

Ngati Hine Forestry Trust Annual Report



Year ended June 2015





2015 Annual Report to Owners

For the Twelve Months Ended 30 June 2015

Contents

<i>Page 1</i>	<i>Contents</i>
<i>Page 1</i>	<i>Agenda</i>
<i>Page 2</i>	<i>2015 Annual Report</i>
<i>Page 12</i>	<i>Financial Report</i>
<i>Page 28</i>	<i>Audit Report</i>
<i>Page 30</i>	<i>Recommendations to the Owners</i>
<i>Page 31</i>	<i>Strategic Plan</i>
<i>Page 32</i>	<i>Current and Past Trustees</i>
<i>Page 33</i>	<i>Brief History of the Trust</i>
<i>Page 39</i>	<i>Map of Forest Estate</i>
<i>Page 40</i>	<i>Trust Directory</i>

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>Presentation of the 2015 Annual, 2014/2015 Financial and Audit Reports</i>
	<i>Recommendations to Owners</i>
<i>1.00 pm</i>	<i>Poroporoaki</i>
	<i>Lunch</i>



Ngati Hine Forestry Trust

2015 Annual Report

He mihi

Tena koutou e te iwi, no koutou ke nga whenua kei raro i te marara o te Ngahere o Ngati Hine.

Ka mihi tonu ki te hunga, na ratou te whakaaro kia whakatoopuhia nga whenua, hei painga ano mo a ratou tamariki, mokopuna me nga uri whakaheke.

Na reira, ka mihi tonu ki te iwi kua ngaro atu i te tirohanga kanohi, kua haere ke i te ara kuiti, e kore ra ko te hoki mai.

Ratou i takoto ai i runga ano i a tatou marae maha, haere koutou, haere koutou, haere, oti atu.

Ka hoki ano ki a tatou te hunga ora, e oke tonu nei ki te whakatutuki i nga kaupapa i wawatatia ai e ratou ma, tena ano tatou katoa.

1. Strategic Direction

It is a privilege to present this 2015 Annual Report to you the beneficial owners at this 2015 Annual General meeting.

The Trustees remain focused on the Trust's strategic plan which concentrates, over time, on becoming 'active' managers of our collective assets instead of being 'passive' custodians as we have been for many years.

As advised to the owners last year the Trustees are engaged in a process to develop an Alternative Land Management Model for the Trust's forests lands (based predominately on native species) and that it is called the Paparata Kaupapa. The vision and mission for this kaupapa are:

Te Pae Tawhiti – Vision

Our lands flourish with native flora and fauna providing a strong basis for commercial activities and enhanced well-being for our people.

Kaupapa – Mission

To restore our lands to native forest and apply sustainable activities to maximise the well-being of our people.



This Paparata Kaupapa takes a very long term view as to how the Trustees wish to see the whenua develop and evolve over time. The timeframe to change the current mono-culture pine to native species is estimated to take 150 to 200 years. Last year the Trustees talked about mechanisms that could be used to transform as much of the pine harvested forest as possible into native forest through various initiatives including involving the community in some of the activities.

Considerable further work and research has been undertaken to find a way that the Paparata Kaupapa can be implemented that is achievable and affordable. To this end the Trust has undertaken a land utilisation and mapping study to a fine level of detail of the Trust's 5,500 hectares of forest land. This information is now being analysed with the view to develop at a reasonably detailed level a land management plan that will underpin the implementation of the Paparata Kaupapa.

Research is also ongoing with respect of the potential income that could be gained from using nutraceutical elements derived from native plants for commercial purposes. Should such a business be developed within this space then the income could be used to offset the costs of implementing the Paparata Kaupapa and also to replace the income currently being received from the Trust's forest lessees when those leases expire. The Trust's entry into the manuka honey business also forms part of this objective to replace forest rental income, all of which will end in 2021.

The Trust is therefore undergoing a period of significant change including entering into new and challenging ventures. These activities have involved, and may continue to involve, entering into partnerships or arrangements with other parties as stepping stones to full self determination.

2. Financial Report

The following is a summary of the 2014/15 financial result:

Income	\$1,984,289.00
Expenditure	(\$1,011,359.00)
Less Allocation of NZU's	(\$ 453,600.00)
Less Asset Realisation	(\$ 125,207.00)
Trustees Surplus	\$ 394,123.00

The accumulative loss to carry forward to offset against future income has now reduced to \$678,050.00.

3. Forest Harvesting

The lessee of our lands, TPL 4 (Taumata Plantations Ltd), have, through their agents Hancock Forest Management NZ Ltd (Hancock's) been harvesting their lease area steadily since 2008.

In the twelve months to the 30th June 2015 Hancock's harvested 188,486 tonnes of timber from the Trust's forest. This is equivalent of 6,854 truckloads of produce.



This is an increase of 23,853 tonnes over what was harvested in the previous twelve months. In the course of harvesting during the year there were no environmental incidents.

As the TPL 4 forest area is harvested these harvested areas are progressively surrendered back to the Trust.

To date 1,590 hectares of productive forest land has been surrendered back to the Trust by TPL 4. Hancock's will be harvesting the forest at around 300 to 400 hectares per year to complete harvesting in time for the TPL 4 lease expiry date of the 30th September 2021.

Some 2,125 hectares of productive forest land have yet to be harvested and surrendered back to the Trust. As these harvested areas are surrendered back to the Trust the rental being paid by TPL 4 reduces accordingly.

4. Second Rotation Pine Crop

The Trust, during the winters of 2011 and 2012, re-established some 749.9 hectares of lessee (TPL 4) surrendered land as a commercial second rotation *pinus radiata* forest. The cost of this re-establishment was \$845,557.00.

This second rotation asset and the cost of establishing the forest does not appear within the financial statements as an asset but is dealt within 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.

This means that 16% of the Trust's forest lands have been re-established as a commercial *pinus radiata* forest crop, 100% owned by you the beneficial owners.

5. Matawaia Forest

The harvesting of the 416 hectares of the Matawaia pine forest crop which commenced in December 2013 is well underway.

The Matawaia Forest pine crop is owned by Taitokerau Forests Ltd (TFL) which has a forestry right (which is similar to a lease) over the trees. This means TFL own the trees. TFL awarded the Harvesting and Marketing contract to the Ngati Hine Forestry Trust and Kiwi Forestry International Ltd 50/50 Joint Venture Partnership Company.

This partnership involves the harvesting and marketing of the Matawaia first rotation crop and for the planting and management for 28 years of the second rotation crop of the Matawaia Forest area.

The first plantings of a second rotation pine crop was undertaken during the winter of 2015 with some 127 hectares being planted.



This 50/50 JV partnership has a number of advantages to the beneficial owners; these being:

- The Trust being directly involved in the harvesting and marketing operation to ensure that employment opportunities for local people and contractors are maximised.
- The cost of planting the second rotation and managing the crop for 28 years will be met from income generated by undertaking the harvesting and marketing contract with TFL meaning that no cash is required from the Trust
- At the time of harvest of the second rotation crop in 28 years the Trust will receive 50% of the harvest proceeds
- The Trust will also receive the Crown grant monies via TFL during the current harvest as provided for in the loan arrangements with the Crown.

Despite the subsidiary companies of Kiwi Forestry; Harvest Pro and Smith and Davies ceasing to operate in March 2015 the entities involved in the Trust's JV partnership with Kiwi Forestry have continued operating.

6. Ruatangata Forest

This is an area of the forest comprising some 430 hectares of forest crop, which until February 2015 was included in the lease to TPL 4 with the forest crop owned by the lessee TPL 4 (Taumata Plantations Limited).

The Trustees successfully completed negotiations with the lessee TPL 4 and the Trust's mortgagee Housing New Zealand, which saw this forest area removed from the lease and the ownership of the pine forest crop transferred to the Trust at no cost. This action was undertaken in line with the Trust's strategic direction to become active managers of the assets of the beneficial owners, as opposed to being a passive landlord.

The Trustees also believe that by having gained 100% ownership and control of the Ruatangata Forest the Trust will be better placed to maximise the financial returns from this forest area for the benefit of you the beneficial owners.

After a comprehensive tender and due diligence process the Trust selected Northland Forest Managers (1995) Limited as the Trust's harvesting and marketing contractor to manage the harvest and sale of the pine crop. Harvesting is likely to commence between January and May 2016 if log prices are at a level that will ensure that a worthwhile profit is obtained. It is estimated that 220,000 metric tonnes of logs will be extracted from this forest and that harvesting will take three to three and a half years.

Housing New Zealand have a security in place over the Ruatangata Forest crop the proceeds of which in terms of the loan arrangements are to be used to pay off the remaining debt to Housing New Zealand.



7. Roading Compensation Payable to TPL 4

The lease to TPL 4 contains a provision whereby at the end of the lease in 2021 the Trust must pay to TPL 4 the lessee compensation for the permanent roads, estimated at 50 km, established within the forest by the lessee. This compensation amount is calculated as two thirds of the value (not cost) of these roads. There is a notation within the financial statements with respect of this future commitment.

The lessee TPL 4 wishes to come to some agreement with the Trust prior to the expiry of the lease as to how the quantum of this compensation is to be determined. This issue is complex and is continuing to be worked through with the lessee TPL 4.

8. Emissions Trading Scheme (ETS)

All the first rotation pine plantation of 4,564 hectares situated on the Trust land 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 Emission Trading Scheme (ETS).

The ETS criterion states that at four years after harvest the land must either have 500 stems per hectare of exotic forest species (e.g. pine) or be regenerating predominantly in indigenous species (e.g. manuka) which is growing in a manner that is likely to become forest land ten years after the harvest and that at twenty years there is crown cover of at least 30% from trees that have reached 5 metres in height.

Any lands that end up not meeting this ETS criterion will be deemed to be "deforested" and the Trust would then have to return 750 NZU's (New Zealand Units) per hectare to the Crown. The risk of the Trust having to compensate for deafforested land at some future time is considered to be low.

The Trust still holds 168,868 NZU's which had a tradable value as at 30 June 2015 of \$1,148,302.00.

9. Kaiwae Harvesting Ltd Joint Venture

In November 2009 the Trust entered into a 50:50 joint venture partnership with Kiwi Forestry International Limited. This JV was named Kaiwae Harvesting Ltd (KHL). This JV Company operated a harvesting crew in the Ngati Hine Forestry Trust forest leased to TPL 4, but managed by Hancock's TPL 4's New Zealand agent.

The Trust's contribution to the set up of this KHL JV was in the form of a \$50,000.00 loan. This loan has been repaid in full by Kiwi Forestry International Limited in instalments to the Trust spanning both the 2013/2014 and 2014/2015 financial years. The Trust continues to have in place an indemnity agreement with Kiwi Forestry International Limited indemnifying the Trust against any future liabilities.



Although the Trust did not incur any losses, this Joint Venture did not return any financial dividends to the beneficial owners, the Trustees decided, with the agreement of Kiwi Forestry International Limited, to terminate this KHL JV as at 31 October 2014.

There were, however, benefits from entering into this JV with the Trust gaining significant learnings about managing forestry operations and gained leverage in order to prioritise employment for our local people.

10. Manuka Honey

During 2013 the Trust established a small joint venture as a trial with the aim, if successful, of establishing what is hoped to become over time a significant new business activity. This trial 50/50 joint venture of 50 hives with Tai Tokerau Honey Limited provided very promising outcomes with evidence that the Trust's forest lands are capable of sustaining a manuka honey operation.

The Trust has since established two separate 50/50 joint venture partnerships as the next step to the Trust's entrance into the manuka honey industry.

The first 50/50 joint venture is with Tai Tokerau Honey Ltd, building on the initial trial JV two years ago. This company is owned and operated by Rob Murray who has whanau links to Ngati Hine and resides in Ahipara. Rob Murray is a long established and successful beekeeper. This JV is an incorporated joint venture for which a Company called Puawai Honey Limited has been formed. Each party owns 50% of the company.

Puawai Honey Limited currently owns 450 single brood bee hives and so long as this enterprise remains successful it is intended to increase the number of hives on a gradual basis over time. The hives within this JV have been located on a number of other locations as well as on part of the Trust's forest lands.

The second JV is with Nga Bush Honey Limited a company owned by local resident and bee keeper Jim Ngawati. This is a smaller unincorporated 50/50 joint venture operating predominately on part of the Trust's forest land comprising a total of 120 hives.

Considerable work has taken place researching and analysing how best the Trust should expand its manuka honey business including looking at cooperative models in conjunction with a number of other entities within the honey industry. The decisions to be made around how this business is to expand will be made during the coming year once further research and due diligence activities are completed.



11. Kiwifruit Orchards - Paparata, Te Tara Kowhai, Te Ara Kopeka and Ahuareka

The beneficial owners own four kiwifruit orchards in Kerikeri comprising in total some 35.75 hectares (88 acres) of land. Upon these orchards there are 24.17 canopy hectares of kiwifruit.

Paparata, Te Tara Kowhai and Te Ara Kopeka were purchased in June 2004 and then leased to Kerifresh (Turners and Growers Horticulture Ltd) for a term of fifteen years to then expire in June 2019. These three leases are profit sharing arrangements.

The Trust's fourth orchard Ahuareka was purchased in December 2006 and it is also leased to Kerifresh on a profit share arrangement. The current lease is for five years from 1st July 2011 with a right or renewal of a further five year term from the 1st July 2016.

Production from these orchards this past season was 85,813 trays from the Gold variety and 153,669 trays from the Green variety culminating in a total of 239,482 trays of kiwifruit for the season.

As you will be aware Psa V arrived in Kerikeri two years ago with around 62 orchards out of 107 being identified as having Psa V to date. Most of these orchards have been or will be converted to newer more resilient varieties.

The Trust last year commenced a process to convert the Trust's orchards to other varieties of kiwifruit that are less susceptible to Psa V and also to be more profitable with respect of the Trust's three Hayward Green kiwifruit orchards.

During the winter of 2014 Te Tara Kowhai was converted from Hayward Green, Hort 16 A and Gold 9 to ENZA A19 a Turners and Growers Gold variety. The significant capital cost of this conversion was borne by Kerifresh (Turners and Growers Horticulture Limited) and in return the net profit share arrangement was changed from 70%:30% to 37.20%:62.80% in favour of Kerifresh for a period of ten years. At the end of this ten year period the profit share will revert back to 70%:30% in favour of the Trust with the lease extending a further ten years to expire in June 2034. This conversion will not see a full crop being produced until 2017.

This last winter Ahuareka orchard was converted from Gold Hort 16 A to Zespri Gold 3. The capital cost of this conversion, including obtaining Zespri Gold 3 licence has been fully funded by the Trust. The net profit share arrangement for this orchard therefore remains 80%:20% in favour of the Trust. Zespri will not be marketing Hort 16 A from 2018 and this was another reason for the Trust having to now convert its Ahuareka Hort 16 A orchard to Gold 3.

The conversion of the remaining two Hayward Green orchards Paparata and Te Ara Kopeka are planned to take place over the next few years. Just how these two projected conversions are to be funded has yet to be determined.



While these conversions of cultivar are taking place there is a loss of production for two years which will result in a significant decline in income until such time as the new growth cultivar variety comes into production. This revenue "hole" will in part be compensated by the one off revenue stream to be obtained from the harvest of the Ruatangata Forest. Once all four orchards are converted and back in full production it is anticipated that the level of income to be achieved in five to seven years time will be significantly greater than what has been achieved to date.

12. Housing Portfolio

The beneficial owners own 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, Kerikeri.

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 for the first ten years, 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 Ruatangata Forest and as this forest is harvested 50% of the net harvest income received will be applied to paying off the balance of the loan with the balance of the loan to be fully repaid by the conclusion of the harvest. This loan arrangement was renegotiated with Housing New Zealand as a consequence of the deal with TPL 4 to surrender the Ruatangata Forest from the lease and to transfer the ownership of the pine forest crop to the Trust.

The previous loan arrangement had the Trust diverting 100% of the net Ruatangata Forest harvest proceeds to pay off the Housing New Zealand loans until they were fully paid off. This arrangement would have created cash flow difficulties for the Trust. Housing New Zealand and the Trust in late 2014 entered into the new repayment arrangement whereby only 50% of net forest proceeds are diverted to paying off the loans.

As at 30 June 2015 there was \$3,006,610.00 of debt owing to Housing New Zealand all of which will be paid off from Ruatangata Forest proceeds. Once this is achieved the houses will be debt free and without having to pay any further principal (or interest) the housing portfolio will become a significant cash flow positive activity. With property prices starting to recover there is always the future option to sell some or all of the portfolio if it is deemed appropriate.



13. Review of Te Ture Whenua Maori Act 1993

This Trust is administered in terms of Te Ture Whenua Maori Act 1993.

The Government has drafted a new Te Ture Whenua Maori bill for consultation to reform the governance and management of Maori land;

The proposed changes proposed within the bill will:

- Support and promote the retention and use of Maori land by its owners;
- Empower Maori land owners to pursue their aspirations for the sustainable development of their land;
- Enable Maori land owners to make decisions without needing Maori Land Court approval and encourage owner participation;
- Respect the intrinsic cultural significance of Maori land; and
- Provide an effective alternative to litigation to resolve disputes.

Full details can be obtained from Te Puni Kokiri web site www.tpk.govt.nz

14. Dividends

As reported at past Annual General Meeting, the payout of any dividends cannot be made in the foreseeable future.

While there is a significant income stream expected in the future, particularly from the harvest of the Ruatangata Forest there are term loan amounts of \$4,446,610.00 outstanding that have to be repaid together with the need to make provision to pay TPL 4 roading compensation at the end of the lease in 2021 at which time the rental income from the Trust's forest estate will reduce to zero. The income stream from the kiwifruit orchards will also decrease over the next few years while orchard conversions to an alternative cultivar are undertaken.

The Trust is actively creating new business opportunities such as the entry into the manuka honey industry and a new income stream is expected to be created through the commercial aspect of the Paparata Kaupapa. Activities such as these however will require funding and investment in the development stages for the next few years.

The Trustees have modelled financial projections out until 2022/2023 which based on what is known now indicate the payment of any financial dividends is unlikely within this timeframe.



15. Summary

Over the past year or so the Trust has undertaken the conversion of two orchards to two new kiwifruit varieties, has obtained the surrender from the lessee TPL 4 of the Ruatangata Forest and appointed a harvesting and marketing contractor to manage the harvest of this forest.

The Trustees have also undertaken work to further develop the manuka honey and nutraceutical businesses and has advanced detailed land utilisation analysis of the forest estate which will underpin the eventual implementation of the Paparata kaupapa.

This journey towards the achievement of the Trust's vision will be intergenerational.

Na reira, kua mutu enei korero ki konei.

Tena ra 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

Email ngatihft@xtra.co.nz
Phone 09 459 6425
Webpage www.ngatihine.maori.nz

Ngati Hine Forestry Trust
Financial Reports
For the Year Ended 30 June 2015

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	16

Ngati Hine Forestry Trust
Statement of Financial Performance
For the Year Ended 30 June 2015


	<i>Note</i>	<i>This Year</i> \$	<i>2014</i> \$
Income	1	1,984,289	1,571,129
Less Expenses	2	(1,004,381)	(868,329)
Less Transfer Interest NWR	9	<u>(6,978)</u>	<u>(9,493)</u>
TRUSTEES INCOME		<u>972,930</u>	<u>693,307</u>
Less Allocation/Revaluation of NZU's – Non Taxable	24	(453,600)	(402,259)
Less Capital Gain on Asset Realisation – Non Taxable		<u>(125,207)</u>	<u>-</u>
		<u>394,123</u>	<u>291,048</u>

BDO Northland
ASSURANCE 

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 2015

	<i>Note</i>	<i>This Year</i> \$	<i>2014</i> \$
CORPUS			
Initial Contribution	4	480,000	480,000
Balance at end of Year		<u>480,000</u>	<u>480,000</u>
ACCUMULATIONS			
	4		
Balance at Start of Year		12,195,395	11,502,088
Trustees Share of Surplus		972,930	693,307
Balance at end of Year		<u>13,168,325</u>	<u>12,195,395</u>
TOTAL EQUITY AT END OF YEAR		<u>13,648,325</u>	<u>12,675,395</u>

BDO Northland
ASSURANCE 

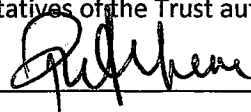
The accompanying notes form part of these Financial Statements and should be read in conjunction with the Audit Report contained herein.

Ngati Hine Forestry Trust
Statement of Financial Position
As at 30 June 2015

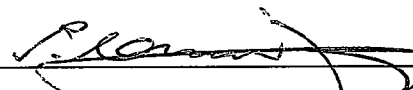
	Note	This Year \$	2014 \$
EQUITY			
Corpus		480,000	480,000
Accumulations	4	13,168,325	12,195,395
TOTAL EQUITY		<u>13,648,325</u>	<u>12,675,395</u>
REPRESENTED BY			
CURRENT ASSETS			
Westpac Bank – Residential		54,954	33,945
Westpac – Cheque Account		10,385	165,615
Westpac – 025 Account		392,077	608
Accounts Receivable	5	455,244	383,320
Loan – Kaiwae Harvesting	20	-	20,000
Resident Withholding Tax (RWT)		2,726	1,136
Legal Costs – re harvesting		11,969	14,716
Accrued Income		60,862	46,742
Investment In Honey JV	20	131,670	-
Total Current Assets		<u>1,119,887</u>	<u>666,082</u>
NON-CURRENT ASSETS			
Fixed Assets	19	14,785,382	14,808,860
Investments – Shares	6,7	634,507	634,507
Capitalised Cost of Forest	25	845,557	845,557
Emissions Trading – NZU's	24	1,163,970	710,369
Total Non-Current Assets		<u>17,429,416</u>	<u>16,999,293</u>
TOTAL ASSETS		<u>18,549,303</u>	<u>17,665,375</u>
CURRENT LIABILITIES			
Current Portion – Term Loan	17	85,000	85,000
Accounts Payable	10	49,882	31,709
Income in Advance	18	129,465	163,218
Provision for Annual Leave		20,984	23,135
Interest Accrued		4,920	4,667
GST Payable		52,964	46,459
Total Current Liabilities		<u>343,215</u>	<u>354,188</u>
NON-CURRENT LIABILITIES			
NHH Limited		575	575
Nga Whenua Rahui	9	195,578	188,599
Term Loans	17	4,361,610	4,446,618
Total Non-Current Liabilities		<u>4,557,763</u>	<u>4,635,792</u>
TOTAL LIABILITIES		<u>4,900,978</u>	<u>4,989,980</u>
NET ASSETS		<u>13,648,325</u>	<u>12,675,395</u>

Representatives of the Trust authorised these Financial Statements for issue 19 October 2015

Trustee



Trustee



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

BDO Northland
ASSURANCE

Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2015

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. Included within fixed assets are kiwifruit licences.

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 2015

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.

k) NZU's Emission Trading

Units acquired and retained by the Trust are recorded based on the tradable commodity value as at balance date. Any increase or decrease in value will be captured on an annual basis within the Statement of Financial Performance.

Changes in Accounting Policies

There are no changes in accounting policies.

NOTES

1) Income	<i>This Year</i>	<i>2014</i>
Rental Forests	210,795	232,846
Rent – Office	7,853	2,220
Rent – Orchards	588,688	530,309
Rent – Orchard House	14,560	14,436
Overhead Cost Recovery	36,492	36,350
Gain on Sale of Asset	125,207	-
Harvest Grant	171,187	56,047
Dividends Received (Net)	39,249	16,354
Sundry Income	7,345	37,905
Interest	11,528	67
Housing Portfolio	243,282	242,336
Allocation/Revaluation NZU's	453,600	402,259
Share of Earnings and Distributions from Honey JV	Note 20 74,503	-
	<u>1,984,289</u>	<u>1,571,129</u>

Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2015

2) Expenses		<i>This Year</i>	<i>2014</i>
Depreciation	Note 19	93,557	102,074
Depreciation Charge on Honey JV	Note 20	6,000	-
Loss on Sale		1,128	36
Orchard Interest		91,150	88,619
Interest – Other		8	117
Rent Expenses		18,003	21,218
Auditors Fees – Annual (i)		14,304	8,850
Orchard Costs		-	9,072
Administration	Note 13	480,496	406,273
Tax Penalties		61	
Trustee Payments	Note 14	62,035	67,872
Housing Portfolio		180,680	159,203
Management Costs – Honey Project	Note 20	53,141	-
Meeting Expenses		3,818	4,995
		<u>1,004,381</u>	<u>868,329</u>

(i) 2015 audit fees includes an accounting adjustment to fully accrue audit fees to balance date. In prior years the fee was only partially accrued, thus creating an increase in the 2015 financial year.

3) Taxation		<i>This Year</i>	<i>2014</i>
Trust Income/Deficit		394,123	291,048
Add Gross up Dividend for Imputation Credit		15,264	6,360
Add Back Non-Deductible Expenses:			
Nga Whenua Rahui Interest		6,978	9,493
Tax Penalties		61	-
Tax Surplus/Deficit		<u>416,426</u>	<u>306,901</u>
Loss Brought Forward		(1,007,255)	(1,277,813)
Loss from Unused Imputation Credits		<u>(87,221)</u>	<u>(36,342)</u>
Loss to Carry Forward		<u>(678,050)</u>	<u>(1,007,254)</u>
4) Accumulations Account		<i>This Year</i>	<i>2014</i>
Opening Balance		12,195,395	11,502,088
Add Net Surplus/Deficit		972,930	693,307
Closing Balance		<u>13,648,325</u>	<u>12,195,395</u>

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.

BDO Northland
ASSURANCE 

Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2015

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	55,764
	<u>1,326,512</u>
Historic Revaluations included within Accumulations	<u>6,349,988</u>
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

Land originally Leased to Taumata Plantations (Lease reducing as harvest proceeds)	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	13,648,325
LESS: Trust Corpus	<u>7,598,500</u>
Balance of Accumulations available for distribution	6,049,825
Total Equity	<u>13,648,325</u>

Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2015

5) Accounts Receivable

The total owing to the Trust as 30 June 2015 was:

	<i>This Year</i>	<i>2014</i>
Prepaid Expenditure	21,809	6,110
Accounts Receivable	433,435	377,210
Less Prov for Doubtful Debts	-	-
	<u>455,244</u>	<u>383,320</u>

6) Shares in Companies

The Trust owns the following shares:

	<i>This Year</i>	<i>2014</i>
Taitokerau Forests Limited – 2,764 Shares	27,640	27,640
Zespri – 327,080 shares	292,037	292,037
NHH Ltd – 100 shares	100	100
Closing Balance (at cost)	<u>319,777</u>	<u>319,777</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:

	<i>Shares</i>	<i>Cost</i>
Ngati Hine H2B	85,644.312	83,699
Revaluation 2001		<u>212,630</u>
		296,329 @ value (\$3.46/Share)
Motatau 1C9B1	85.000	<u>18,401 @ cost</u>
		<u>314,730</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 2015

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	685,807
Paparata Orchard -Land	289,733
-Vines & Structures	606,911
Te Ara Kopeka Orchard -Land	246,621
-Vines & Structures	660,926
Ahuareka Orchard -Land	904,411
-Vines & Structures	907,947
-Gold Licence	105,661
	<u>4,725,400</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.

In July 2014 Te Tara Kowhai was converted to another variety of Kiwifruit less susceptible to Psa V.

9) Nga Whenua Rahui Fencing Project

During 1998 the Trust received a 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	2014
NWR Fencing Advance carried forward	188,600	179,107
Interest Paid	6,978	9,493
Balance	<u>195,578</u>	<u>188,600</u>

10) Accounts Payable

	This Year	2014
The total consists of:		
Trade Creditors	44,911	24,475
PAYE	4,971	7,234
	<u>49,882</u>	<u>31,709</u>

BDO Northland
 ASSURANCE *BDO*

Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2015

11) Contingent Liabilities (2015 & 2014)

There were no Contingent liabilities at Balance Date.

12) Capital Commitments

The Trust has an ongoing obligation and commitment to comply with the Emissions Trading Scheme – refer to Note 24.

13) Administration Expenses

These expenditures were made up as follows:

a) AGM/SGM Expenses	<i>This Year</i>	<i>2014</i>
Catering	6,420	5,309
Printing & Stationery	6,921	5,909
Advertising	1,102	999
Sound System	350	350
	<u>14,793</u>	<u>12,567</u>
b) Administration Expenses	<i>This Year</i>	<i>2014</i>
Accountancy	31,276	32,043
AGM/SGM Expenses (see above)	14,793	12,567
Bank Fees	561	648
Electricity	3,665	3,073
Forestry Consultant	32,936	16,914
Insurance	15,285	10,528
Legal	57,280	15,588
Motor Vehicle – Costs	7,985	8,640
Motor Vehicle – Operating Lease	10,320	10,320
Office	43,823	38,816
Printing & Stationery	24,011	20,175
Rates	8,908	6,297
Repairs & Maintenance	2,298	1,426
Salary & Wages	222,517	227,058
Security	1,762	1,510
Subscriptions	3,076	670
	<u>480,496</u>	<u>406,273</u>

Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2015

14) Trustees Payments Comprise:

Trustee	This Year			2014		
	Fees	Travel	Total	Fees	Travel	Total
C Beattie-Wihongi	-	-	-	800	126	926
P Paraone	2,000	1,582	3,582	4,800	3,778	8,578
E Beattie	8,400	2,810	11,210	7,600	2,869	10,469
A Critchfield	8,000	1,632	9,632	8,000	1,408	9,408
P Tipene	9,600	2,505	12,105	11,600	2,189	13,789
L Bristowe	5,600	870	6,470	6,800	1,095	7,895
P Henare	3,200	10	3,210	4,400	184	4,584
T Shortland	-	-	-	4,000	864	4,864
P Cherrington	12,800	3,026	15,826	6,400	959	7,359
	<u>49,600</u>	<u>12,435</u>	<u>62,035</u>	<u>54,400</u>	<u>13,472</u>	<u>67,872</u>

P Cherrington replaced T Shortland as Trustee.

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 Trust administration manager is the sole director of NHH Limited. The Ngati Hine Forestry Trust made no distribution to the Ngati Hine Forestry Charitable Trust (2014: Nil). No administration fees were received from Ngati Hine Housing Limited (2014: Nil). Pita Cherrington and Alex Critchfield, NHFT Trustees, were directors of Kaiwae Harvesting Ltd up until 31 October 2014.

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. At balance date \$nil (2014: \$20,000) was owing to the Trust.

Effective 11 October 2014 Pita Tipene was elected director of Taitokerau Forests Limited. The Trust transacts with this company on an annual basis and holds shares.

Len Bristowe is a Director of Puawai Honey Limited and all Ngati Hine Forestry Trust Trustees are shareholders.

16) Principal Activity

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

17) Loans & Security

	This Year	2014
Westpac – Loan 1	1,240,000	1,240,000
Westpac – Loan 2	200,000	200,000
Housing New Zealand Corporation – Facility A	372,498	387,498
Housing New Zealand Corporation – Facility B	829,112	854,120
Housing New Zealand Corporation – 2010	1,805,000	1,850,000
	<u>4,446,610</u>	<u>4,531,618</u>
Disclosed as:		
Current	85,000	85,000
Term	4,361,610	4,446,618
	<u>4,446,610</u>	<u>4,531,618</u>

Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2015

Westpac

The Trust raised these loans to purchase the orchard properties. The loans are interest only to 31 July 2016. Loan 2 principal is due for repayment on this date. Loan 1 principal repayments will commence maturing 30 November 2021. 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 (2014: \$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

	<i>This Year</i>	<i>2014</i>
Forestry Rental	121,743	155,496
Other	7,722	7,722
	<u>129,465</u>	<u>163,218</u>

19) Fixed Assets

2015	Cost	Accum Depn	Book Value	Depn Rate		Depn Charge
Land & Buildings	7,665,891	(24,286)	7,641,605	0%	SL	-
Orchards	4,725,400	(1,328,722)	3,396,678	4-11.4%	DV	88,850
Furniture & Fittings	41,616	(15,830)	25,786	10-30%	DV	919
Plant & Equipment	40,770	(12,943)	27,827	10-60%	SL/DV	3,788
	<u>12,473,677</u>	<u>(1,381,781)</u>	<u>11,091,896</u>			<u>93,557</u>
Rental House Portfolio	3,860,484	(166,998)	3,693,486	0%	SL	-
Total Fixed Assets	<u>16,334,161</u>	<u>(1,548,779)</u>	<u>14,785,382</u>			<u>93,557</u>
2014	Cost	Accum Depn	Book Value	Depn Rate		Depn Charge
Land & Buildings	7,665,891	(24,286)	7,641,605	0%	SL	-
Orchards	4,658,617	(1,239,872)	3,418,745	4-15.6%	DV	98,879
Furniture & Fittings	54,012	(26,846)	27,166	10-48%	DV	1,306
Plant & Equipment	48,357	(20,499)	27,858	11.4-60%	DV	1,889
	<u>12,426,877</u>	<u>(1,311,503)</u>	<u>11,115,374</u>			<u>102,074</u>
Rental House Portfolio	3,860,484	(166,998)	3,693,486	0%	SL	-
Total Fixed Assets	<u>16,287,361</u>	<u>(1,478,501)</u>	<u>14,808,860</u>			<u>102,074</u>

Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2015

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 – this Company ceased on 31 October 2014.

Kaiwae Harvesting Limited

During 2010 the Ngati Hine Forestry Trust advanced a \$50,000 loan to Kaiwae Harvesting Limited for working capital. During 2015 \$20,000 has been repaid. A similar advance was made by Harvest Pro Operations NZ Limited.

Kaiwae Harvesting Limited is owned 50 percent by Harvest Pro Operations NZ 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 held 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.

Further, Kiwi Forestry International Limited, as sole shareholder of Harvest Pro Operations NZ Limited, had agreed to underwrite the losses of Kaiwae Harvesting Limited. Kiwi Forestry International Limited has also provided an option to purchase the Trust shares in Kaiwae Harvesting Limited at the same price that was initially paid. The above arrangement effectively removes any adverse financial impact to the Trust from the activities of Kaiwae Harvesting Limited.

Joint Venture Partnership – Matawaia Forest

The Trust is a 50 percent partner in a joint venture operation which has the Harvesting and Marketing contract for the Matawaia Forest. The pine crop of the Matawaia Forest is owned wholly by Taitokerau Forests Ltd. The Trust share of earnings or investment in the joint venture are not reflected in the financial statements of the Trust. This is due to a lack of accounting information being available at the time of the financial report preparation from the joint venture, the joint venture is administered by the other partner – Kiwi Forestry International Limited.

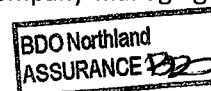
Joint Ventures – Honey Operations

The Trust is a 50 percent partner in two separate joint venture operations which produce manuka honey. The 50 percent joint venture partners are Nga Bush Honey Co Ltd and Tai Tokerau Honey Limited, respectively. Reflected in the Statement of Financial Performance and Statement of Financial Position with respect to the manuka honey joint ventures:

- Share of earnings from joint ventures \$53,393
- Distributions from joint ventures \$21,111
- Depreciation charge \$6,000
- Investment in joint ventures \$131,670

Investment in joint ventures comprise the Trusts entitlement to net assets in the joint venture, comprising mainly of beehives and stock on hand at year-end.

Reflected in the statement of financial performance are costs paid directly to the company managing the respective operations, these costs totalled \$53,142.



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2015

21) Commitments under Operating Lease

	<i>This Year</i>	<i>2014</i>
Current	8,600	17,250
Term	<u>-</u>	<u>7,187</u>

22) Operating Revenue

Total operating revenue for the year is \$1,984,289 (2014: \$1,571,129).

23) Maori Authority Credit Account

	This Year	2014
Opening Balance	219,802	214,336
Add Imputation Credits Received	15,264	6,360
RWT Received	2,726	1,136
Tax Refund	<u>(1,136)</u>	<u>(2,030)</u>
Balance at 30 June 2015	<u>236,656</u>	<u>219,802</u>

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 and in 2013 2,368, totalling 3,840 NZU's in relation to pre 1990 forest land on Motatau IC9B1. As the Trust owns 60% of Motatau IC9B1, 60% of the NZU's belong to the Trust. The Trustees have recognised the 60% share of those NZU's on hand as at 30 June 2014 in conjunction with the primary block noted below.

In 2011 the Trust received 104,972 NZU's which were subsequently sold. The sale proceeds were included in the 2011 accounts. In 2014 168,868 NZU's were received and are being held by the Trust. For financial reporting purposes, the NZU's retained are recorded based on the tradable commodity value at balance date; being \$6.80 as at 30 June 2015 (2014: \$4.15).

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.

Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2015

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.





Tel: +64 9 430 0471
 Fax: +64 9 430 0671
 northland@bdo.co.nz
 www.bdo.co.nz

BDO NORTHLAND
 49 John Street
 PO Box 448, Whangarei 0140
 New Zealand

Kerikeri Office
 Tel: +64 9 407 7250

INDEPENDENT AUDITOR'S REPORT

TO THE TRUSTEES 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 15, which comprise the statement of financial position as at 30 June 2015, 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.

This report is made solely to the Trustees, as a body. Our audit has been undertaken so that we might state to the Trustees those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees, as a body, for our audit work, for this report, or for the opinions we have formed.

TRUSTEES' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Financial Reporting Standards and Statements of Standard Accounting Practice and for such internal controls 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 - LIMITATION OF SCOPE**

As disclosed in financial statement disclosure note 20, at the time of financial statement preparation the Trust was unable to obtain accounting records to enable presentation of the Matawaia Forestry joint venture in the Trust's financial statements. This is a departure from Statement of Standard Accounting Practice No.25. We were unable to determine the quantum of relevant balances that were necessary to be included in the Trust's financial statements.

QUALIFIED OPINION

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements on pages 1 to 15 present fairly, in all material respects, the financial position of Ngati Hine Forestry Trust as at 30 June 2015, and its financial performance for the year then ended in accordance with New Zealand Financial Reporting Standards and Statements of Standard Accounting Practice.

A handwritten signature in black ink that reads 'BDO Northland'.

BDO Northland
21 October 2015
Whangarei
New Zealand



Ngati Hine Forestry Trust

Trustees' Recommendations to be

Considered by the Owners at

the 2015 Annual General Meeting:-

- 1. That the meeting receive the 2015 Annual Report**
- 2. That the meeting receive the 2014/2015 Financial Report**
- 3. That the owners authorise the Trustees to appoint BDO Northland Ltd, or equivalent, as auditors for the 2015/2016 financial year and to fix their remuneration.**



Ngāti 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 Ngāti 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 Diversify, expand and enhance the Trusts assets. Develop and implement strategies for the active management of Trusts assets. Understand the quantity and quality of the Trust's assets. 	<p>To understand the owners needs and expectations</p> <p>Objectives</p> <ol style="list-style-type: none"> To keep beneficial owners informed through an effective communications strategy. Support initiatives which enhance the well-being of the owners. Develop and enhance relationships with other organisations in pursuit of our goals. Create a sustainable dividends policy. 	<p>Kia u ki nga tikanga</p> <p>Objectives</p> <ol style="list-style-type: none"> Protect and preserve the Trust land. Uphold and practice tikanga Maori 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 Ngāti Hine Runanga environmental management plan. Ensure all exotic forestry practices adhere to sound environmental standards. Develop environmentally friendly land use options.

Nga Tikanga — Our Values

Mana Motuhake Self Determination	Mana whenua Safeguard the land	Te tu o Ngāti Hine Ngāti Hine conventions	Manawaora Sustainable wealth	Te Pae Tawhiti Maintain a strategic view	Kotahitanga Collective power
--	--	---	--	--	--

Investment Criteria

Income Earning	Capital Growth	Acceptable Risk Profile	Diversified	Active	Ethical
----------------	----------------	-------------------------	-------------	--------	---------



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	
1996 - 2012	Caroline Beattie Wihongi	
1996 - 2015	Rewiti 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 - 2015	Pita William Tipene	Current Trustee and Chairman
2006 - 2009	Jason Cooper	
2006 - 2015	Edward Graham Beattie	Current Trustee
2007 - 2010	Lu Hau	
2008 - 2015	Alexander Joseph Critchfield	Current Trustee
2010 - 2013	Tui Shortland	
2010 - 2015	Peeni Henare	Current Trustee
2012 - 2015	Len Bristowe	Current Trustee
2013 - 2015	Pita Cherrington	Current Trustee and Deputy Chairman

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



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 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 (i.e., 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 HNZA 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 353.3 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.

2013 The Maori Land Court approved a new Trust Order for the Trust on the 22nd March 2013.

The Maori Land Court undertook a review of the Trust in terms of Section 231 of Te Ture Whenua Maori Act 1993 and a hearing with respect of this matter was held on the 22nd March 2013. Decision still pending at time of writing.

The lessee TPL 4 harvested 140,435 tonnes from the forest and to date the lessee has surrendered 1,107.6 hectares back to the Trust.

A joint venture partnership was formed with Kiwi Forestry International Ltd with respect of the harvesting and marketing of the TFL Matawaia Forest and to undertake a second rotation pinus radiata of this forest.

Considerable work and due diligence was commenced with the aim for the Trust to become involved directly within the manuka honey industry.

2014 Change in strategic direction from a passive management regime to a more active hands on approach and to move away from the current mono-culture pine forestry model to an alternative land use model (the Paparata Kaupapa) that is based on native plants and trees.

In November 2013 the Trust entered into a JV partnership with Kiwi Forestry International Ltd (KFIL) with respect harvesting of the first rotation and planting of a second rotation of the Matawaia forest area.

Harvesting of the Matawaia Forest commenced on the 18th December 2013.

Negotiations with TPL 4 and HNZC with respect of gaining 100% control and ownership of the pine forest crop on the Ruatangata Forest were undertaken.

A trial manuka honey JV was successfully undertaken which resulted in two manuka honey joint ventures being established.

Te Tara Kowhai kiwifruit orchard was converted to a Turners and Growers A19 cultivar.

The MLC Section 231 review of the Trust was concluded.



2015

The Paparata Kaupapa was advanced with research and analysis of the forest land being undertaken.

Harvesting of Matawaia continued and the planting of a second rotation pine crop within this forest was commenced.

Negotiations with TPL 4 to remove the Ruatangata Forest from the lease to TPL 4 was successfully concluded.

Negotiations with Housing New Zealand to restructure the housing portfolio loans with a more acceptable repayment regime were successfully concluded.

A Harvesting and Marketing Agreement was entered into with Northland Forest Managers (1995) Limited to manage the harvesting of the Ruatangata Forest.

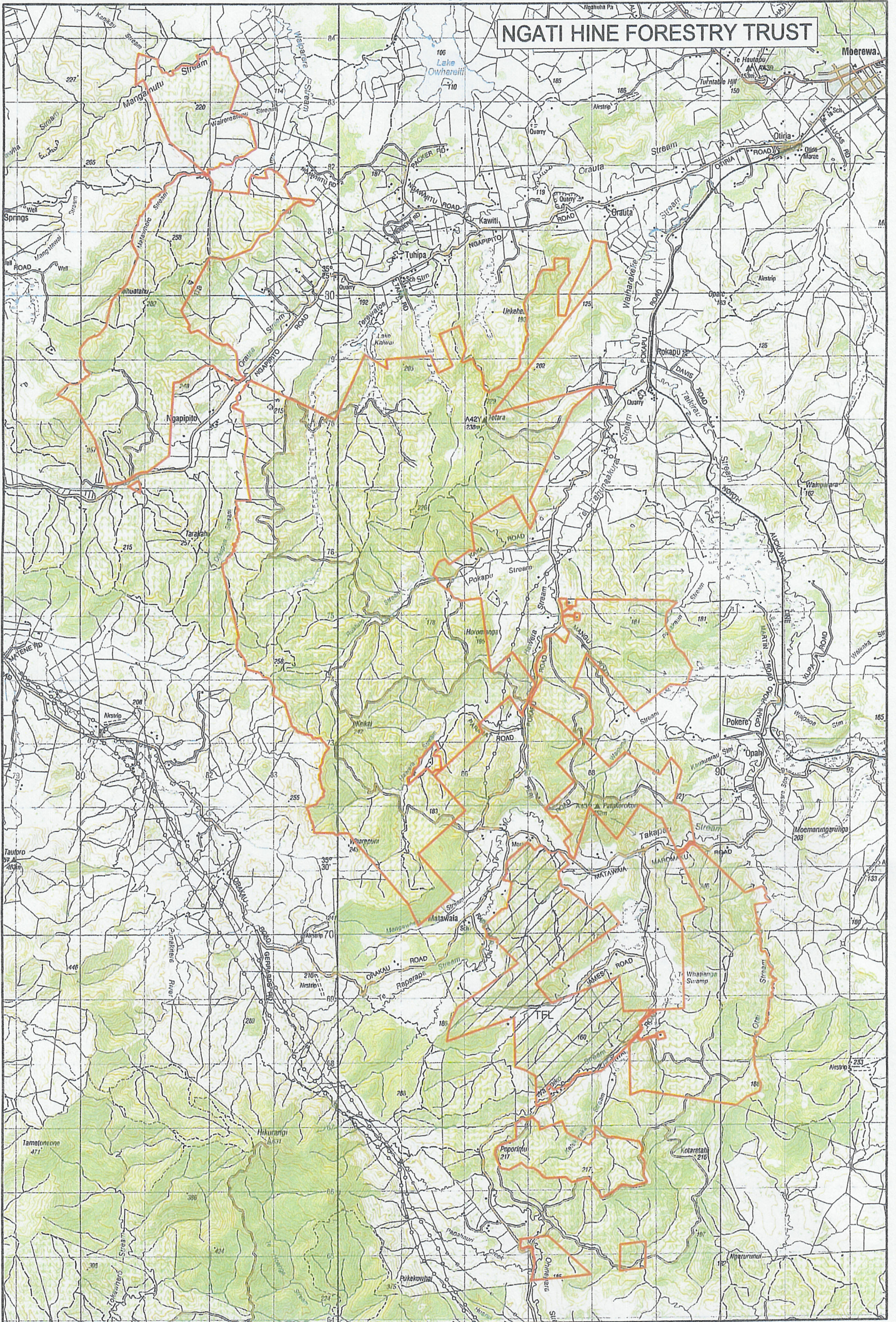
Kaiwae Harvesting Ltd the KFIL JV partnership harvesting company was terminated on 31 October 2014.

Ahuareka Orchard was converted from Hort16 A to Gold 3.

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 (Hancock's)
MSD	Ministry of Social Development
KFIL	Kiwi Forestry International Ltd
NFM	Northland Forest Managers (1995) Limited

NGATI HINE FORESTRY TRUST





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

Trustees:

Pita Tipene <i>Chairman</i>	pita@nhht.co.nz	021 404 047
Pita Cherrington <i>Deputy Chairman</i>	pitabet@actrix.gen.nz	0274 387 054
Edward Beattie	Ebeattie141@gmail.com	021 270 2345
Rewiti Pomare Kingi (Pita) Paraone	paraone@xtra.co.nz	021 954 912
Alex Critchfield	critchy172@hotmail.com	027 472 2052
Peeni Henare	kotiwhereo@vodafone.co.nz	021 280 2138
Len Bristowe	ngabush@live.com	021 633 473

Accountant: Syers Hamilton Pool Ltd, Chartered Accountants
Auditor: BDO Northland Ltd, Chartered Accountants and Auditors
Bank: Westpac NZ Ltd, Whangarei
Legal Advisor: Thomson Wilson Law, Barristers and Solicitors
Web page: www.ngatihine.maori.nz

