shares	292,037	292,037
NHH Ltd - 100 shares	<u>100</u>	<u>100</u>
Closing Balance	<u><u>319,777</u></u>	<u><u>319,777</u></u>

The Trustees intend to retain these shares as a long term investment and therefore consider the cost based accounting treatment to be reasonable. No impairment adjustment is considered necessary.

7) Shares in Maori Land

The Trust owns the following in Maori land:

	Shares	Cost	
Ngatihine H2B	85,644.312	83,699	
Revaluation 2001	<u>85,644.312</u>	<u>212,630</u>	
		296,329	@ value (\$3.46/share)
Motatau 1C9B1	85.000	<u>18,401</u>	@ cost
Total Shares in Maori Land		<u><u>314,730</u></u>	

As at 1 July 2007 the historical share revaluation reserve created in 2001 was absorbed within the accumulations balance of the Trust. The Trust elected to adopt the balance of \$296,329 as forming deemed cost.



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2012

8) Orchard Properties – Kerikeri

On 25 June 2004 the Trust purchased three orchard properties in Kerikeri. In December 2006 a further orchard was purchased. The cost price as at balance date is as follows;

	Cost
Te Tara Kowhai Orchard - Land	317,383
- Vines & Structures	652,508
- G9 Gold Licence	5,333
Paparata Orchard - Land	289,733
- Vines & Structures	606,911
Te Ara Kopeka Orchard - Land	246,621
- Vines & Structures	627,437
Ahuareka Orchard - Land	904,411
- Vines & Structures	907,947
- Gold Licence	66,844
	<u>4,625,128</u>

These four properties are leased to Kerifresh Ltd – Te Tara Kowhai, Paparata and Te Ara Kopeka for a term of 15 years and Ahuareka for a 5 year term. All four orchard properties also own water rights which are allocated on a per hectare basis. These water rights are allocated to these four parcels of land and if the orchards are sold the water rights stay with the land. The Trust has a licence to produce Gold Kiwifruit on 0.6ha on the Te Tara Kowhai Orchard. During 2010, additional licence was bought to increase the area of Gold Kiwifruit on Te Tara Kowhai Orchard.

The purchase of the Ahuareka Orchard included a licence to produce Gold Kiwifruit of 2.314 hectares and in October 2007 the Trust purchased a further licence to convert 3.2 hectares of Green Kiwifruit to Gold Kiwifruit.

9) Nga Whenua Rahui Fencing Project

During 1998 the Trust received a \$250,000 grant for the preservation of indigenous timbers and payment of \$78,232 for fencing after the present tree crop is harvested in 10-12 years. A condition of the fencing payment is that it be retained with accumulating interest so it is available to meet the fencing cost at harvest.

	This Year	2011
NWR Fencing Advance carried forward	162,459	153,263
Interest Received	8,935	9,196
Balance	<u>171,394</u>	<u>162,459</u>

10) Accounts Payable

	This Year	2011
The total consists of:		
Trade Creditors	120,324	23,347
PAYE	6,456	5,873
	<u>126,780</u>	<u>29,220</u>



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2012

11) Contingent Liabilities (2012 & 2011)

There were no Contingent liabilities at Balance Date.

12) Capital Commitments

The Trust is committed to planting pinus radiata during winter 2012. The estimated cost of the winter planting is \$283,000 (2011: Nil).

The Trust has an ongoing obligation and commitment to comply with the Emissions Trading Scheme – refer to Note 25.

13) Administration Expenses

These expenditures were made up as follows:

a) AGM/SGM Expenses	This Year	2011
Catering	14,940	4,880
Printing & Stationery	20,450	10,377
Advertising	3,896	2,491
Sound System	700	350
Van Hire	548	469
	<u>40,534</u>	<u>18,567</u>
b) Administration Expenses	This Year	2011
Accountancy	31,804	35,039
AGM/SGM Expenses (see above)	40,534	18,567
Bank Fees	733	31,215
Electricity	3,171	2,949
Forestry Consultant	4,288	1,652
Insurance	9,605	6,435
Legal	6,002	5,257
Legal – Non-Deductible	4,952	0
Management Costs	126,105	116,533
Office	10,687	16,622
Printing & Stationery	27,181	25,232
Rates	2,335	1,909
Repairs & Maintenance	10,498	9,331
Salary & Wages	138,436	113,094
Security	1,615	2,203
Staff Expenses and recruitment	27,048	0
Subscriptions	1,808	1,408
Trustee Expenses	1,585	3,918
	<u>448,387</u>	<u>391,364</u>



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2012

14) Trustees Payments Comprise:

<u>Trustee</u>	This Year			2011		
	<u>Fees</u>	<u>Travel</u>	<u>Total</u>	<u>Fees</u>	<u>Travel</u>	<u>Total</u>
M Tautari	0	0	0	5,200	788	5,988
C Beattie-Wihongi	6,400	1,167	7,567	6,400	788	7,188
P Paraone	6,400	4,046	10,446	5,200	2,234	7,434
E Beattie	8,400	2,810	11,210	8,400	2,860	11,260
A Critchfield	6,800	1,101	7,901	5,200	835	6,035
P Tipene	12,000	1,954	13,954	8,400	1,049	9,449
L Hau	0	0	0	3,200	1,747	4,947
P Henare	5,600	595	6,195	2,000	14	2,014
T Shortland	11,200	2,494	13,694	1,600	277	1,877
	<u>56,800</u>	<u>14,167</u>	<u>70,967</u>	<u>45,600</u>	<u>10,592</u>	<u>56,192</u>

15) Related Party Transactions

The Trustees of NHFT are trustees of Ngati Hine Forestry Charitable Trust and shareholders of Ngati Hine Housing Limited (NHH Ltd). The Ngati Hine Forestry Trust made no distribution to the Ngati Hine Forestry Charitable Trust (2011: Nil). No administration fees were received from Ngati Hine Housing Limited (2011: Nil). Edward Beattie and Peeni Henare, NHFT Trustees, are directors of Kaiwae Harvesting Ltd.

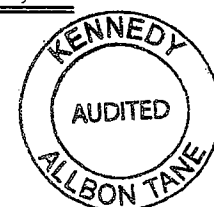
The Ngati Hine Forestry Trust advanced \$50,000 to Kaiwae Harvesting Limited, an associate of Ngati Hine Housing Limited, which in turn is a subsidiary company of the Ngati Hine Forestry Trust. The advance is interest free and repayable on demand.

16) Principal Activity

The principal activities of the business are administration, ownership of land for afforestation, horticulture and housing

17) Loans & Security

	This Year	2011
Westpac - Loan 1	1,240,000	1,240,000
Westpac - Loan 2	200,000	200,000
Housing New Zealand Corporation - Facility A	417,498	432,498
Housing New Zealand Corporation - Facility B	904,136	929,144
Housing New Zealand Corporation - 2010	<u>1,940,000</u>	<u>1,985,000</u>
	<u>4,701,634</u>	<u>4,786,642</u>
Disclosed as:		
Current	85,000	85,000
Term	<u>4,616,634</u>	<u>4,701,642</u>
	<u>4,701,634</u>	<u>4,786,642</u>



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2012

Westpac

The Trust raised these loans to purchase the orchard properties. The loans are interest only to 7 December 2013. From these dates, principal repayments will commence, maturing 7 December 2021 in respect of Loan 1 and 25 June 2014 in respect of Loan 2. The bank holds a registered first mortgage over the four orchard properties and has an assignment over orchard rental proceeds.

The Trust has an overdraft arrangement with the bank. As at balance date, the limit was \$400,000 (2011; \$400,000) and the security arrangements mirror those of the loans above.

Housing New Zealand Corporation

Facility A & B loans were drawn down to establish the initial housing portfolio of 11 houses. In 2010 an additional facility was provided to finance the construction of ten houses in Kaikohe. The terms and conditions of this loan are confidential to the parties.

Housing New Zealand Corporation holds first mortgage security over the residential properties and a first charge over Trust future income streams.

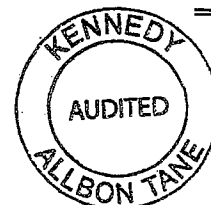
18) Income Received in Advance

	This Year	2011
Forestry Rental	199,714	219,728
Other	7,220	8,686
	<u>206,934</u>	<u>228,414</u>

19) Fixed Assets

2012	Cost	Accum Depn	Book Value	Depn Rate	Depn Charge
Land & Buildings	7,665,891	(24,286)	7,641,605	0% SL	0
Orchards	4,625,128	(1,034,998)	3,590,130	4-15.6% DV	116,921
Furniture & Fittings	54,012	(23,860)	30,152	10-48% DV	2,153
Plant & Equipment	38,835	(34,074)	4,761	11.4- 60% DV	1,188
	<u>12,383,866</u>	<u>(1,117,218)</u>	<u>11,266,648</u>		<u>120,262</u>
Rental House Portfolio	3,860,484	(166,998)	3,693,486	0% SL	0
Total Fixed Assets	<u>16,244,350</u>	<u>(1,284,216)</u>	<u>14,960,134</u>		<u>120,262</u>

2011	Cost	Accum Depn	Book Value	Depn Rate	Depn Charge
Land & Buildings	7,665,891	24,286	7,641,605	3% SL	1,655
Orchards	4,625,128	918,077	3,707,051	4-15.6% DV	127,253
Furniture & Fittings	52,521	21,707	30,814	12-48% DV	2,944
Plant & Equipment	43,590	37,614	5,976	11.4- 60% DV	1,817
	<u>12,387,130</u>	<u>1,001,684</u>	<u>11,385,446</u>		<u>133,669</u>
Rental House Portfolio	3,860,484	166,998	3,693,486	2.8-4%SL & 3%DV	56,381
Total Fixed Assets	<u>16,247,614</u>	<u>1,168,682</u>	<u>15,078,932</u>		<u>190,050</u>



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2012

Pounamu

The Trust was gifted one pounamu stone on 17 January 1992 and another seven stones on 25 February 1995 from Ngai Tahu. These are classified as heritage assets for the purposes of financial reporting, however, due to the cultural significance of the pounamu it is not appropriate to place a monetary value on them. Therefore, they do not appear on the register of fixed assets.

20) Subsidiary Companies

Ngati Hine Housing Limited is a wholly owned subsidiary company of the Ngati Hine Forestry Trust. Ngati Hine Housing Limited's sole asset is the shareholding in Kaiwae Harvesting Limited.

Kaiwae Harvesting Limited

During 2010 the Ngati Hine Forestry Trust advanced a \$50,000 loan to Kaiwae Harvesting Limited related party working capital. A similar advance was made by Harvest Pro Limited.

Kaiwae Harvesting Limited is owned 50 percent by Harvest Pro Limited (90 shares) and 50 percent by Ngati Hine Housing Limited (90 shares). Ngati Hine Housing Limited is a 100 percent subsidiary of the Ngati Hine Forestry Trust.

Kaiwae Harvesting Limited holds a contract from Hancocks Forest Manager to harvest the timber for Taumata Plantations Limited who owns the trees on the majority of Ngati Hine Forestry Trust land.

The Trustees have directed that the requirements of the NZICA Financial Reporting Standard 37 concerning the preparation of consolidated accounts shall not be met as the transactions of Ngati Hine Housing Limited are not material relative to Ngati Hine Forestry Trust operations.

21) Commitments under Operating Lease

	This Year	2011
Current	<u>8,285</u>	<u>8,285</u>

22) Operating Revenue

Total operating revenue for the year is \$784,536 (2011: \$3,250,340).

23) Maori Authority Credit Account

	This Year	2011
Opening Balance	73,492	75,409
Add Imputation Credits Received	8,411	14,648
RWT Received	(841)	(1,917)
Less Imputation Crds Converted to Loss	<u>(8,411)</u>	<u>(14,648)</u>
Balance at 30 June 2012	<u>72,651</u>	<u>73,492</u>

The Balance of the MACA account has recently been reviewed by the Trust's Accountants. A notice of proposed adjustment has been submitted to Inland Revenue who are currently in the process of reviewing this request. Any adjustment will be recognised when this approval is complete.



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2012

24) Emissions Trading Scheme

The Trust is a landowner of pre 1990 forest land and as such is a mandatory participant in the Emissions Trading Scheme (ETS). This effectively means that the Trust must either maintain the use of the land via replanting or some form of natural regeneration or it will incur a carbon emissions liability.

In 2012 the Trust received 1,472 NZU's in relation to pre 1990 forest land on Motatau IC9B1. The remaining 2,368 NZU's will be available in 2013. As the Trust owns 60% of Motatau IC9B1, 60% of the value of the NZU's will be received. The Trustees have not recognised these as a current asset as at balance date on the basis of materiality.

In 2011 the Trust applied for its entitlement of 60 New Zealand Units, (NZU's), per mapped 4,564 hectare of eligible land.

The Trusts initial allocation of 104,972 NZU's was received in 2011 and subsequently sold. The sale proceeds were included in the 2011 accounts. The final allocation of 168,868 NZU's will be available in 2013, provided there are no law changes. For financial reporting purposes, if the NZU's are to be retained, they will initially be recorded based on the tradable commodity value at the date of issue and subsequently revalued at each balance date.

NZU's transferred under the allocation are considered capital in nature and therefore, they are not subject to income tax when they are received or sold by the Trust. Also, no tax is payable on any increase in market value of the NZU's during the time they are held.

25) Cost of Forest

The Stand Unit costing method has been used with forests being recorded at the cost of planting, silviculture and development costs. The Cost of Forest comprises the expenditure on these costs.

At the time of harvest, costs will be matched with associated revenues. All the forestry costs have been deducted for income tax purposes in the year of expenditure. Accordingly, at time of harvest, income will be fully taxable with no benefit from the amortisation of the Cost of Forest, other than any remaining income tax losses carried forward.

26) Forestry Interests and Commitments

The forestry blocks are subject to various caveat conditions and forestry rights. Climate change restrictions also apply.

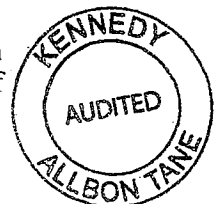
The Trust is committed to compensating TPL4 for two-thirds of the value of the permanent roads on the leased land. Compensation is payable at the conclusion of the lease which is 30 September 2021.

The Trust is also required to retain funds to cover the cost of the roading compensation. The valuation basis for the compensation has not yet been agreed to by both parties.

At balance date a reserve fund had not yet been established to meet these compensation costs.

27) Subsequent Events

On 1 July 2011 the Te Tara Kowhai, Paparata and Te Ara Kopeka Orchards have moved from lease income to a 70/30 profit share arrangement. The Trust is still in the process of completing the details of each specific orchard contract.



**INDEPENDENT AUDITOR'S REPORT****TO THE READERS OF THE FINANCIAL STATEMENTS OF
NGATI HINE FORESTRY TRUST****REPORT ON THE FINANCIAL STATEMENTS**

We have audited the financial statements of Ngati Hine Forestry Trust on pages 1 to 14, which comprise the statement of financial position as at 30 June 2012, the statement of financial performance and statement of movements in equity for the year then ended, and a statement of accounting policies and notes to the financial statements.

TRUSTEE'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Other than in our capacity as auditor we have no relationship with, or interests in, Ngati Hine Forestry Trust.

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www.kennedyallbontane.co.nz



BASIS FOR QUALIFIED OPINION

We have obtained all the information and explanations we have required.

As stated in note 20 on page 13 of the financial report, the Ngati Hine Forestry Trust has not consolidated its subsidiary Company, NHH Limited. NHH Limited owns a 50% share in Kaiwae Harvesting Limited. Financial Reporting Standard Number 37 requires subsidiaries to be consolidated with the parent entity, in this case being the Ngati Hine Forestry Trust.

QUALIFIED OPINION

In our opinion except for the effect of the departure from applicable Financial Reporting Standard Number 37 as outlined above, the financial report on pages 1 to 14:

- complies with generally accepted accounting practice in New Zealand;
- gives a true and fair view of the financial position of the Ngati Hine Forestry Trust as at 30 June 2012 and the results of its operations for the year ended on that date.

A handwritten signature in black ink, appearing to read 'Kennedy Allbon Tane'. The signature is written in a cursive, flowing style with some loops and flourishes.

20 September 2012
Whangarei



Ngati Hine Forestry Trust
Trustees' Recommendations to be
Considered by the Owners at
The 2012 Annual General Meeting:-

- 1. That the meeting receive the Trustees' Annual Report**
- 2. That the meeting receive the Trustees' Financial Report**
- 3. That the owners authorise the Trustees to re-appoint Kennedy Allbon Tane as auditors for the 2012/2013 financial year and to fix their remuneration.**



Ngati Hine Forestry Trust Strategic Plan 2010 - 2025

Vision - Pae Tawhiti

We are healthy, prosperous, self sufficient and our assets are productive and sustainably utilised.

Mission - Kaupapa

To protect, develop and enhance the Ngati-Hine Forestry Trust assets on behalf of the owners.

Goal 1 : Economic - Pākihi	Goal 2 : Community - Tangata	Goal 3 : Cultural - Tikanga	Goal 4 : Environment - Taiao
<p>To maximise wealth creation and optimise the financial return for the owners.</p> <p>Objectives</p> <ol style="list-style-type: none"> Optimise the financial returns from the Trusts assets Pay regular dividends to the owners, commencing after the first forest harvest. Diversify, expand and enhance the Trusts assets. Develop and implement strategies for the active management of Trusts assets. 	<p>To understand the owners needs and expectations</p> <p>Objectives</p> <ol style="list-style-type: none"> Develop and implement an effective communication strategy. Support initiatives which enhance the well-being of the owners. Network with other organisations in pursuit of these objectives. Uphold good employment practices. 	<p>Kia u ki nga tikanga</p> <p>Objectives</p> <ol style="list-style-type: none"> Uphold and practice kaupapa Maori. Protect and preserve the Trust land. Maintain and enhance whanau and hapu relationships. Acknowledge the history of the Trust lands and its people. 	<p>To protect and enhance our Trust lands and waterways inclusive of flora and fauna.</p> <p>Objectives</p> <ol style="list-style-type: none"> Protect and enhance the Trusts indigenous forests and wetlands. Implement the environmental management plan. Ensure all exotic forestry practices adhere to sound environmental standards. Ensure the Trust's work environments are welcoming, people friendly and professional.

Overarching Governance Principle

The Trustees will adhere to the Trust Order, act prudently and be open and transparent with the owners.

Investment Criteria

Income Earning Capital Growth Minimal Risk Diversified Ethical

NGATI HINE FORESTRY TRUST

25 February 2004



Ngati Hine Forest Management Report

PF Olsen's role

PF Olsen was appointed by the Ngati Hine Forestry Trust as their forest manager in 2011 and was very pleased to be re-appointed in April 2012 after the position was advertised.

The primary focus of their management role is;

1. Working to industry best standards, re-establish the Ngati Hine Forest as land is handed back from the 1st rotation forest right holder and,
 2. To ensure access to work opportunities for descendants of Ngati Hine
-

Species selection and regime

The Trust has chosen to replant with *P.radiata* as this is the only realistic commercial forest species that can be grown with confidence in Northland on a large scale.

NZ's softwood forest industry is based around *P.radiata* and the expertise in growing and processing this crop is well researched.

P.radiata is particularly suited to steeper less fertile soils such as found within the Ngati Hine forest land and, because of Northland's climate, it will produce a high density log that is suitable for selling to either structural sawmills such as Waipapa Lumber, CHH or to CHH's Laminated Veneer Lumber mill at Ruakaka. Sawmills in Northland are predominantly geared to milling structural grade logs, not pruned logs.

As a result PF Olsen has recommended that Ngati Hine adopt a framing regime, as opposed to a clearwood regime, where the objective is to produce as much sawlog grade volume as possible. A sawlog regime requires 1 thinning at around age 10 but no pruning. This regime not only reduces silviculture costs through not having to prune (saving about \$1,500 per ha) but will produce a log product that is preferred by 90% of the mills in Northland.

Areas re-established
**Ngati Hine Forestry Trust
Re-Established Area - Provisional**

ID	Year Planted	Species	Type	Area (Ha)	Area (Ha)
1.01	2011	P.rad	plant	353.3	
2.01	2008	P.rad	regen	109.5	
Reserve2010		manuka	regen		45.8
3.01	2012	P.rad	plant	228	
3.02	2010	P.rad	regen	59.1	

749.9 ha in *P.radiata*

Awaiting Restocking 2013 45.8 ha to date.

Refer maps for ID locations

Progress planting report

Planting over the last 2 years (2011 & 2012) has progressed well and in total 581.3 ha has been physically replanted in *P.radiata*.

Seedling survival for 2011 was 96% and for 2012 this will be checked in January 2013.

All 2011 manually planted trees were hand fertilised in October 2011 as will be the 2012 planted seedlings this year.

The planting has been undertaken in accordance with Best Practice Guidelines which not only sets out the operational quality standards to be achieved but ensures that the operation has been undertaken in accordance with the NRC's Soil and Water Plan and NZ's Environmental Code of Practice.

Refer also the environmental chapter below.

Natural regeneration

168.6 ha was identified as having sufficient naturally regenerating stems of *P.radiata* per ha to warrant not having to manually replant. Under the rules of the Emissions Trading Scheme (ETS) for a pre 1990 forest, this equates to having a minimum of 500 stems per hectare of a forest species growing 4 years after harvest.

The 168.6 ha identified as regenerating naturally, met those requirements easily. In contrast the 581.3 ha replanted had little to no regenerating *P.radiata*.

Not having to manually replant 168.6 ha, has resulted in a cost saving to the Trust of approximately \$1,000 per ha.

At the request of the Trustees 1.4 ha of land where there was little evidence of natural regeneration was set aside from the planting area to see if additional naturally regenerating *P.radiata* would appear. Refer Compartment (Cpt) 3 map for location. The thought was that natural regeneration might possibly be sufficient over time to meet the requirements of the ETS and still produce a viable commercial timber crop. Time will tell!

Reserve area

45.8 ha was identified as being less suitable for *P.radiata* and it was put to the Trustees that it be allowed to regenerate naturally in to *leptospermum scoparium* or tea tree and other native species.

This was approved.

Tea tree is classified as a “tree species” so the Reserve meets the ETS requirements for re-establishment.

Environmental considerations

After a site inspection with trustees Tui Shortland and Alex Critchfield, in May 2012, steep faces dropping in to key waterways that had been harvested by hauling across the waterway, were removed from the re-establishment plan and will be allowed to regenerate back into non commercial species.

The Trustees wished to mitigate damage to the waterways during the 2nd rotation harvest and this is the most practicable way to achieve this. Refer Cpt 3 map for Environmental setbacks.

PF Olsen is an accredited Forest Stewardship Council (FSC) Group Scheme administrator. This internationally recognised environmental certification now covers 2/3rds of NZ’s softwood plantations and the aims and objectives of this certification are attached. FSC certification is something the Trust may wish to consider at some point.

Refer Appendix B

Health & Safety

There have been few incidents and no lost time injuries in the operations concluded to date. The attention to H & S matters by all contractors and their employees has been most pleasing and indicates that a good H & S culture is in place.

Local contractors

The primary contractor used to replant Ngati Hine land has been Silviculture Contractors Ltd based in Kaikohe and owned and operated by John and Craig Zielinski.

John and Craig have worked for PF Olsen in Northland since 1995 and are now employed by PF Olsen to undertake operations in the Central North Island and in the East Cape region. This expansion of their role with PF Olsen is a testament to their quality and professionalism and now allows them to employ local labour in forestry for a significant part of the year.

At the last count more than 50% of their 40+employees identified themselves as being of Ngati Hine descent.

Appendix A **Cpt 1 Map**
Cpt 3 Map

Appendix B

What is Forest Stewardship council™ Certification?

Throughout the world, companies and governments are coming under increasing pressure to adopt measures to verify that products have been produced by methods that are environmentally acceptable. The Forest Stewardship Council (FSC) is an independent non-profit organisation that became established with the objective of providing a verifiable standards system applicable to forestry products.

Forestry products are an internationally traded commodity. Much of the traded volume comes from sources that are not legal or by means that are environmentally destructive.

FSC certification schemes have sought to harness the power of choice amongst environmentally concerned consumers by establishing a recognised trademark that is associated with products derived from forests certified as “well managed” under the system.



The mark of
 responsible forestry

The FSC certification system is currently one of the most established and recognised in the world and the only one currently used in New Zealand.

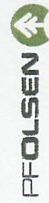
The Ngāti Hine Forestry Trust

NGATI HINE FOREST Compartment 1

Scale 1:20,000



- Track
- Road - Unsealed
- Index Contour
- Intermediate Contour
- <all other values>
- Watercourse
- Stream
- Forest Boundary
- Pond/Lake

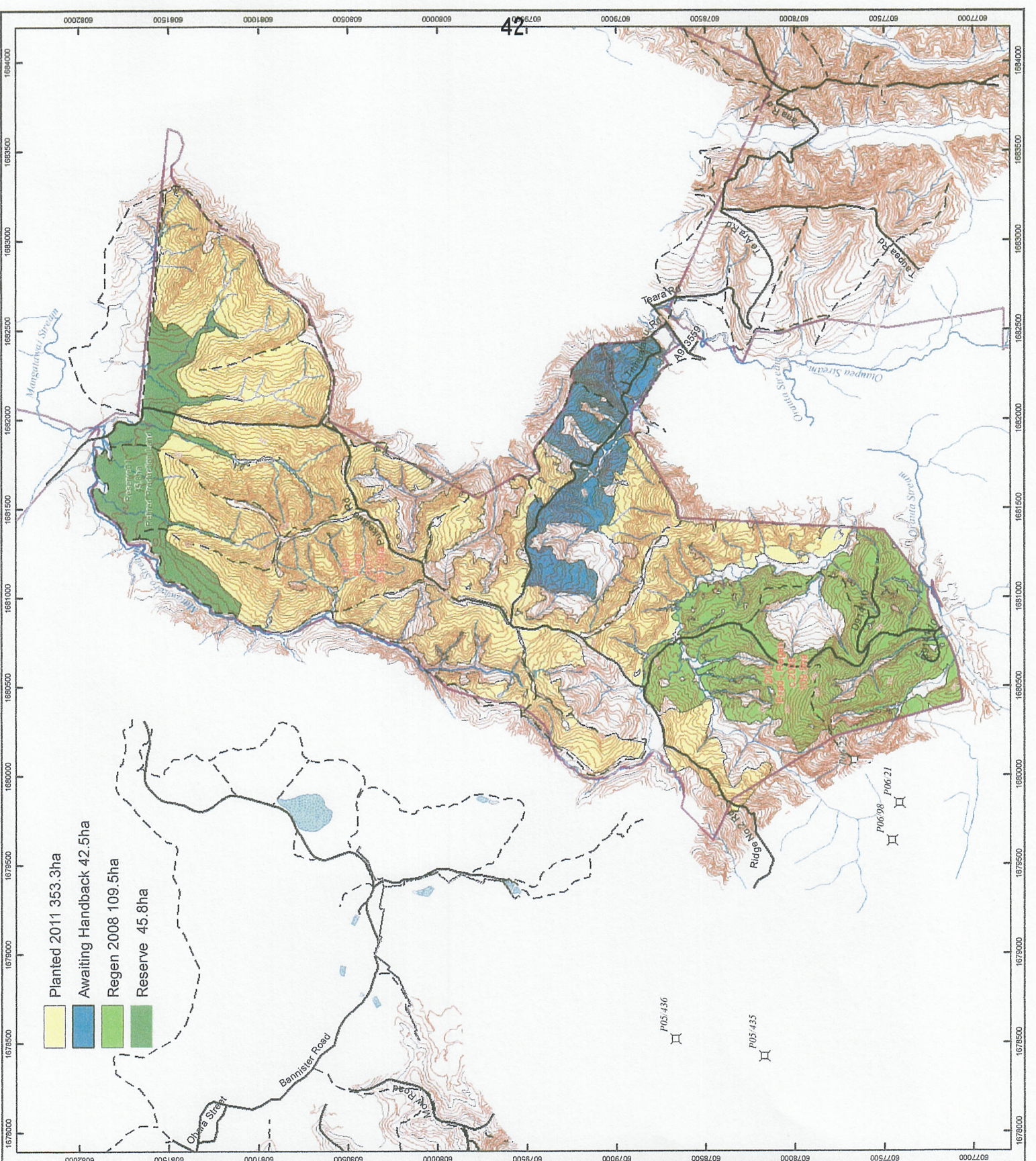
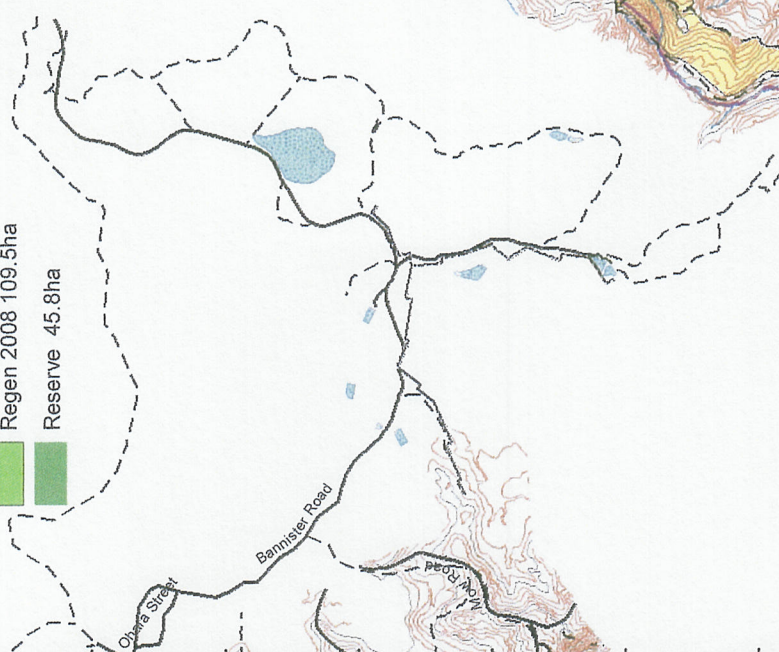


Projection: NZ Transverse Mercator
 Date: Geoid data 2000
 Legal boundary sourced from LINZ CRS. Boundary approximate only.
 Detail supplied by Client.

Printed on 5/02/2012
 Map Disclaimer: This map is distributed as-is, without warranties of any kind, either expressed or implied, including but not limited to warranties of suitability for a particular purpose or use. This map is believed to be correct, however, a degree of error is inherent in all maps.



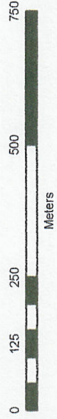
- Planted 2011 353.3ha
- Awaiting Handback 42.5ha
- Regen 2008 109.5ha
- Reserve 45.8ha



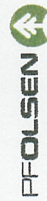
The Ngati Hine Forestry Trust

NGATI HINE FOREST Compartment 3

Scale 1:10,000



- Track
- Road - Unsealed
- Index Contour
- Intermediate Contour
- <all other values>
- Watercourse
- Forest Boundary
- Pond/Lake



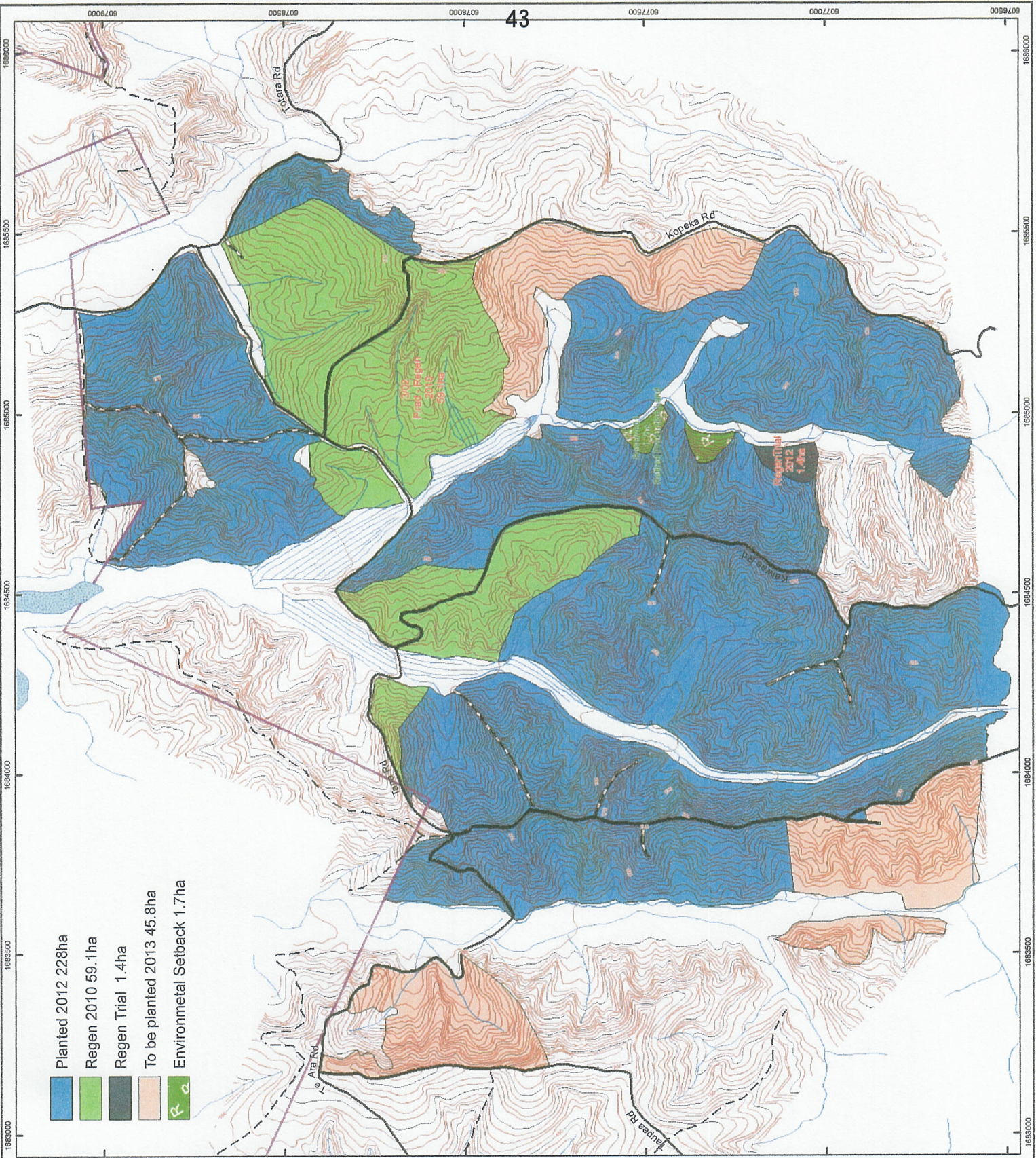
Projection: NZ Transverse Mercator
Datum: Geoid datum 2000
Legal boundary sourced from LINZ CRS. Boundary approximate only
Detail supplied by Client

Printed on 5/09/2012

Map Disclaimer: This map is distributed as-is, without warranties of any kind, either expressed or implied, including but not limited to completeness of suitability to a particular purpose or site. This map is believed to be correct, however, a degree of error is inherent in all maps.



- Planted 2012 228ha
- Regen 2010 59.1ha
- Regen Trial 1.4ha
- To be planted 2013 45.8ha
- Environmental Setback 1.7ha





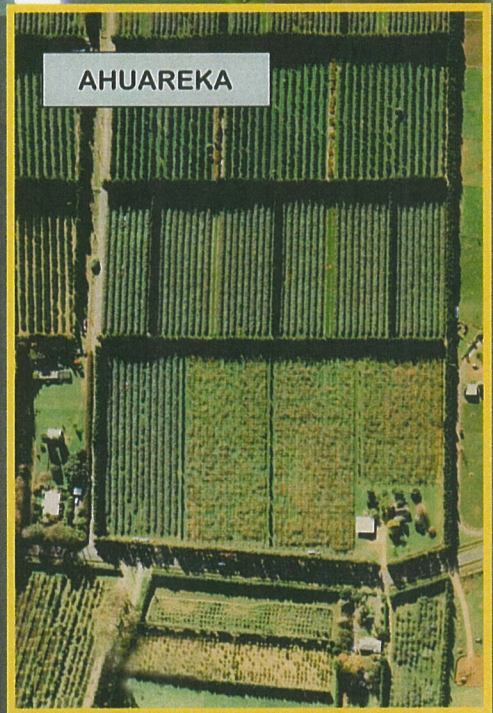
Kiwifruit Orchards Kerikeri



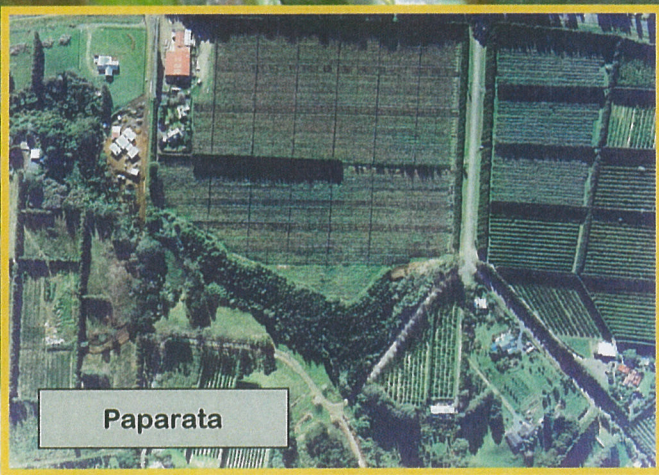
Te Tara Kowhai



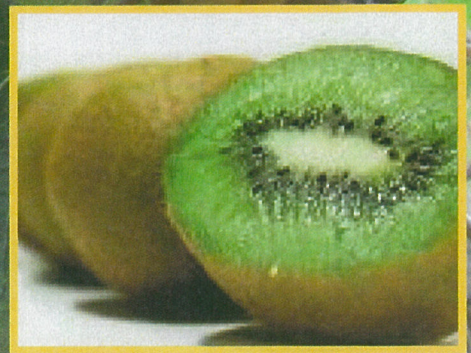
Te Ara Kopeka



AHUAREKA



Paparata





Turners and Growers Limited (Kerifresh)

Annual Report to Trustees 2012

Kiwifruit:

Ngati Hine kiwifruit outcomes for the 2011/12 season have been mixed. A very warm winter of 2011 resulted in a low level of bud set and a reduced green kiwifruit crop at 6400 trays per hectare. While this level of production is still better than the northland industry average, our orchards generally out perform the average by approximately 2000 trays per hectare. Thankfully the 2012 winter produced more winter chill units and we are projecting a return in green production for the 2013 harvest to 8500 trays per hectare.

Ngati Hine Zespri Gold production increased in the 2011/12 season over the prior year to 69,360 trays, an increase of 19.4%. The primary reason for this increase is more production occurring as the vines mature and the canopy area increases. While Ngati Hine Zespri Gold production has increased, the national crop has reduced due to production in the Bay of Plenty region being lost to PSA. Overall Zespri crop this season has dropped from 30 million trays in 2011, to approximately 23 million trays. While not all, of this season crop has yet been sold this reduced supply suggests gross returns will lift by around 10% over 2010/11 season, to \$11.30 per tray this season.

The NZ kiwifruit industry continues to face some serious challenges, at least for the short term. The effects of PSA vine disease in the Bay of Plenty region have been devastating and Zespri and Kiwifruit New Zealand have conceded that Zespri Gold Hort 16 as a commercial variety will in time be completely destroyed in that region. The Kerikeri region, and as far as South Auckland have so far not experienced any detection of the PSA disease. While this is encouraging, future uncertainty around not only the spread of the disease, but also what kiwifruit varieties may offer resistance to the disease, are holding back development decisions. It has been the plan for some time of the Trustees, supported by Kerifresh, to convert Ngati Hine green orchards to higher returning gold varieties. Currently however, both parties are of the view that greater certainty around the future viability of kiwifruit is required before any major further investment can be made.

As long as Ngati Hine orchards remain PSA free then the short term financial outlook for gold production is good. Continued reduction in the national gold crop will keep returns high. Strategy around the green orchards is to maximize yield and quality and keep costs to a minimum, until such time as conversion decisions can be taken.

Alan Kerr

General Manager

Turners and Growers Ltd/Kerifresh, Kerikeri. 28 August 2012.



HOUSING PORTFOLIO

Built 2010 - Kaikohe





Ngati Hine Forestry Trust Housing Portfolio

Purchased 2006





A Brief History of the Ngati Hine Forestry Trust

The following is a brief recital of the more salient events which have occurred and impacted on the Trust and its operations from 1968 till the present day.

- 1968 to 1972 Rates arrears with potential loss of land.
Amalgamation meetings (72 blocks).
- 1974 Creation of Trust by Maori Land Court with seven Trustees.
- 1975 Lands amalgamated.
- 1975 to 1980 Investigation of Forestry. A lease with CHH is proposed. Prolonged disputes amongst owners & Trustees. Lease does not proceed.
- 1980 Maori Trustee appointed as Trustee with 5 advisory Trustees.
- 1981 Lease to CHH of approx. 85% of land. (1 rotation, 7% annual rental & 9% of stumpage from a sawlog regime). Initial annual rental of \$80,580. Owners retained 555 ha at Matawaia to develop into forestry. Funded by TEP, PEP, FEG, loan moneys, tax incentives & rental from CHH lease. Trust borrowed \$550,000 at low interest rates from MLB to fund part of the Matawaia Forest Development, fencing, survey, purchase of Crown shares & the purchase of extra land.
- 1984 Labour Govt. elected. Stopped FEG, PEP & tax incentives. Interest rates & costs started to rise.
- 1985 Costs of forest development rising
- 1986 Eight owners selected Trustees replace the Maori Trustee.
- 1986 TFL created to fund & develop forestry on Maori land. Financed initially at \$1.0 million per annum for 10 years. Ngatihine becomes a shareholder in TFL. TFL took over the development of Matawaia and paid an annual rental. Interest rates continued to rise.
- 1988 CHH annual rental increased to \$97,376.
- 1987 to 1990 Dispute with CHH over interpretation of management objectives in the lease. Settled with creation of Trustees forest area (474.5 ha of which the Trust receives 100 % of proceeds at harvest).
- 1990 National Government elected.
- 1991 Govt. stopped funding TFL and charged high interest rates. Govt. called up the Ngati-Hine Trust mortgage on the land. Trustees subsequently refinanced with Westpac.
- 1991 to 95 TFL sought alternative funding sources.
- 1993 CHH annual rental increased to \$189,000.
- 1994 TFL proposed a Company float and a Forest Right Variation. This failed to eventuate and the variation lapsed. Trustees make an application to the Nga



- 1995 Whenua Rahui Fund. MLC increases the number of Trustees to nine.
 Name of Trust changed from Ngatihine Trust to "Ngati-Hine Forestry Trust".
 MLC closes three roads and vests these in the Trust.
 Nga Whenua Rahui application successful.
 Negotiations with CHH over closed roads etc.
 TFL paid for further silviculture at Matawaia.
- 1996 Nga Whenua Rahui Application injunctioned. TFL successfully re-negotiates with
 Crown & produce a new package for owners. This is accepted by the Trustees.
 TFL completes silviculture at Matawaia.
- 1997 Tamati Paraone appointed as an honorary Trustee.
 Debt with Westpac repaid and Trust is essentially debt free.
 Trust resolves outstanding closed roads and other land issues with CHH for
 \$60,400. TFL pays \$134,600 to the Trust for the TFL forest right variation but
 held in trust pending completion of legal matters. Injunction against completing
 the Nga Whenua Rahui grant is lifted, but NWR payment still delayed.
- 1998 CHH annual rent increases to \$343,000. NWR pays out \$250,000 plus \$78,000
 (held in trust) for fencing. Charitable trust and native timber policy proposed.
 History project initiated and current ownership schedules, addresses etc.
 completed.
- 1999 Trust has substantial tax paid cash surplus and investigates alternate investment
 options.
- 1999 The Trust founds and funds the Ngati-Hine Charitable Trust to address social and
 cultural obligations. Trust finally receives proceeds from the TFL restructuring
 grant. Cash reserves rise to \$753,849. Early forest development costs from
 Motatau 1C9B1 are recovered. Native timber policy (ie, no more commercial
 extractions) adopted.
- 2000 Cash reserves rise to \$860,200. Sale of 5,563 Trust owned shares in Ngatihine
 H2B to Murray Ward. Trustees actively involved with various CHH Hui.
 Charitable Trust makes first tertiary education, Marae & special needs grants
 (total \$72,500).
- 2001 Trust Cash reserves rise to \$1,010,000. Trustees focus on investment and
 strategic planning matters. History project implemented. Charitable Trust makes
 education, elderly, Marae & special grants of \$113,354.
- 2002 Cash reserves rise to \$1,114,000. Trustees investigate alternative investments
 including additional land purchase & a housing project. Trust runs two forest
 training courses in Moerewa with WINZ & Northland Polytech. Charitable Trust
 makes grants totalling \$93,000.
- 2003 Cash reserves increase to \$1.3 million. Trust moves to diversify its assets. A
 substantial housing application to HNZC is made. Trustees also propose to



purchase non-forest investment properties. Trust runs a further two forestry training courses in Moerewa. Changes to the Trust order made to separate the corpus lands from investments.

- 2004 Iwi Housing Manager appointed to deliver HNZN Rural Housing Programme from Trust's Moerewa Office. Trust established an administrative office in Whangarei & appoints an administrative manager. Three kiwifruit orchards in Kerikeri purchased. Ongoing negotiations with HNZN with regard establishment of a social housing portfolio.
- 2005 Review of Forest Rent increases rent to \$400,400 pa. Purchased Zespri shares. HNZN loan agreement entered into to establish social housing portfolio.
- 2006 Purchased a fourth kiwifruit orchard (Ahuareka) in Kerikeri. Trust now owns a total freehold area of 35.75 ha with a canopy area in kiwifruit of 23.91 ha plus one house. Purchased and renovated eleven homes in Kawakawa & Moerewa for social housing utilising HNZN funding. Social Housing Coordinator appointed to deliver social housing services funded jointly by HNZN and MSD. Capital improvements made to Kiwifruit orchards. TPL4 purchases the CHH lessees interest in Ngatihine H2B and HFM becomes the forest managers.
- 2007 Purchased further Zespri shares bring total share holding in Zespri to 58,332 shares. Negotiation with HNZN for further funding to extend social housing portfolio. Purchased 3.2 hectares of gold kiwifruit licence to convert green to gold on Ahuareka Orchard. Negotiations with TPL4 and other parties with respect of a second forest rotation.
- 2008 Ongoing capital improvements to Kiwifruit orchards. Conversion of 3.2 hectares of green to gold kiwifruit on Ahuareka Orchard. Action underway to extend social housing portfolio utilising a second HNZN loan facility. MLC and High Court proceedings instigated against Hirini Manihera, Patrick Brown and Waiomio Downs Logging Limited to stop their illegal logging on Trust lands. Ongoing negotiations with various forest parties for a second rotation.
- 2009 Harvesting commenced with the first tree felled at a special ceremony on the 10th March 2009 on Te Ara Road, Ngapipito Road, an area planted in 1983. On going investigations with respect of a second rotation and lobbying of Government with respect of the impact on the Trust of the Emissions Trading Scheme. Negotiations to extend housing portfolio with new homes in Kaikohe advanced. Further capital work on kiwifruit orchards undertaken. Information Sharing Hui with owners held in May 2009.
- 2010 Harvesting continuing at an increased pace with 180.5 hectares of harvested forest land having been surrendered by the lessee to the Trust to date. Planning and deliberations with respect of a second rotation continued. The Emissions Trading Scheme was finalised by the Government in late 2009. The restructuring of the TFL debt to the Crown was completed in late 2009. The building of ten new homes in Kaikohe commenced in the later part of the year. These will be leased to HNZN for 15 years. A Zespri Gold 9 licence was acquired for 0.5 hectare being an initial start to converting the green kiwifruit on



Rangitane orchard. A review of the Strategic Plan was commenced which included a two day Trustees hui at Motatau Marae with invited owner presentation. An Information Hui for owners was held in May 2010.

2011

The Trustees completed their review of the Trust's Strategic Plan 2010 – 2025 and a revised plan was approved on the 9th October 2010.

The Trust completed the building of the ten homes (eight two bedroom and two four bedroom) in Kaikohe in December 2010 and all of these have been leased to HNZC for fifteen years. The HNZC Rural Housing Programme which the Trust had been involved with for some eight years was terminated by the Government on the 31st December 2010.

The Trust's four kiwifruit orchards continued to perform well. Psa (*Pseudomonas syringae* pv *actinidiae*) was discovered in November 2010 in the Bay of Plenty. To date Psa has not been identified above Auckland.

In December 2010 the Trust received its initial allocation of 104,972 New Zealand Units (NZUs) for the 4,564 hectares of the Trust's pre 1990 exotic forest. The Trust sold all of these NZUs for \$2,062,349.00. A further allocation of 168,868 NZUs is to be made to the Trust in 2013.

The kiwifruit orchards Westpac mortgage was further reduced by \$1 million.

The lessee TPL 4 via their New Zealand agent HFM has continued to harvest the forest on both sides of the forest on Ngapipito Road with some 472 hectares of plantation forest land formally surrendered back to the Trust as at the 1st April 2011, and as at the 30th June 2011 the lessee had returned 581.7 hectares on land which includes reserves and non plantation areas.

As a consequence of the Emissions Trading Scheme and the inability to find at this time a second rotation joint venture partner or a new lessee the Trust was faced with the requirement to fund itself the re establishment of a commercial forest.

During the early part of the 2011 winter some 353.3 hectares was re planted in pinus radiata and a further 109.5 hectares (harvested in 2009) was released sprayed. The cost of this was \$445,808.00 and was funded from the proceeds from the sale of the NZUs. A "first tree" planting ceremony was held on the 4th May 2011.

The Trust continued its involvement with a Joint Venture partner (Harvest Pro) operating one harvesting crew (Kaiwae Harvesting Ltd) within the Trust's forest.

The Trustees commenced a process to review the Trust Order. As a consequence of a Maori Land Court hearing with respect of a challenge to the outcomes of the 2010 Annual General Meeting election process by Marie Tautari the Court on 19th May 2011 instructed the Trust to apply to the Court for a review of the Trust under Section 231 of the Te Ture Whenua Maori Act 1993.

2012

The Trustees undertook a review of the Trust Order with a new proposed Trust Order being presented to the beneficial owners at both the 2011 Special



General Meeting and at the 2011 AGM. The review of the Trust and the approval of a new Trust Order are still processes which are still progressing through the Maori Land Court.

The Trustees reviewed the Trust's Strategic Plan and reaffirmed their objective to move from the "passive" investment of the Trust's assets and in to an "active" management regime.

The Trustees appointed a new Chief Executive Officer Jonathan Rishworth to lead the implementation of the Trust's strategic objectives. The new CEO replaces the Trust Manager role which had been filled for many years by Michael Corrigan.

Second rotation planting was carried out during the 2012 winter with a further 287.1 hectares established in radiata pine.

Glossary of Abbreviations:

CHH	Carter Holt Harvey
TFL	Taitokerau Forests Ltd
MLC	Maori Land Court
NWR	Nga Whenua Rahui
TEP	Temporary Employment Scheme
PEP	Project Employment Scheme
FEG	Forest Encouragement Grant
HNZC	Housing New Zealand Corporation
TPL 4	Taumata Plantations Ltd
HFM	Hancock Forest Management NZ Ltd
MSD	Ministry of Social Development



Ngati Hine Forestry Trust

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Bank: Westpac, Whangarei
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