

Ngati Hine Forestry Trust

Annual Report



Year ended June 2011





Annual Report to Owners

Twelve Months Ended 30 June 2011

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Annual General Meeting Agenda

<i>8.30 am</i>	<i>Owner registration commences</i>
<i>8.30 am</i>	<i>Kapu Tii</i>
<i>9.30 am</i>	<i>Karakia and Mihimihi</i>
<i>10.00 am</i>	<i>Chairman's Introduction</i>
	<i>Apologies</i>
	<i>Presentation of the Trustees Report</i>
	<i>Presentation of the Financial Report</i>
	<i>Audit Report</i>
	<i>Trustees Recommendations to Owners</i>
	<i>Election of Trustees</i>
<i>12.00 pm</i>	<i>Complete SGM Discussions on the "New Draft Trust Order".</i>
<i>1.15 pm</i>	<i>Poroporoaki</i>
<i>1.30 pm</i>	<i>Lunch</i>

Ngati Hine Forestry Trust - Trustees and Staff



Pita Tipene
Trustee 2005-2006
Chairperson 2007-2011



Caroline Beattie-Wihongi
Trustee 1996-2011



Pita Paraone
Trustee 1996-2011



Edward Beattie
Trustee 2001-2004
2007-2011



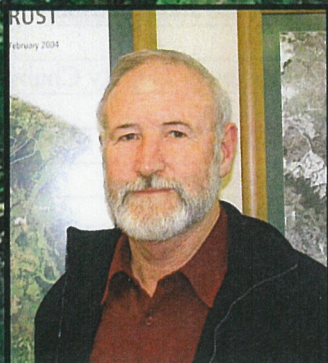
Alex Critchfield
Trustee 2008-2011



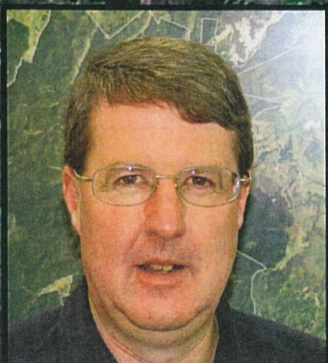
Tui Shortland
Trustee 2011



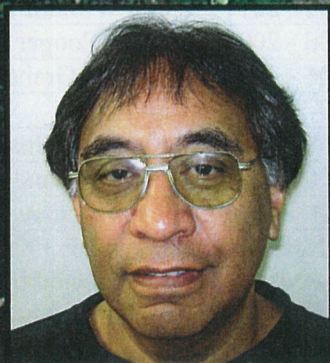
Peeni Henare
Trustee 2011



Michael Corrigan
Trust Manager



Ian McLelland
Administration Services
Manager



Kara George
Projects 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 Hapi 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 - 2011	Caroline Beattie Wihongi	Current Trustee
1996 - 2011	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 - 2011	Pita William Tipene	Current Trustee and Chairman
2006 - 2009	Jason Cooper	
2006 - 2011	Edward Graham Beattie	Current Trustee & Deputy Chairman
2007 - 2010	Lu Hau	
2008 - 2011	Alexander Joseph Critchfield	Current Trustee
2010 - 2011	Tui Shortland	Current Trustee
2010 - 2011	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
The Trustees' Annual Report and Financial Statement
For the Twelve Months ended 30 June 2011

Chairman's Introduction

Tena koutou katoa

Ka papā te whatitiri, ka hikohiko te uira
 Ka wāhierua ki runga o Hikurangi, o Mōtatau tū te ao, tū te po
 Ko Ngunguru, ko Ngangana, ko Apārangi
 Ko te titi o te rua
 Ko te tao whakahoro
 Ko te tao whakawahine
 Ko te tao a taku tupuna a Hineāmaru
 E perea atu nei ki nga nga kokonga manawa,
 Nga ringa kura, nga momo o tēnei hanga o te Āriki
 Ki nga uri o nga tino tāngata
 Tihewa mauriora

E mihi atu ana ki a koutou katoa e whai paanga ana ki te kaupapa nei.
 Ka mihi hoki ki nga tini mate kua ngaro i te tau kua pahure nei. Ko wai o tatou horekau ano kia rongo i te kakati o tena mea te mate?
 Otira, ka mihi tonu ki a ratou kua ngaro i te tirohanga kanohi, me te maumahara ano hoki ki te take i whakatoopuhia ai nga pīihi whenua i raro i te kaupapa kotahi.
 Takoto mai ra e nga mate, okioki mai ra.



Mt. Hikurangi from Ngati Hine Forest



Introduction

Although it is a challenging and at times an onerous position, it has been my privilege and pleasure to serve as the Trust's chairman over the past year.

As in previous years, the Trustees will use the annual report to explain strategic issues, events of the past year and the Trustees future intentions.

Background

The Ngati Hine Forest Trust (NFT) started its initial forest establishment in 1981.

At this time, the Trust's only asset was a remote, unsurveyed, undeveloped, infertile hill country land block with poor access, valued at just \$480,000.

Since then, the Trust's corpus land has increased from 5,000 ha to 5,536 ha, the market value of the Trust's assets has increased from \$480,000 to some \$30,000,000 and the number of owners has grown from 1,474 to 4,274.

This growth has been achieved by successive Trustees following consistent, conservative, low risk, asset expansion and enhancement.

The Trust has been fortunate that the Trustees' over the years have practiced prudent and careful governance and adhered to the trust order.

Since 1981, 40 individuals have served as Trustees and eight Trustees have filled the role of chairperson, providing leadership and direction.

The names of all the past and current Trustees as well as the various chairpersons are recorded at pages 2 and 3.

The financial year 2010 – 2011 has been a satisfactory year with encouraging asset and equity growth whilst the Trust continues to respond to adverse changes in its operating environment.

For the immediate future, the Trust will continue to focus on enhancing and expanding its sound, land based assets and activities.



Kaiwae Harvest Ltd Operations



Strategic Issues

As discussed at the 2010 AGM and the SGM, the Trustees are addressing several major issues and their impact on asset management which have developed over the past 3 – 4 years. These include: -

Forestry

- The Emissions Trading Scheme (ETS).
- The progressive return of Trust land to the Trust after the harvest of the first rotation forest lease and its future use and management.
- The commencement of a self funded, second rotation of forestry.

Orchards

- The ongoing upgrading and enhancement by conversion of the Kerikeri kiwifruit orchards from green to gold.
- The discovery of the kiwifruit disease PsaV in New Zealand in late 2010.

Housing

- The Government's changes in future social housing policy and funding.

Internal Administration

- A review of the Trust order.

Each of these matters will be discussed in greater detail within the report.



First Planting - Hirini Parata & Hare Waiomio 4 May 2011



Significant Events during the 2011 / 2012 Financial Year

- Receipt of \$2,040,078 from the sale of ETS New Zealand Units (NZU's).
- The long term interest bearing debt with Westpac was reduced by \$1,000,000 and the Housing New Zealand Corporation (HNZC) debt by \$55,008.
- Trust equity has risen from \$9,494,973 to \$11,676,677.
- Ten new houses in Kaikohe were built and added to the social housing portfolio.
- A further 0.5 ha of orchard was converted from green kiwifruit to G9 gold.
- 493 ha of second rotation forest have been established.
- With the approval of the owners at the 2010 AGM, the number of Trustees was formally reduced from 9 to 7. The reduction has simplified and improved the Trust's administration.

Financial

Audit Report

The audit has been prepared by Petherick Kennedy Allbon Tane, independent chartered accountants from Whangarei.

There is one notation concerning Kaiwae Harvesting Ltd (KHL).

Apart from this, the audit confirms that: -

- The Trust has kept proper accounting records to a standard recognised by the NZ Institute of Chartered Accountants.
- The records comply with accepted accounting practices in NZ and give a true and fair view of the Trust's financial position.

During the year, the auditors also conducted two separate interim audits of the Trust's financial processes.

These extra audits provide an ongoing safeguard for the owners.



Four Bedroom Home Kaikohe



Financial Report

The financial report prepared by the accountant will be discussed more fully later in the meeting.

The following is a summary of the 2010 / 2011 financial results: -

Income	\$3,250,340
Expenditure	<u>\$1,059,440</u>
Net Surplus before Tax	\$2,190,900
Sundries	\$ (9,196)
Trustees Income	\$2,181,704

The overall financial result was dramatically improved by the windfall receipt and sale of 104,972 NZU's for \$2,040,078 during the year.

Whilst this year provided a very satisfactory financial result, this was a more difficult year for all of the Trust's activities.

No free NZU's will be available in 2011/2012 financial year, but a further allocation of NZU's will be made in early 2013 and should be available for sale in the 2012/2013 year.

The full impact of the ETS is explained more fully later in this report and within the notes to the accounts which show how the NZU's and their sale or retention is treated for accounting purposes.

Taxation

The Trust remains tax efficient.

The tax losses carried forward have increased from \$444,424 to \$831,063 mainly as a result of forest replanting being tax deductible.

The new forests are self funded by the Trust. They are recorded as assets in the statement of financial position but are tax deductible in the year in which they occur.

Taxation losses will only increase over time as the forest area increases. As a result, the Trust is unlikely to pay income tax for many years.

Depreciation

This is a tax deductible but non cash expenditure item.

Depreciation has increased from \$173,092 to \$190,050, mainly as a result of additional depreciation on the additional ten new houses built in Kaikohe.

Depreciation of rental housing finishes in 2012.

The details of assets and depreciation are described in the notes to the accounts.



Movements in Mortgages

Interest Bearing Debt

During the year, one million dollars (\$1,000,000) of the Westpac interest bearing mortgage was repaid.

This will save some eighty thousand (\$80,000) per annum of interest charges which will markedly improve future trading surpluses.

Non Interest Bearing Debt

During the year, some fifty five thousand dollars (\$55,008) was repaid from the interest free HNZN housing mortgage via deductions from rent.

However, this non interest bearing mortgage increased by a total of \$1,094,812 which was directly related to the acquisition of ten new houses in Kaikohe.

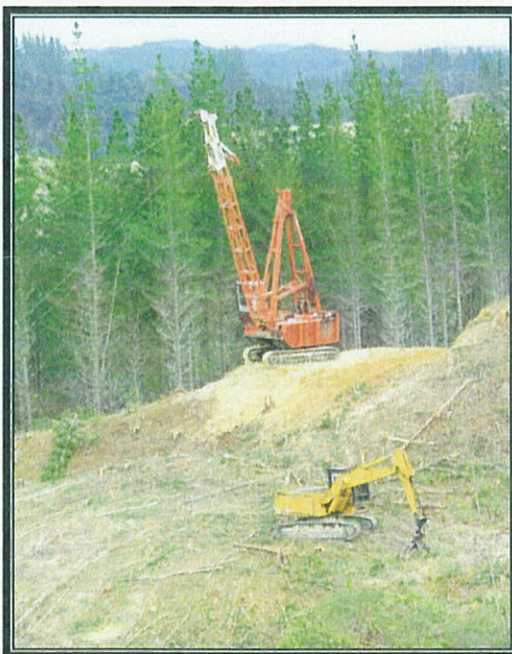
Activities Reports

Forestry

The most important forest issues for the Trust are: -

- The Emissions Trading Scheme.
- Commercial forestry - second rotation replanting by the Trust
- Forest Management and Employment Opportunities

Each of these issues is explained more fully.



Kaiwae Harvest Ltd Operations



The Emissions Trading Scheme (ETS)

A Brief Explanation of the Emissions Trading Scheme (ETS)

- The advent of the ETS has been the single most important factor influencing the Trust's governance and management for the past three to four years.
- The ETS is a Government scheme whose impact on the Trust has been explained and discussed with the owners on several occasions.
- The ETS is part of the NZ Government's response to climate change and is enshrined within the Climate Change Response Act 2002 (amended in 2008).
- Two classes of forest land have been created, i.e., Pre 1990 and Post 1989.
- The trigger dates for the scheme is land cover at 1 January 1990 and 1 January 2008.
- All existing indigenous or exotic forests at 1 January 1990 and which were in exotic forests at 1 January 2008 are deemed to be Pre 90 forests. Their participation in the ETS is mandatory.
- All exotic forests planted after 1 January 1990 is a Post 89 forests. Their participation in the scheme is optional.
- The underlying purpose of the scheme is to ensure that the area of the NZ exotic forest estate at 1990 is preserved. Hence, all Pre 90 forests must be reestablished in forest after harvest or they attract a "deforestation" liability. "Deforestation" is deemed a change of land use from forestry!
- All ETS benefits and liabilities remain with the forest land owner (e.g., the Trust) as distinct from the owner of the forest, e.g. the lessees (TPL4 and TFL).
- All Pre 90 forest land owners are entitled to claim 60 free NZU's per ha from the Crown (as compensation for loss of land value and land use flexibility).
- Only the registered land owner at 20 July 2010 may apply for this once only free allocation of Pre 90 NZU's.
- All Pre 90 forest land, once harvested, must be replanted or allowed to naturally regenerate to 500 sph of recognised tree species within 4 years.
- If the land post harvest is not re-planted and deemed to be "deforested", then an ETS "deforestation" liability occurs which is assessed at some 750 NZU's per planted ha.
- NZU's must be surrendered to MAF when a forest is "deforested".
- A land owner must purchase sufficient NZU's to cover the deforestation liability.



Specific Effect of the ETS on the Ngati Hine Forest Trust (NFT)

- All of the NFT forest land (4,564 ha) is Pre 90 forest and as such, the Trust's participation in the ETS is mandatory.
- If the land is deemed to be "deforested" after harvest, then the Trust must acquire up to 750 NZU's per ha.
- At a purchase price of \$20/NZU, this is some \$15,000 / ha.
- To avoid any liability, the Trustees must ensure that the all of the currently forested land is replanted or regenerates so that it complies with ETS criteria.
- Replanting and subsequent forest management also ensures that the land will produce a viable commercial forest crop of considerable long term value to the owners.
- Just as the Trust is the only party which can apply for the Pre 90 allocation of NZU's, the responsibility for the payment of any ETS liability lies with the land owner, i.e. the Trust.
- Any tree losses after re-planting (e.g. by fire) must be replaced or the ETS liability may be incurred, (i.e., fire insurance is essential).
- The Trust as a pre 90 forest land owner was entitled to claim a once only, tax free grant of 60 NZU's per ha.
- The Trust has claimed its full entitlement to the free Pre 90 NZU's from Ministry of Agriculture and Forestry (MAF), i.e.: -
 - The NFT's full allocation approved by MAF is 273,840 NZU's based on 4,564 ha Pre 90 forest x 60 NZU's per ha.
 - 38% was transferred on approval and the remaining 62% is due in 2013.
 - 104,972 NZU's were transferred to the NFT in 2010/2011.
 - The NFT elected to sell its entitlement.
 - The NFT has received \$2,040,078 (average \$19.64/NZU), from the sale of the 104,972 NZU's.
 - This was received in the 2010/2011 financial year.
 - This sum is deemed to be capital and is tax free.
 - A further 168,868 NZU's is to be transferred to the NFT in 2013.
 - The 2013 allocation is still to be confirmed by Government but it is now expected to proceed.

As the forest is to be replanted, then the advent of the ETS represents a substantial tax free financial wind fall to the land owner which will assist in funding new forest establishment.

However, no free NZU's will be available in 2011/2012 financial year, but a further allocation of 168,868 NZU's will be made in early 2013 and should be available for sale in the 2012/2013 year.



Commercial Forestry - Second Rotation (2R)

- Neither of the two current land occupiers will be extending their tenure and will depart as occupiers at the conclusion of the first rotation.
- The objectives in replanting a 2R on the NFT is twofold, i.e.: -
 - To ensure the creation of a viable commercial exotic forest and thus create a substantial long term asset.
 - Eliminate any ETS liabilities.
- Ideally, the NFT would have secured a JV or lease partner for the second rotation on similar terms to the first rotation. However, this is not possible.
- The harvesting of the NFT's 1R trees commenced in 2009.
- As the harvesting by the 1R lessee of each compartment is completed, the land is progressively surrendered to the Trust.
- Land must be replanted in forest tree species to avoid ETS liabilities as well as to create a commercial forest.
- Hence, the Trustees must self fund the 2R.
- The second rotation planting commenced in May 2011.
- First tree was planted by Hare Waiomio on Titihuatahu (northern) block.
- Total plantings and treatment for the winter of 2011 is 493 ha.
- Future 2R re-plantings are expected to equate with 1R harvest rate.
- The Trust has estimated that the cost of re-planting and managing the forest for 30+ years through till harvest to be some \$21 million.
- This will be a significant forest undertaking. At 2011 prices, the forest should grow into an asset worth some \$93,000,000 net to the NFT.
- However, its assessed value in 2035 – 2045 can only be speculation.
- On present projections, the Trust is able to fund the 2R itself if sufficient funds can be generated from: -
 - The sale of its free Pre 90 free allocation of NZU's.
 - Proceeds from the harvest of the Ruatangata and Matawaia forests,
 - Ongoing revenues from other asset streams.
 - Ongoing prudent investment of annual surpluses.
- New forests are owned by the Trust and are recorded as assets in the accounts using the stand unit costing method; i.e., the cost of forests is shown as an increase in assets in the statement of financial position whilst all forest expenditure is deducted for tax purposes in the year in which it occurs.



- There are additional issues surrounding the ongoing management of a self funded forest undertaking, e.g., should the Trust manage the forest by creating its own forestry organisation or employ a management company?
- The Trustees are currently working through the various options.
- Whichever management system is used, a self funded forest operation will commit all of the Trust's forecast resources and preclude consideration of other significant activities in the immediate future.

Kaiwae Harvesting Ltd (KHL)

As advised at previous AGM, the Trust is a 50:50 partner in this joint venture private company with HarvestPro (HP) which is a significant player in the harvesting industry. It operates one harvesting crew within Ngati Hine.

KHL experienced some mechanical problems during the year but has now returned to full operation as one of the better performing HP crews.

A second gang is now operating adjacent to the KHL gang under the management of Rob Morton. Between the two operations, there are some twenty local people employed.



KHL Crew



Forest Management - Employment Opportunities

Forest management includes: -

- Roading
- Harvesting
- Transport
- Land preparations
- Replanting
- Silviculture
- General forest management (maintenance, health, pest control, fire, etc).

As forest harvesting expands within the Ngati Hine rohe and throughout Taitokerau, so too does the demand for forest services.

Increasingly, there are opportunities for greater local involvement at all levels within the forest industry.

Harvesting and subsequent replanting is occurring on the NFT forests as well as many of the surrounding forests by the various forest owners.

Forestry work will continue well into the foreseeable future and provides significant employment opportunities for persons living within the community.

It will continue long after the NFT first harvest has been completed.

Initial and ongoing training is an essential component of forestry employment.

The Trustees are looking at ways to capture some of the forestry employment opportunities within the wider Ngati Hine rohe for the benefit of the local Ngati Hine community.



Te Totara Reserve



Orchards

1. The Trust owns four kiwifruit orchards in Kerikeri. They have a total area of 35.75 ha with a canopy area of 23.91 ha. (Green – 17.31 ha and Gold 6.6 ha).
2. Production from the Trust's four kiwifruit orchards harvested in April/May 2011 was: -

• Gold	57,982 TE	Average 9,505 TE/ha
• Green	138,774 TE	Average 8,061 TE/ha
• Total	196,756 TE	
3. This production is satisfactory. Higher production can be expected as the gold conversions mature.
4. An additional 0.5 ha were converted to Zespri gold 9G in the 2010 winter.
5. First crop from this area should occur in 2012 or 2013.
6. The biggest issue for the Trust has been the uncertainty and potentially increased risk to future income and equity which comes from the occurrence of the PsaV disease within the NZ kiwifruit industry.
7. To date, PsaV has been restricted to the Bay of Plenty and Gisbourne.
8. The full impact of this disease is still unknown but Kiwifruit Vine Health are working on both management based and antibacterial solutions to PsaV and seem confident of finding an acceptable solution.
9. The long term aim of the Trust's orchard management is to convert more green to gold.
10. However, this year, the Trust has adopted a conservative approach. Vines are particularly vulnerable during conversions and gold is much more susceptible than green. Hence, consideration of further conversions from green to gold has been deferred for a year pending the outcome of the 2011 spring and what occurs with PsaV.
11. All the orchards are leased to Kerifresh (Turners and Growers).
12. A significant change to the first three orchards lease occurs from 1 July 2011. For the first seven years of the lease, the Trust's return came from a fixed rental. This has now changed to a profit share. The details and implementation of this change are still being worked through with the lessee.
13. The Trust's relationship with the lessee remains sound. Kerifresh continues to assist in the ongoing development of the four orchards and to enhance their performance.



Housing

The Trust has expanded its housing portfolio from 11 to 21 houses by building ten new brick homes in Kaikohe.

The gestation period for this project was long with the applications and administration commencing in 2007.

The site was eventually blessed in April 2010, the first houses were blessed and occupied in October 2010 and the last homes occupied in December 2010.

The Trust built 8 homes of 2 bed rooms for Kaumatua with another 2 x 4 bed rooms homes for young families.

The houses were built at an advantageous price on individual titles.

The new houses were financed on favourable terms through HNZC and are leased to HNZC. All tenants are local Maori.

The Trust also owns a house in Kerikeri on one of the orchards which is rented by Kerifresh.

Overall, the trust housing portfolio is operating satisfactorily and the day to day management is undertaken by HNZC.

The Trust housing portfolio is now: -

Kawakawa	8 houses	Lessee - HNZC
Moerewa	3 houses	Lessee - HNZC
Kaikohe	10 houses	Lessee - HNZC
Kerikeri	1 house	Lessee - Kerifresh
Total	22 houses	

The Trust's housing portfolio represents a considerable investment by the Trust in social housing and contributes in a small way to alleviate the generally poor housing throughout many parts of rural and small town Tai Tokerau.

Tai Tokerau is recognised as having very poor and inadequate housing.

Available funding from Government for many years has been insufficient and the housing situation continues to deteriorate.

To date, the Trust has been able to work with HNZC using favourable financial arrangements to develop its housing portfolio.

The Trust has always had a good working relationship with the local HNZC staff and with their Wellington management.

However, with a change in Government direction and policy, HNZC is now no longer involved with third sector social housing.



This function has been transferred to the Social Housing Unit of the Dept of Building and Housing who are still developing their new strategy and policies.

Currently, there is no funding source available which will allow the Trust to continue with its social housing programme.

Assuming further financial assistance can be arranged in the future under reasonable terms and favourable financial conditions, the Trustees will continue to investigate further social housing opportunities within the social housing field.

Hopefully, this will involve the development of further practical social housing strategies for Ngati Hine and an expansion of the Trust's social housing portfolio.



Kaikohe Homes - Tenants and Others at Blessing Ceremony – November 2010



Other Matters

Trust Order

At the 2010 AGM, the Trust advised that it was undertaking a review of the trust order under clause 244 of Te Ture Whenua Maori Act 1993.

A draft new trust order has been prepared to enable the Trust to be more relevant to conditions in 2011 and transparent for the Trustees and owners.

The proposed new Trust order was discussed by the owners at the SGM on 3 September 2011. This resulted in amendments being suggested which have been incorporated into the Trust order.

The proposed new order will be the subject of further discussion at the end of the meeting.

Assuming an acceptable level of support can be reached amongst the owners, an application to amend the Trust order will be made to the Maori Land Court before Christmas.

2010 AGM Election

The process used as well as the final result for the Trustees election at the October 2010 AGM was contested through the Maori Land Court by Marie Tautari.

This matter involved two Court hearings.

The Court eventually adjudged that the election process used by the Trust was correct according to the Trust order and the result of the election as advised at the 2010 AGM should stand.

The 2011 Election

This will follow the same procedure which has been used previously.

Any doubts in the election process have been clarified in the new draft trust order.



Kiwifruit Orchard - Kerikeri



Planning and the Strategic Plan

A copy of the Trust's strategic plan is in the appendices.

Assuming that the new trust order is acceptable to the owners and the Court, then this document will be reviewed later in the current year.

Partitions

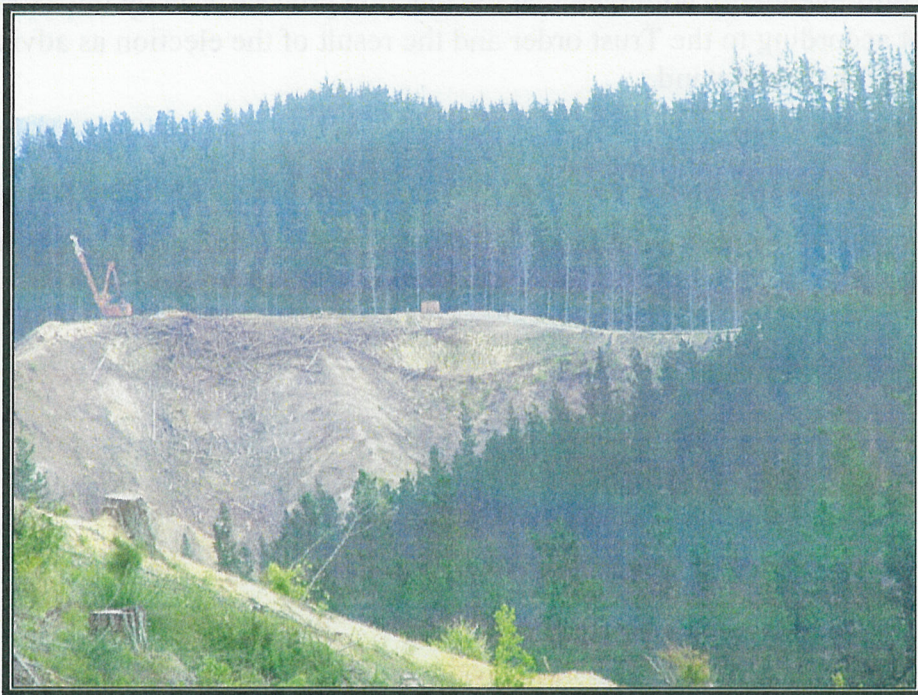
A Paper on this topic is included within the appendices.

This explains how an applicant seeking to withdraw land from the Trust must process a partition application and also distinguishes the roles of the Maori Land Court, the Trust and the applicant.

Communication with the owners

The Trust endeavours to communicate regularly with owners by use of: -

- Annual General Meeting
- Special General Meetings
- Regular Newsletters
- Webpage.
- Meetings with local owners to resolve specific land problems.



Ngati Hine Forest South of Ngapipito Road – KHL Crew



Conclusion

The Trust has steadily grown and expanded its activities and assets since its inception three decades ago.

The number of owners has also dramatically increased over this period.

However, the operating environment for each of the various Trust activities (forestry, housing and orcharding) is now quite challenging with many issues to be resolved in coming years.

The Trustees will continue to involve and inform the owners with the various changes as they occur.

The Trustees are focused upon protecting and expanding the owners' interests into the future and upon complying with the provisions of the Trust order.

The overall aim of the Trustees' governance strategies is to secure the Trust's long term future by making the Trust economically independent.

It will do this by ensuring that it continues to operate in a socially, culturally and environmentally appropriate manner but recognising the need to adhere to best governance, management, administration, legal and accounting practices.

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

Pita Tipene

Chairman

Ngati Hine Forestry Trust

PO Box 108

Whangarei 0140

E mail ngatihft@xtra.co.nz

Phone 094596425

Webpage www.ngatihine.maori.nz

Ngati-Hine Forestry Trust
Financial Reports
For the Year Ended 30 June 2011

Ngati-Hine Forestry Trust
Financial Reports
For the Year Ended 30 June 2011

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Ngati-Hine Forestry Trust
Statement of Financial Performance
For the Year Ended 30 June 2011

	<i>Note</i>	<i>This Year</i> \$	<i>2010</i> \$
Income	1	3,250,340	927,784
Less Expenses	2	<u>1,059,440</u>	<u>992,615</u>
Net Surplus/(Deficit) Before Tax		2,190,900	(64,831)
Transfer Interest NWR	9	<u>(9,196)</u>	<u>9,691</u>
TRUSTEES INCOME/(DEFICIT)		<u>2,181,704</u>	<u>(74,522)</u>
Less Sale of NZU's – Non Taxable	25	<u>2,040,078</u>	<u>0</u>
TRUSTEES SURPLUS (DEFICIT)		<u>141,626</u>	<u>(74,522)</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 2011

	<i>Note</i>	<i>This Year</i> \$	<i>2010</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	9,014,973	9,089,495
Trustees Share of Surplus/(Deficit)		141,626	(74,522)
Sale of NZU's Credits		2,040,078	-
Balance at end of Year		11,196,677	9,014,973
TOTAL EQUITY AT END OF YEAR		11,676,677	9,494,973



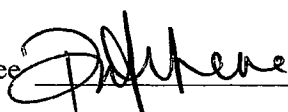
The accompanying notes form part of these Financial Statements and should be read in conjunction with the Audit Report contained herein.

Ngati-Hine Forestry Trust
Statement of Financial Position
As at 30 June 2011

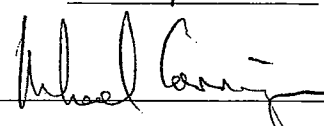
	<i>Note</i>	<i>This Year</i> \$	<i>2010</i> \$
EQUITY			
Corpus		480,000	480,000
Accumulations (Deficiency)	4	11,196,677	9,014,973
TOTAL EQUITY		<u>11,676,677</u>	<u>\$9,494,973</u>
REPRESENTED BY			
CURRENT ASSETS			
Westpac Bank – Residential		21,486	25,824
Westpac - Cheque Account		131,191	0
Westpac – 025 Account		462,272	0
Houses Under Construction	17	0	1,239,942
Accounts Receivable	5	27,360	1,249
ASB Bank – Thomson Wilson		0	43,600
Thomson Wilson – Current Account		0	132
Loan – Kaiwae Harvesting	21	50,000	50,000
Resident Withholding Tax (RWT)		1,917	0
GST Refund		48,745	0
Total Current Assets		<u>742,971</u>	<u>1,360,747</u>
NON-CURRENT ASSETS			
Fixed Assets	20	15,078,932	13,019,803
Investments – Shares	6,7	634,507	617,425
Capitalised Cost of Forest	26	445,808	0
Total Non-Current Assets		<u>16,159,247</u>	<u>13,637,228</u>
TOTAL ASSETS		<u>16,902,218</u>	<u>14,997,975</u>
CURRENT LIABILITIES			
Westpac Bank – Current		0	11,951
Current Portion – Term Loan	18	85,000	73,758
GST		0	2,159
Accounts Payable	10	29,220	247,769
Income in Advance	19	228,413	321,343
Provision for Annual Leave		11,850	12,308
Interest Accrued		6,382	6,771
Total Current Liabilities		<u>360,865</u>	<u>676,059</u>
NON-CURRENT LIABILITIES			
NHH Limited		575	575
Nga Whenua Rahui	9	162,459	153,263
Term Loans	18	4,701,642	4,673,105
Total Non-Current Liabilities		<u>4,864,676</u>	<u>4,826,943</u>
TOTAL LIABILITIES		<u>5,225,541</u>	<u>5,503,002</u>
NET ASSETS		<u>11,676,677</u>	<u>\$9,494,973</u>

Representatives of the Trust authorised these Financial Statements for issue 26th September 2011

Trustee



Trust Manager





Ngati-Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2011

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 been depreciated using the straight-line method per note 20.

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 2011

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.

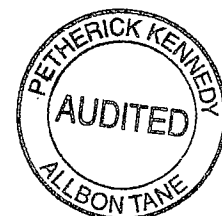
NOTES

1) Income	This Year	2010
Rental Forests	314,667	286,222
Rent - Office	1,553	2,800
Rent - Orchards	427,459	313,790
Rent - Orchard House	14,560	14,280
Overhead Cost Recovery	63,341	39,403
Projects Grant Income	119,810	85,757
Dividends Received	34,179	53,292
Maori Land Court Recoveries	20,680	
Sundry Income	8,750	9,519
Interest	14,876	34
Housing Portfolio	190,387	122,687
Emissions Credit	2,040,078	-
	<u>3,250,340</u>	<u>927,784</u>



Ngati-Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2011

2) Expenses	This Year	2010
Depreciation	133,669	147,039
Orchard Interest	169,118	195,200
Interest - Other	6,905	7,318
Rent Expenses	24,771	24,717
Auditors Fees - Annual	6,300	6,800
Auditors Fees - Review & Consultancy	2,400	3,525
Project Costs	75,804	85,757
Orchard Costs	707	5,017
Administration	391,364	321,424
Trustee Payments	56,193	76,908
Housing Portfolio	190,387	116,531
Meeting Expenses	1,822	2,379
	<u>1,059,440</u>	<u>992,615</u>
3) Taxation	This Year	2010
Net Surplus/(Deficit) before Taxation	141,626	(64,831)
Add Gross up Dividend for Imputation Credit	14,648	26,234
Add/Less Movement in Audit Accrual	(500)	1,000
Less Expenditure on replanting forest	(445,808)	
Loss Brought Forward	<u>(444,424)</u>	<u>(272,294)</u>
Tax Surplus/(Loss Carried Forward)	<u>(734,458)</u>	<u>(309,891)</u>
Resident Withholding Tax	<u>(1,917)</u>	<u>(9)</u>
Refund Due	<u>(1,917)</u>	<u>(9)</u>
Loss to Carry Forward from unused Imputation Credits	<u>(75,118)</u>	(134,533)
Total Tax Loss to Carry Forward	<u>(809,576)</u>	<u>(444,424)</u>
4) Accumulations Account	This Year	2010
Opening Balance	9,014,973	9,089,495
Add Net Surplus/(Deficit)	2,190,900	(64,831)
Less Transfer Interest NRW Fencing	(9,196)	(9,691)
Closing Balance	<u>11,196,677</u>	<u>9,014,973</u>



Ngati-Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2011

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 Ngatihine 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	55,764

	<u>1,326,512</u>
	<u>6,349,988</u>

Historic Revaluations included within Accumulations

Cost of Forestry Block Land & Improvements (at cost or original valuation)	
Owners Initial Contribution	480,000
Cost of Additional Land	122,879
Cost of Permanent Fencing	384,380
Cost of Survey and Title Costs	283,489
	<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	11,676,677
LESS: Trust Corpus	7,598,500
Balance of Accumulations available for distribution	<u>4,078,177</u>
Total Equity	<u>11,676,677</u>



Ngati-Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2011

5) Accounts Receivable

The total owing to the Trust at 30 June 2011 was:

	This Year	2010
Prepaid Expenditure	560	560
Accounts Receivable	26,800	689
	<u>27,360</u>	<u>1,249</u>

6) Shares in Companies

The Trust owns the following shares:

	This Year	2010
	At Cost	At Cost
Taitokerau Forests Ltd - 2764 shares	27,640	27,640
Zespri - 327,080 shares (2010; 61,416)	292,037	274,955
NHH Ltd - 100 shares	100	100
Closing Balance	<u>319,777</u>	<u>302,695</u>

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>314,730</u>	

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

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
Rangitane Orchard - Land	317,383
- Vines & Structures	652,508
- G9 Gold Licence	5,333
Hillcrest Orchard - Land	289,733
- Vines & Structures	606,911
Colditz 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>



Ngati-Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2011

These four properties are leased to Kerifresh Ltd – Rangitane, Hillcrest and Colditz 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 Rangitane Orchard. During 2010, additional licence was bought to increase the area of Gold Kiwifruit on Rangitane 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	2010
NWR Fencing Advance carried forward	153,263	143,572
Interest Received	9,196	9,691
Balance	<u>162,459</u>	<u>153,263</u>

10) Accounts Payable

	This Year	2010
The total consists of:		
Trade Creditors	23,347	65,262
Housing Project	0	178,462
Employee Entitlements	5,873	4,045
	<u>29,220</u>	<u>247,769</u>

11) Contingent Liabilities (2011 & 2010)

There were no Contingent liabilities at Balance Date.

12) Capital Commitments

In 2010 the Trust had a commitment to construct ten houses in Kaikohe under a contract with Housing New Zealand Corporation. This contract has now been completed. A loan facility with Housing New Zealand Corporation has been drawn down for this project. The terms and conditions of the loan are confidential to the parties. The properties are to be leased back to Housing New Zealand Limited for a period of fifteen years with the tenancy management undertaken by Housing New Zealand Corporation.

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



Ngati-Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2011

13) AGM/SGM Expenses

These expenditures were made up as follows:

	This Year	2010
Catering	4,880	8,082
Printing & Stationery	10,377	9,741
Advertising	2,491	3,717
Sound System	350	940
Information Hui	0	3,435
Van Hire	469	469
	<u>18,567</u>	<u>26,384</u>

14) Trustees Payments Comprise:

<u>Trustee</u>	This Year			2010		
	<u>Fees</u>	<u>Travel</u>	<u>Total</u>	<u>Fees</u>	<u>Travel</u>	<u>Total</u>
R Tipene	0	0	0	4,000	558	4,558
M Tautari	5,200	788	5,988	10,800	1,997	12,797
C Beattie-Wihongi	6,400	788	7,188	6,000	514	6,514
P Paraone	5,200	2,234	7,434	6,000	3,529	9,529
E Beattie	8,400	2,860	11,260	8,800	2,042	10,842
A Critchfield	5,200	835	6,035	9,200	1,509	10,709
J Cooper	0	0	0	1,200	95	1,295
P Tipene	8,400	1,049	9,449	11,200	2,986	14,186
L Hau	3,200	1,747	4,947	4,000	2,478	6,478
P Henare	2,000	14	2,014	0	0	0
T Shortland	1,600	277	1,877	0	0	0
	<u>45,600</u>	<u>10,592</u>	<u>56,192</u>	<u>61,200</u>	<u>15,708</u>	<u>76,908</u>

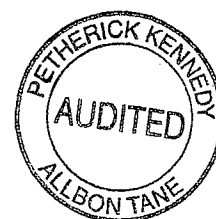
15) Related Party Transactions

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 (2010: Nil). No administration fees were received from Ngati-Hine Housing Limited (2010: Nil). Edward Beattie and Alex Critchfield, 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



Ngati-Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2011

17) Housing Project

The Trust had a contract with Housing New Zealand Corporation to deliver aspects of its Rural Housing Programme within and around the rural areas of Moerewa and Kawakawa. This contract terminated in December 2010.

The Trust received funding in the form of a grant from Housing New Zealand Corporation for capacity building to assist the Trust to establish a housing portfolio. This project covers initial set up costs including investigation, analysis, property identification and evaluation.

The purchase of properties for the Housing Portfolio was financed by loan facilities from Housing New Zealand Corporation.

In 2010 a new contract was commenced with Housing New Zealand Corporation for the acquisition of a further ten houses which have been built. These were financed by a loan facility from Housing New Zealand Corporation. The terms and conditions of the loan are confidential to the parties.

18) Loans and Security

	This Year	2010
Westpac - Loan 1	1,240,000	1,240,000
Westpac - Loan 2	200,000	1,200,000
Housing New Zealand Corporation - Facility A	432,498	447,498
Housing New Zealand Corporation - Facility B	929,144	954,152
Housing New Zealand Corporation - 2010	<u>1,985,000</u>	<u>905,213</u>
	<u>4,786,642</u>	<u>\$4,746,863</u>
Disclosed as:		
Current	85,000	73,758
Term	<u>4,701,642</u>	<u>4,673,105</u>
	<u>4,786,642</u>	<u>\$4,746,863</u>

Westpac

The Trust raised these loans to purchase the orchard properties. The loans are interest only to 7 December 2011. 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 (2010; \$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.

19) Income Received in Advance

	This Year	2010
Grants	0	78,476
Forestry Rental	219,728	237,113
Other	8,686	5,754
	<u>228,414</u>	<u>321,343</u>



Ngati-Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2011

20) Fixed Assets

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><u>16,247,614</u></u>	<u><u>1,168,682</u></u>	<u><u>15,078,932</u></u>		<u><u>190,050</u></u>

2010	Cost	Accum Depn	Book Value	Depn Rate	Depn Charge
Land & Buildings	7,665,891	22,631	7,643,260	3% SL	1,655
Orchards	4,592,521	790,824	3,801,697	4-15.6% DV	139,052
Furniture & Fittings	52,521	18,763	33,758	12-48% DV	3,334
Plant & Equipment	43,590	35,797	7,793	11.4-60% DV	2,998
	<u>12,354,523</u>	<u>868,015</u>	<u>11,486,508</u>		<u>147,039</u>
Rental House Portfolio	1,643,911	110,618	1,533,295	2-8.4% SL	26,053
Total Fixed Assets	<u><u>13,998,434</u></u>	<u><u>978,633</u></u>	<u><u>13,019,803</u></u>		<u><u>173,092</u></u>

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.

21) 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.



Ngati-Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2011

22) Commitments under Operating Lease

	This Year	2010
Current	9,528	27,590
Non Current	<u>0</u>	<u>55,180</u>
	<u><u>9,528</u></u>	<u><u>82,770</u></u>

23) Operating Revenue

Total operating revenue for the year is \$3,250,340 (2010: \$927,784).

24) Maori Authority Credit Account

	This Year	2010
Opening Balance	75,409	75,409
Add Imputation Credits Received	14,648	26,234
RWT Received	(1,917)	-
Less Imputation Crds Converted to Loss	<u>(14,648)</u>	<u>(26,234)</u>
Balance at 30 June 2011	<u><u>73,492</u></u>	<u><u>75,409</u></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.

25) 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 2011 the Trust applied for its entitlement of 60 New Zealand Units, (NZU's), per mapped hectare of eligible land.

The Trusts initial allocation of 104,972 NZU's was received in 2011 and subsequently sold. The sale proceeds are included in these 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.



Ngati-Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2011

26) 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.

27) Subsequent Events

On 1 July 2011 the Hillcrest, Colditz and Rangitane Orchards have moved from lease income to a 70/30 profit share arrangement. The Trust is in the process of completing the details of each specific orchard contract.

In August 2011 the Trust received a preliminary determination of NZU's in relation to pre 1990 forest land on Motatau 1C9B1. Subject to the final determination the Trust will receive 1,472 NZU's in 2011 with the remaining 2,368 NZU's to be received during 2013, provided there are no law changes.



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 2011, 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.

BASIS FOR QUALIFIED OPINION

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

As stated in note 21 on page 12 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 2011 and the results of its operations for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

- We have obtained all the information and explanations that we have required.
- In our opinion proper accounting records have been kept by Ngati-Hine Forestry Trust as far as appears from examination of those records.



27 September 2011
Whangarei



Ngati Hine Forestry Trust
Trustees Recommendations to be
Considered by the Owners at
The 2011 Annual General Meeting:-

- 1. That the meeting receive the Trustee's Annual Report**
- 2. That the meeting receive the Trustee's Financial Report**
- 3. That the owners authorise the Trustees to re-appoint Petherick Kennedy Allbon Tane as auditors for the 2011/2012 financial year and to fix their remuneration.**
- 4. That the beneficial owners support the adoption of the Proposed draft Trust Order as presented at this Annual General Meeting**



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> <ul style="list-style-type: none"> a. Optimise the financial returns from the Trusts assets b. Pay regular dividends to the owners, commencing after the first forest harvest. c. Diversify, expand and enhance the Trusts assets. d. Develop and implement strategies for the active management of Trusts assets. 	<p>To understand the owners needs and expectations</p> <p>Objectives</p> <ul style="list-style-type: none"> a. Develop and implement an effective communication strategy. b. Support initiatives which enhance the well-being of the owners. c. Network with other organisations in pursuit of these objectives. d. Uphold good employment practices. 	<p>Kia u ki nga tikanga</p> <p>Objectives</p> <ul style="list-style-type: none"> a. Uphold and practice kaupapa Maori. b. Protect and preserve the Trust land. c. Maintain and enhance whanau and hapu relationships. d. 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> <ul style="list-style-type: none"> a. Protect and enhance the Trusts indigenous forests and wetlands. b. Implement the environmental management plan. c. Ensure all exotic forestry practices adhere to sound environmental standards. d. 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



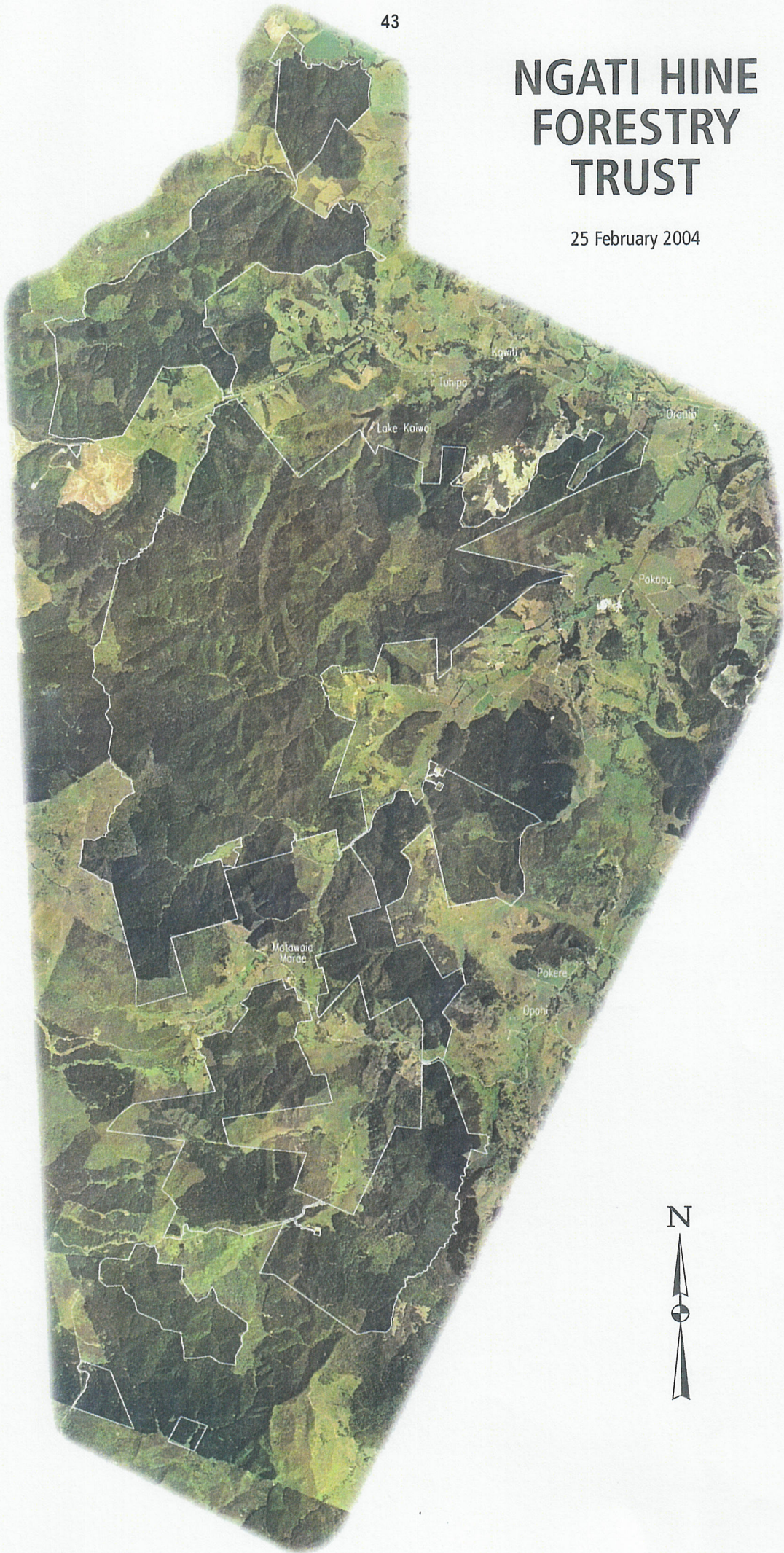
Partitions

Trustees are frequently approached by owners expressing the desire to remove/take/partition their land/shares/interests out of the Trust.

- Over the years, the Trust has covered this matter at numerous Hui, most recently at the 2010 AGM (page 20 of the 2010 AGM report).
- The Trust administers land vested in the Trustees by the Court, in compliance with the Trust order and in the interests of all of the owners.
- The Trust will do this until the Court changes the land vested in the Trust.
- There is authority within the Act for the Court to effect partitions (clauses 289 – 306).
- If an owner(s) wishes to remove their land/shares/interests from the Trust, i.e., make a partition, then the owner(s) must make an application to the Court to achieve their objectives.
- The Court has the only jurisdiction in these matters.
- The Trust and Trustees have no authority to release (alienate) any Trust land or to change the ownership of any Trust land.
- Partitions applications are solely a matter between the applicant and the Maori Land Court, not the Trust.
- Until the Court makes a partition, the Trustees must continue to manage all of the land as directed by the Court in the Trust order and to act in the best interests of all of the owners.
- Any owner, who wished to pursue a partition application, should discuss this matter with the staff of the Maori Land Court and read the Maori Land Court booklet entitled “Title Improvement – A Guide”.
- This is freely available from the Maori Land Court.
- A potential applicant is also advised to seek legal advice.
- If a partition is successful and a new title(s) created, charges such as rates and ETS responsibilities and liabilities are transferred to the new land title.

NGATI HINE FORESTRY TRUST

25 February 2004

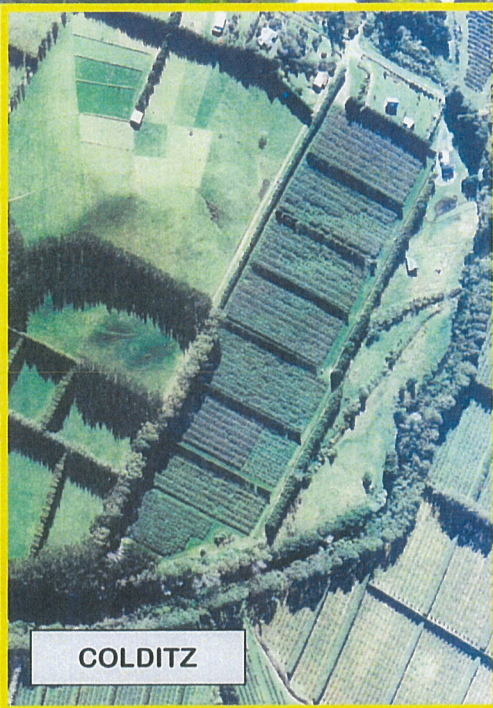




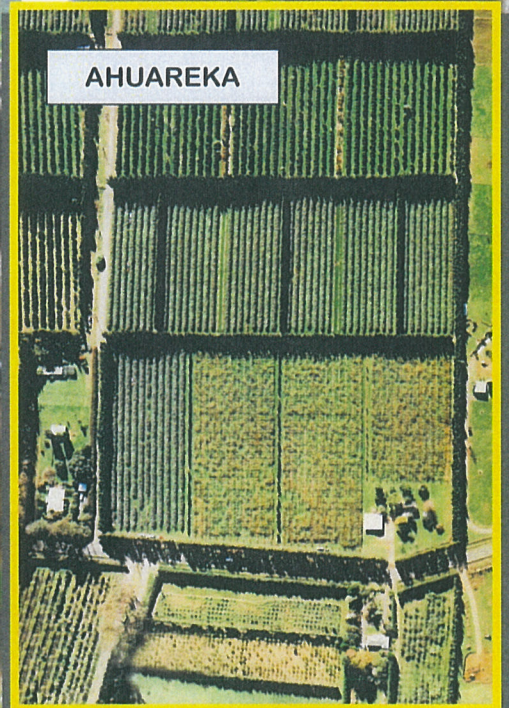
Kiwifruit Orchards Kerikeri



RANGITANE



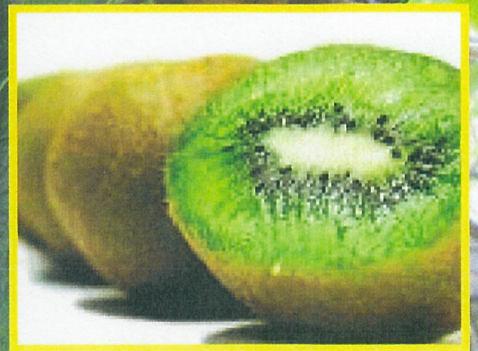
COLDITZ



AHUAREKA



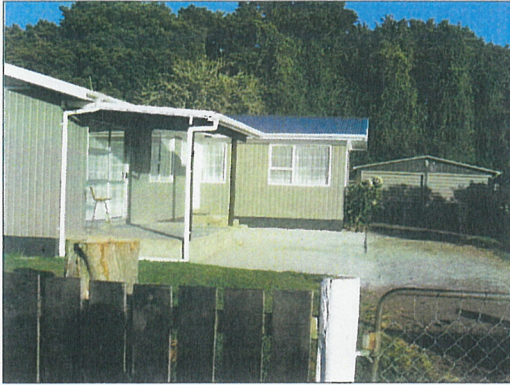
HILLCREST





Ngati Hine Forestry Trust Housing Portfolio

Purchased 2006





HOUSING PORTFOLIO

Built 2010 - Kaikohe





NFT078

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.
- 1972 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 Whenua Rahui Fund. MLC increases the number of Trustees to nine.



- 1995 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 injuncted. 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 HNZC 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 HNZC with regard establishment of a social housing portfolio.
- 2005 Review of Forest Rent increases rent to \$400,400 pa. Purchased Zespri shares. HNZC 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 HNZC funding. Social Housing Coordinator appointed to deliver social housing services funded jointly by HNZC 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 HNZC 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 HNZC 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 HNZC 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 hectares was re planted in *pinus radiata* and a further 140 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.



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
TPLA	Taumata Plantations Ltd
HFM	Hancock Forest Management NZ Ltd
MSD	Ministry of Social Development



Ngati Hine Forestry Trust

Contact Details

Whangarei Office:

Postal address:

P O Box 108
Whangarei 0140

Physical address:

6 Vinery Lane
Whangarei

Phone 09 459 6425
Fax 09 459 6426
Mobile 027 459 6425
E mail ngatihft@xtra.co.nz

Moerewa Office:

65 State Highway One, Moerewa
Phone 09 404 1444

Trustees:

Pita Tipene <i>Chairman</i>	pita@nhht.co.nz	021 404 047
Edward Beattie <i>Deputy Chairman</i>	edward.beattie@teawhiwhanau.co.nz	027 451 3803
Rewiti Pomare Kingi (Pita) Paraone	paraone@xtra.co.nz	021 954 912
Caroline Beattie Wihongi	mcwihongi@gmail.com	027 681 7500
Alex Critchfield	critchy172@hotmail.com	027 472 2052
Tui Shortland	tui@repoconsultancy.maori.nz	021 0204 3455
Peeni Henare	kotiwhero@xtra.co.nz	021 280 2138

Accountant Syers Hamilton Pool Ltd, Chartered Accountants, Whangarei
Auditor Petherick Kennedy Allbon Tane Ltd, Auditors, Whangarei
Bank Westpac, Whangarei
Legal Advisor Thomson Wilson Law, Barristers and Solicitors, Whangarei
Web page www.ngatihine.maori.nz

