

Ngati Hine Forestry Trust Annual Report



Year ended June 2014





2014 Annual Report to Owners

For the Twelve Months Ended 30 June 2014

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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>Presentation of the 2014 Annual Report</i>
	<i>Presentation of the Financial Report</i>
	<i>Audit Report</i>
	<i>Recommendations to Owners</i>
<i>12.30 pm</i>	<i>Poroporoaki</i>
	<i>Lunch</i>



Ngati Hine Forestry Trust

2014 Annual Report

He mihi

E mihi tonu ana ki a koutou katoa e te iwi, no koutou ke nga whenua, e tiaki mai nei e matou nga tarahiti tokowhitu.

Me mihi tonu ra hoki ki te hunga kua ngaro i te tirohanga kanohi, haere e nga mate, whakangaro atu ki tera o nga kainga, e kiia nei ko te kainga tuturu mo tatou te tangata. Okioki mai ra e te hunga mate.

Ka hoki ano ki a tatou te hunga ora, e oke tonu nei, ki te whakako atu, ki te whakatutuki hoki i nga kaupapa kua waihotia mai e ratou ma, tena ra koutou katoa.

Me mihi hoki ki te hapu o Ngati Rangī, e huihui mai nei tatou ki tenei o nga marae o Ngawha. Kua roa ke te wa, kia tu ano he hui-a-tau ki waenganui i a koutou. E kore hoki matou ko te wareware i a koutou kei tenei pito o nga whenua o tatou – tena ra koutou.

1. Strategic Direction

It is a privilege and an honour to present this annual report to the 2014 Annual General meeting. Our connections with Ngati Rangī have traditionally been very strong and so we are delighted to return once again to the Ngawha marae to hold this AGM.

As you may know, since 2012 the Trustees have been actively working towards the implementation of a change in strategic direction first signalled to beneficial owners in 2010.

The three main changes in strategic direction are:

- To move from the previous “passive” nature of how the Trust operated to a more “active” hands on approach to the management of the Trust’s assets and to grow new business opportunities that are controlled by the Trust.
- To move away from the current mono-culture pine forestry model to an alternative land use model that is focused on native plants and trees.
- To heal the whenua that has been harvested of pine trees by returning as much of the whenua to native afforestation.

The decision this year by the Trustees to limit the replanting of further pine trees after the Matawaia Forest second rotation pine planting is completed is a cornerstone decision which underscores this change of strategy.

The alternative land use model based on native plants and trees is called the Paparata Integrated Land Management Model (Paparata Kaupapa). Significant background work has been done to build an implementation plan to put this kaupapa into effect and is discussed later in this report.



As a consequence of these changes the Trustees are reviewing and updating the Trust's strategic intent and particularly around the outline of key goals to more accurately reflect the new strategic direction.

The Trust is therefore undergoing a period of significant change including entering into new and challenging ventures. Often these activities will 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 2013/14 financial result:

Income	\$1,571,129.00
Expenditure	\$ (877,822.00)
Allocation of NZU's	\$ (402,259.00)
Trustees Surplus	\$ 291,084.00

The accumulative loss to carry forward to offset against future income has now reduced to \$1,007,254.00

3. Paparata Kaupapa

The purpose of this kaupapa is to heal our lands by following a staged ecological restoration process of native plants, following best practice biodiversity principles and methods, and to provide social, environmental, cultural and economic development opportunities.

The Trustees have identified the following key objectives that need to be delivered to implement the Paparata Kaupapa:

- To develop a successful biodiversity restoration and business model based on the propagation of native plant species that provides an optimal return on investment
- To establish sustainable harvesting practices of various species that contain bioactive compounds and that have proven health and healing benefits
- To develop manufacturing, marketing and sales of high quality nutraceuticals and skin care products (essentially the commercialisation of Rongoa, a process which is already happening elsewhere)
- To develop an eco-tourism business
- To establish and successfully operate a native plant nursery
- To develop and manage educational programmes while working in conjunction with appropriate education and training providers
- To provide health benefits to the people by establishing Wellness Centres
- To establish a kaitiaki programme for Ngati Hine taitamariki who will be trained in ecological protection, restoration and enhancement

To assist with implementing this new Paparata Kaupapa the Trustees are negotiating a potential Joint Venture partnership with the Nga Uri o te Ngahere Trust based in Opotiki. The Nga Uri o te Ngahere Trust has linkages into the scientific community



and through a subsidiary company undertakes scientific research of plants to analyse their bioactive elements that may be used to heal various health conditions.

This proposed Joint Venture partnership, if finalised, will give the Trust access to a wealth of knowledge and experience from an organisation that has significant professional relationships with scientists who specialise in the area of bioactive research of native plant species.

Within the Trust's forest lands there are pockets of around 570 hectares of native forest reserves.

The seeding and plant material to be used to restore the pine harvested areas back into native forest will be sourced from these pockets of native forest as will the bio active ingredients upon which a nutraceutical business can be launched.

The adoption of this Papatara Kaupapa is a significant turning point in the history of the Trust. It will be a challenging journey that will take many years to fully implement. The constraint to the speed of implementation is the availability or rather lack of money. A priority therefore is to focus on the commercial aspect of this kaupapa, namely the commercial production and sale of a product(s) based on traditional medicines – Rongoa, and scientific research.

4. 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 2014 Hancock's harvested 164,633 tonnes of timber from the Trust's forest. This is equivalent of 5,987 truck loads of produce. This is an increase of 24,198 tonnes over what was harvested in the previous twelve months.

In the course of harvesting during the year there were no health and safety or environmental incidents.

As the forest area is harvested these harvested areas are progressively surrendered back to the Trust. To date 1,359.1 hectares of land have 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. As areas are surrendered back to the Trust the rental being paid by TPL 4 reduces accordingly.

5. 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 with in the notation "Cost of Forest"; sometimes referred to as "Cost of Bush". Essentially a forest is classed as a crop and the value (revenue) is not accounted for until it is harvested.

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.

6. Matawaia Forest

The Matawaia forest is made up of around 416 planted hectares of pinus radiata that were planted during the period 1981 to 1989. This forest is administered by Taitokerau Forests Ltd (TFL) which has a forestry right (similar to a lease) from the Trust. This means that TFL own the pine forest crop. TFL have a mortgage to the Crown which is secured against the forestry right. As at the 30th June 2014 the TFL debt to the Crown attributed to the Matawaia Forest was \$7,402,531.00. The Trust is also a shareholder in Taitokerau Forests Ltd with a 9% stake in the Company.

In November 2013 the Trustees entered into a Joint Venture Partnership with Kiwi Forestry International Limited (Kiwi) with respect of the Matawaia Forest area.

This Partnership Agreement relates to the harvesting and marketing of the first rotation crop and for the planting and management for 28 years of the second rotation crop of the Matawaia forest area

This Joint Venture Partnership provides significant advantages to the Trust whereby the Trust will end up with the second rotation planted and managed for 28 years with no cash input required of the Trust with the Trust receiving a 50% share of the ownership of the second rotation crop of the Matawaia forest.

This means that in 28 years the Trust will receive 50% of the proceeds from the Matawaia forest area, a financial return over 90% greater than the current arrangement with TPL 4.

The harvesting of the Matawaia pine forest crop by the Trust's JV Partner Kiwi commenced with a blessing ceremony conducted on the 18th December 2013 by Sonny Livingstone in the presence of many of the local whanau.

It is envisaged that harvesting will take around three years and that the first plantings of a second rotation pine crop will occur during the winter of 2015. 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.

7. Ruatangata Forest - Trustees Forest Area (TFA)

This is an area of the forest comprising some 430 hectares of forest crop, although owned by the lessee TPL 4 (Taumata Plantations) the Trustees have a 100% interest in the net stumpage. This Trustees Forest Area (TFA) is included within the lease to TPL 4.



The Trustees are nearing the completion of negotiations with the lessee TPL 4 and the Trust's mortgagee Housing New Zealand to have this TFA removed from the lease and to transfer the ownership of the pine forest crop to the Trust at no cost. This action is in line with the Trust's new 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 gaining 100% ownership and control of the TFA the Trust will be better placed to maximise the financial returns from this forest area for the benefit of you the owners.

Once the transfer of the ownership of the forest crop is complete, subject to final lessee and mortgagee consents being given, the Trustees will arrange for the harvesting and marketing of the forest with harvesting possibly commencing during the summer of 2014/2015. Commencement of harvest will however, be dependent upon log prices being of a sufficiently high level to ensure the value from this forest is maximised for the benefit of the beneficial owners.

8. 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 exactly how the quantum of this compensation is to be determined. This issue is being worked through with the lessee TPL 4.

9. 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.



10. Kaiwae Harvesting Ltd Joint Venture

In November 2009 the Trust entered in to a 50:50 joint venture partnership with Kiwi Forestry International Limited. This JV was named Kaiwae Harvesting Ltd (KHL). This JV Company operates 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 two JV Directors are Alex Critchfield and Pita Cherrington.

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

As this JV has still to return any financial dividends to the beneficial owners the Trustees have decided, with the agreement of Kiwi, to terminate this KHL JV. The harvesting crew will however remain under Kiwi ownership.

The benefits from entering into this JV have been positive with the Trust gaining significant learning's about how to manage forestry operations and gaining strong leverage in order to prioritise employment for our local people.

11. 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 subsequently proved to be very successful achieving a 78% rate of return on investment. The trial also provided 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 last year. This company is owned and operated by Rob Murray who has strong whakapapa 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 will be located on a number of other locations as well as on part of the Trust's forest lands. Len Bristowe, a Trustee, is the Trust's representative Director on this JV Company.



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. Again, if successful, it is hoped to be able to extent this joint venture over time.

The entry of the Trust into the manuka honey industry is a significant step for the Trust in terms of generating a new and alternative revenue stream to replace the current forestry rental income which is diminishing and will become zero in 2021.

This new business is also environmentally sustainable and it fits well within the goals of the Trust's Paparata Kaupapa.

12. 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 of which as at 30th June 2014 were 17.31 green kiwifruit and the remaining 6.86 hectares of canopy was Gold kiwifruit.

The three green Kiwifruit orchards Paparata, Te Tara Kowhai and Te Ara Kopeka were purchased in June 2004 and then leased to Kerifresh for a term of fifteen years expiring in June 2019. These three leases are now on a 70:30 profit share arrangement with the Trust receiving 70% of the net profit.

The Trust's fourth orchard Ahuareka was purchased in December 2006 and it is also leased to Kerifresh but on an 80:20 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 65,055 from the Gold variety and 156,431 trays from the Green variety culminating in a total of 221,486 trays of kiwifruit for the season.

The financial return received from the kiwifruit orchards during 2013/2014 was \$530,309.00 of which 62% of this income was derived from the Trust's one Hort 16A Gold orchard- Ahuareka.

At the time of writing this report there have been 43 confirmed cases of Psa V in Kerikeri. There are 106 kiwifruit orchards in Kerikeri. Psa V was found on one of the Trust's green variety kiwifruit orchards (Te Tara Kowhai) in January 2014. The vine was cut out and no surrounding vines were affected. The Kerikeri kiwifruit grower's community is taking all steps possible to prevent any future occurrence and spread of Psa V. It should be noted that the Hort 16A Gold variety is the variety most susceptible to Psa V and that Zespri have indicated that they will cease to support and market Hort 16 A beyond 2018.



The Trust has commenced a process to convert the Trust's orchards to another variety(s) of kiwifruit that are less susceptible to Psa V and also to be more profitable with respect of the Trust's three Green kiwifruit orchards. This year one orchard Te Tara Kowhai has been converted to A19 a Turners and Growers variety.

The up front capital cost of this conversion is being met by Turners and Growers with the Trust repaying this cost over time by way of a change to the profit share arrangement for this orchard. Conversion of the remaining orchards will take place over the ensuing years.

13. 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, are being repaid by annual principal loan repayments of \$85,000.00 per annum.

Housing New Zealand has a security charge over the proceeds to be received from the Trustees Forest Area (Ruatangata Forest) and when this area is harvested income receipts received will first be applied to paying off the balance of the loan at that time. The Trustees are in the process of negotiating a more favourable repayment structure with Housing New Zealand.

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

14. Review of the Trust by the Maori Land Court

At the request of the Maori Land Court (MLC) the Trust applied on the 25th November 2011 for a review of the Trust to be undertaken by the MLC pursuant to Section 231 of Te Ture Whenua Maori Act 1993.

This application for a review was first heard at the MLC on the 20th August 2012 at which time the hearing was adjourned to enable Judge Ambler to issue directions. Subsequently on the 27th September 2012 Judge Ambler issued various directions and orders including the appointment of RBH Chartered Accountants (RHB) of Tauranga to prepare an independent report on aspects of the Trust's performance.

RHB subsequently submitted their report on the 29th November 2012 and the review hearing took place at the MLC on the 22nd March 2013. This day long hearing canvassed widely all facets, operations and decisions of the Trust both past and present.



This hearing culminated in generating some eighty pages of typed minutes and was concluded with Judge Ambler adjourning proceedings for a reserved decision.

Judge Ambler on the 28th January 2014 released his reserved judgement with respect of the review of the Trust which concluded the MLC review process.

Judge Ambler's reserved judgement is available on the Trust's web site www.ngatihine.maori.nz

15. Review of Te Ture Whenua Maori Act 1993

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

The Government is drafting a new Te Ture Whenua Maori bill to reform the governance and management of Maori land based on the findings of an expert review panel released in April 2014 by Associate Minister of Maori Affairs Christopher Finlayson.

Key features of the bill will include:

- allowing engaged owners to make governance and utilisation decisions without needing approval by the Maori Land Court;
- continued safeguards to support the retention of Maori land;
- provisions allowing for external managers to administer under-utilised blocks pending owner engagement;
- a clearer framework for Maori land governance entities such as trusts and incorporations;
- greater emphasis on mediation;
- the Maori Land Court remaining an accessible forum for Maori land issues but with fewer matters needing Court involvement; and
- options for dealing with fragmentation.

The panel's report summarises both the written and verbal feedback received on a discussion document released last year.

The expert review panel was chaired by Matanuku Mahuika. The other members were Toko Kapea, Patsy Reddy, and Dion Tuuta. It conducted 20 consultation hui, and received 189 written submissions from individuals, whānau, hapū, iwi, trusts and incorporations, local authorities, law firms and others before producing its final report.

There are over 27,137 blocks of Maori land under Te Ture Whenua Maori Act, comprising 1.42 million hectares, or around 5% of the total land in New Zealand.

The Trustees are keeping a watching brief on progress and will be making submissions on the proposed new legislation once it is available.



16. Dividends

As reported at past Annual General meeting's, 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 \$4,446,618.00 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 internal external funding and investment in the development stages for the next few years.

The Trustees have modelled financial projections out until 2021/2022 which based on what is known now indicate the payment of any financial dividends is unlikely within this timeframe.

17. The Future

The Trustees are focused on locking in the changes in strategic direction based on the new vision and using the Paparata Kaupapa as its key driver. This journey is by its nature pioneering and therefore challenging. This is a journey the Trustees are committed to for the long term benefit of the beneficial owners.

The Paparata kaupapa is certainly our focus for the future and this will require much more intensive consultation and work with the local communities within our lands.

The changes in strategic direction will also include a formal review of the Trust's structures and staffing to ensure that we are collectively clear of the work that needs to be progressed and that we are agile enough to cope with the new work streams that are projected in the short and medium term.

We therefore look forward to the challenges ahead as well as the many opportunities that exist in the current climate.

Otira, e mihi tonu ana ki a koutou e nga iwi whai panga ki enei whenua. I te kaha tonu matou nga tarahiti, ki te tiroiro i nga ahuatanga e pa ana ki nga kaupapa maha, e kia tupu tonu nga rawa, kua waihotia mai e nga Matua tupuna, hei aha, hei painga ano mo nga uri kei te heke mai.



Na reira, me titiro tonu tatou ki te pae tawhiti, engari, kia kua tatou e wareware i te pae tata!

E mihi tonu ana ki a koutou e te iwi – 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 2014

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Ngati Hine Forestry Trust
Statement of Financial Performance
For the Year Ended 30 June 2014

	<i>Note</i>	<i>This Year</i> \$	<i>2013</i> \$
Income	1	1,571,129	1,376,884
Less Expenses	2	(868,329)	(841,238)
Less Transfer Interest NWR	9	<u>(9,493)</u>	<u>(7,713)</u>
TRUSTEES INCOME		<u>693,307</u>	<u>527,933</u>
Less Allocation/Revaluation of NZU's – Non Taxable	24	<u>(402,259)</u>	<u>(308,110)</u>
		<u>291,048</u>	<u>219,823</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 2014

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	<i>Note</i>	<i>This Year</i> \$	<i>2013</i> \$
CORPUS			
Initial Contribution	4	480,000	480,000
Balance at end of Year		480,000	480,000
ACCUMULATIONS			
Balance at Start of Year	4	11,502,088	10,974,155
Trustees Share of Surplus		693,307	527,933
Balance at end of Year		12,195,395	11,502,088
TOTAL EQUITY AT END OF YEAR		12,675,395	11,982,088

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ASSURANCE *BD*

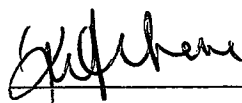
The accompanying notes form part of these Financial Statements and should be read in conjunction with the Audit Report contained herein.

Ngati Hine Forestry Trust
Statement of Financial Position
As at 30 June 2014

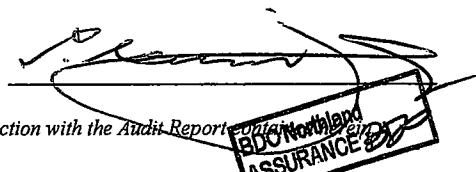
	Note	This Year \$	2013 \$
EQUITY			
Corpus		480,000	480,000
Accumulations	4	<u>12,195,395</u>	<u>11,502,088</u>
TOTAL EQUITY		<u><u>12,675,395</u></u>	<u><u>11,982,088</u></u>
REPRESENTED BY			
CURRENT ASSETS			
Westpac Bank – Residential		33,945	22,382
Westpac – Cheque Account		165,615	208,420
Westpac – 025 Account		608	592
Accounts Receivable	5	383,320	41,733
Loan – Kaiwae Harvesting	20	20,000	50,000
Resident Withholding Tax (RWT)		1,136	2,030
Legal Costs – re harvesting		14,716	14,716
Accrued Income		46,742	-
Total Current Assets		<u>666,082</u>	<u>339,873</u>
NON-CURRENT ASSETS			
Fixed Assets	19	14,808,860	14,888,230
Investments – Shares	6,7	634,507	634,507
Capitalised Cost of Forest	25	845,557	845,557
Emissions Trading – NZU's	24	710,369	308,110
Total Non-Current Assets		<u>16,999,293</u>	<u>16,676,404</u>
TOTAL ASSETS		<u>17,665,375</u>	<u>17,016,277</u>
CURRENT LIABILITIES			
Current Portion – Term Loan	17	85,000	85,000
Accounts Payable	10	31,709	25,849
Income in Advance	18	163,218	183,782
Provision for Annual Leave		23,135	14,605
Interest Accrued		4,667	4,482
GST Payable		46,459	9,163
Total Current Liabilities		<u>354,188</u>	<u>322,881</u>
NON-CURRENT LIABILITIES			
NHH Limited		575	575
Nga Whenua Rahui	9	188,599	179,107
Term Loans	17	4,446,618	4,531,626
Total Non-Current Liabilities		<u>4,635,792</u>	<u>4,711,308</u>
TOTAL LIABILITIES		<u>4,989,980</u>	<u>5,034,189</u>
NET ASSETS		<u><u>12,675,395</u></u>	<u><u>11,982,088</u></u>

Representatives of the Trust authorised these Financial Statements for issue 8th October 2014

Trustee



Trustee



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

Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2014

STATEMENT OF ACCOUNTING POLICIES

General Accounting Policies

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

Measurement Base

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

Specific Accounting Policies

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

a) Depreciation

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

b) Goods & Services Tax

These financial accounts are prepared exclusive of GST.

c) Investments

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

d) Fixed Assets

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

e) Differential Reporting

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

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

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



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2014

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>2013</i>
Rental Forests	232,846	262,906
Rent – Office	2,220	1,705
Rent – Orchards	530,309	459,460
Rent – Orchard House	14,436	14,525
Overhead Cost Recovery	36,350	36,412
Harvest Grant	56,047	-
Dividends Received (Net)	16,354	39,250
Sundry Income	37,905	9,894
Interest	67	1,876
Housing Portfolio	242,336	242,746
Allocation/Revaluation NZU's	402,259	308,110
	<u>1,571,129</u>	<u>1,376,884</u>



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2014

		<i>This Year</i>	<i>2013</i>
2) Expenses			
Depreciation	Note 19	102,074	109,712
Loss on Sale		36	228
Orchard Interest		88,619	87,692
Interest – Other		117	3,481
Rent Expenses		21,218	25,111
Auditors Fees – Annual		8,850	8,850
Auditors Fees – Review & Consultancy		-	480
Orchard Costs		9,072	2,687
Administration	Note 13	406,273	389,483
Trustee Payments	Note 14	67,872	63,545
Housing Portfolio		159,203	146,383
Meeting Expenses		4,995	3,586
		<u>868,329</u>	<u>841,238</u>
3) Taxation		<i>This Year</i>	<i>2013</i>
Trust Income/Deficit		291,048	219,823
Add Gross up Dividend for Imputation Credit		6,360	16,302
Less Expenditure on Replanting Forest		-	(254,229)
Add Back Non-Deductible Expenses:			
Nga Whenua Rahui Interest		9,493	7,713
Audit Accrual Movement		-	-
Tax Surplus/Deficit		306,901	(10,391)
Loss Brought Forward		(1,277,813)	(1,174,269)
Loss from Unused Imputation Credits		(36,342)	(93,155)
Loss to Carry Forward		<u>(1,007,254)</u>	<u>(1,277,815)</u>
4) Accumulations Account		<i>This Year</i>	<i>2013</i>
Opening Balance		11,502,088	10,974,155
Add Net Surplus/Deficit		693,307	527,933
Closing Balance		<u>12,195,395</u>	<u>11,502,088</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.

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Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2014

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	12,675,395	
LESS: Trust Corpus	7,598,500	
Balance of Accumulations available for distribution		5,076,895
Total Equity		<u>12,675,395</u>



Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2014

5) Accounts Receivable

The total owing to the Trust as 30 June 2014 was:

	<i>This Year</i>	<i>2013</i>
Prepaid Expenditure	6,110	4,666
Accounts Receivable	377,210	60,757
Less Prov for Doubtful Debts	-	(23,690)
	<u>383,320</u>	<u>41,733</u>

6) Shares in Companies

The Trust owns the following shares:

	<i>This Year</i>	<i>2013</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</u>	@ cost
		<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.

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Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2014

8) Orchard Properties – Kerikeri

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

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

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

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

9) Nga Whenua Rahui Fencing Project

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

	<i>This Year</i>	<i>2013</i>
NWR Fencing Advance carried forward	179,107	171,394
Interest Paid	9,493	7,713
Balance	188,600	179,107

10) Accounts Payable

	<i>This Year</i>	<i>2013</i>
The total consists of:		
Trade Creditors	24,475	18,843
PAYE	7,234	7,006
	31,709	25,849

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Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2014

11) Contingent Liabilities (2014 & 2013)

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>2013</i>
Catering	5,309	8,601
Printing & Stationery	5,909	7,197
Advertising	999	2,593
Sound System	350	350
	<u>12,567</u>	<u>18,741</u>

b) Administration Expenses	<i>This Year</i>	<i>2013</i>
Accountancy	32,043	30,334
AGM/SGM Expenses (see above)	12,567	18,741
Bank Fees	648	549
Electricity	3,073	2,535
Forestry Consultant	16,914	16,792
Insurance	10,528	13,269
Legal	15,588	4,421
Motor Vehicle – Costs	8,640	6,506
Motor Vehicle – Operating Lease	10,320	8,316
Office	38,816	23,440
Printing & Stationery	20,175	27,994
Rates	6,297	3,342
Repairs & Maintenance	1,426	4,124
Salary & Wages	227,058	221,049
Security	1,510	1,942
Staff Expenses and Recruitment	-	2,070
Subscriptions	670	2,610
Trustee Expenses	-	1,449
	<u>406,273</u>	<u>389,483</u>

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Ngati Hine Forestry Trust
Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2014

14) Trustees Payments Comprise:

Trustee	<i>This Year</i>			<i>2013</i>		
	<u>Fees</u>	<u>Travel</u>	<u>Total</u>	<u>Fees</u>	<u>Travel</u>	<u>Total</u>
C Beattie-Wihongi	800	126	926	2,000	334	2,334
P Paraone	4,800	3,778	8,578	4,800	2,987	7,787
E Beattie	7,600	2,869	10,469	12,000	4,606	16,606
A Critchfield	8,000	1,408	9,408	9,200	1,858	11,058
P Tipene	11,600	2,189	13,789	9,600	1,721	11,321
L Bristowe	6,800	1,095	7,895	3,200	510	3,710
P Henare	4,400	184	4,584	4,000	92	4,092
T Shortland	4,000	864	4,864	5,600	1,037	6,637
P Cherrington	6,400	959	7,359	-	-	-
	<u>54,400</u>	<u>13,472</u>	<u>67,872</u>	<u>50,400</u>	<u>13,145</u>	<u>63,545</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 (2013: Nil). No administration fees were received from Ngati Hine Housing Limited (2013: Nil). Pita Cherrington 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. At balance date \$20,000 (2013: \$50,000) was owing to the Trust.

Effective 11 October 2013 Pita Tipene was elected director of Taitokerau Forests Limited. The Trust transacts with this company on an annual basis and holds shares.

16) Principal Activity

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

17) Loans & Security

	<i>This Year</i>	<i>2013</i>
Westpac – Loan 1	1,240,000	1,240,000
Westpac – Loan 2	200,000	200,000
Housing New Zealand Corporation – Facility A	387,498	402,498
Housing New Zealand Corporation – Facility B	854,120	879,128
Housing New Zealand Corporation – 2010	1,850,000	1,895,000
	<u>4,531,618</u>	<u>4,616,626</u>
Disclosed as:	85,000	85,000
Current	<u>4,446,618</u>	<u>4,531,626</u>
Term	<u>4,531,618</u>	<u>4,616,626</u>



Ngati Hine Forestry Trust
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For the Year Ended 30 June 2014

Westpac

The Trust raised these loans to purchase the orchard properties. The loans are interest only to 30 January 2015. From these dates, principal repayments will commence, maturing 7 December 2021 in respect of Loan 1 and 25 June 2015 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 (2013: \$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>2013</i>
Forestry Rental	155,496	176,060
Other	<u>7,722</u>	<u>7,722</u>
	<u>163,218</u>	<u>183,782</u>

19) Fixed Assets

<i>2014</i>	<i>Cost</i>	<i>Accum Depn</i>	<i>Book Value</i>	<i>Depn Rate</i>		<i>Depn Charge</i>
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>

<i>2013</i>	<i>Cost</i>	<i>Accum Depn</i>	<i>Book Value</i>	<i>Depn Rate</i>		<i>Depn Charge</i>
Land & Buildings	7,665,891	(24,286)	7,641,605	0%	SL	-
Orchards	4,658,617	(1,140,993)	3,517,624	4-15.6%	DV	105,995
Furniture & Fittings	54,012	(25,540)	28,472	10-48%	DV	1,680
Plant & Equipment	30,512	(23,469)	7,043	11.4-60%	DV	2,037
	<u>12,409,032</u>	<u>(1,214,288)</u>	<u>11,194,744</u>			<u>109,712</u>
Rental House Portfolio	3,860,484	(166,998)	3,693,486	0%	SL	-
Total Fixed Assets	<u>16,269,516</u>	<u>(1,381,286)</u>	<u>14,888,230</u>			<u>109,712</u>

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Ngati Hine Forestry Trust
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For the Year Ended 30 June 2014

Pounamu

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

20) Subsidiary Companies

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

Kaiwae Harvesting Limited

During 2010 the Ngati Hine Forestry Trust advanced a \$50,000 loan to Kaiwae Harvesting Limited for working capital. During 2014 \$30,000 has been paid. 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 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.

Further, Kiwi Forestry International Limited, as sole shareholder of Harvest Pro Operations NZ Limited, has 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

Effective 6 June 2013 the Trustees signed a limited partnership agreement with Kiwi Forestry International Limited. This agreement relates to the harvesting and marketing of the first rotation crop and for the planting and management for the second rotation crop of the Matawaia forest area. The activity of the joint venture partnership is dependent upon whether it becomes successful in gaining the contract to undertake the said work. To 30 June 2014 the partnership was inactive and as such the financial impact of this agreement in terms of group reporting considerations is Nil. Refer to subsequent events note 27.

21) Commitments under Operating Lease

	<i>This Year</i>	<i>2013</i>
Current	17,250	18,600
Term	<u>7,187</u>	<u>18,144</u>

22) Operating Revenue

Total operating revenue for the year is \$1,571,129 (2013: \$1,376,884).



Ngati Hine Forestry Trust
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For the Year Ended 30 June 2014

23) Maori Authority Credit Account

	This Year	2013
Opening Balance	214,336	72,651
Adjustment from previous years	-	124,194
Add Imputation Credits Received	6,360	16,302
RWT Received	1,136	2,030
Tax Refund	<u>(2,030)</u>	<u>(841)</u>
Balance at 30 June 2014	<u>219,802</u>	<u>214,336</u>

The MACA account includes adjustments for omissions in earlier years.

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 2013 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 \$4.15 as at 30 June 2014 (2013: \$1.80).

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.

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Notes to and Forming Part of the Accounts
For the Year Ended 30 June 2014

26) Forestry Interests and Commitments

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

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

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

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

27) Subsequent Events

As stated in note 20 the Trust has a joint venture partnership with Matawaia Forest. The partnership was successful in gaining the contract to undertake the harvest and marketing of the first rotation crop. Activity commenced in July 2014. The activities/results of this joint venture partnership will be equity accounted for by Ngati-Hine Forestry Trust commencing from the next financial year.

Subsequent to balance date the Trust signed a joint venture agreement with Tai Tokerau Honey Limited and Puawai Honey Limited. On 7 July 2014 hives were purchased for \$60,000 excluding GST. The activities of this joint venture will be equity accounted for with affect from the 2015 financial year.





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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

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 2014, 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.

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 audit opinion.

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

OPINION

In our opinion, the financial statements on pages 1 to 15:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of Ngati Hine Forestry Trust as at 30 June 2014 and the financial performance for the year then ended.

BDO Northland
10 October 2014
Whangarei
New Zealand

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Ngati Hine Forestry Trust
Trustees' Recommendations to be
Considered by the Owners at
The 2014 Annual General Meeting:-

- 1. That the meeting receive the 2014 Annual Report**
- 2. That the meeting receive the 2013/2014 Financial Report**
- 3. That the owners authorise the Trustees to appoint BDO Northland Ltd (formerly know as Kennedy Allbon Tane) or equivalent as auditors for the 2014/2015 financial year and to fix their remuneration.**



Ngati Hine Forestry Trust Strategic Plan 2010 - 2025

Vision - Pae Tawhiti

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

Mission - Kaupapa

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

Goal 1 : Economic - Pākihi	Goal 2 : Community - Tangata	Goal 3 : Cultural - Tikanga	Goal 4 : Environment - Taiao
<p>To maximise wealth creation and optimise the financial return for the owners.</p> <p>Objectives</p> <ul style="list-style-type: none"> a. Optimise the financial returns from the Trusts assets b. Diversify, expand and enhance the Trusts assets. c. Develop and implement strategies for the active management of Trusts assets. d. Understand the quantity and quality of the Trust's assets. 	<p>To understand the owners needs and expectations</p> <p>Objectives</p> <ul style="list-style-type: none"> a. To keep beneficial owners informed through an effective communications strategy. b. Support initiatives which enhance the well-being of the owners. c. Develop and enhance relationships with other organisations in pursuit of our goals. d. Create a sustainable dividends policy. 	<p>Kia u ki nga tikanga</p> <p>Objectives</p> <ul style="list-style-type: none"> a. Protect and preserve the Trust land. b. Uphold and practice tikanga Maori 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 Ngati Hine Runanga environmental management plan. c. Ensure all exotic forestry practices adhere to sound environmental standards. d. Develop environmentally friendly land use options.

Nga Tikanga — Our Values

Mana Motuhake Self Determination	Mana whenua safeguard the land	Te tu o Ngati Hine Ngati Hine conventions	Manawaora Sustainable wealth	Te Pae Tawhiti Maintain a strategic view	Kotahitanga Collective power
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Investment Criteria

Income Earning	Capital Growth	Acceptable Risk Profile	Diversified	Active	Ethical
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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 - 2014	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 - 2014	Pita William Tipene	Current Trustee and Chairman
2006 - 2009	Jason Cooper	
2006 - 2014	Edward Graham Beattie	Current Trustee
2007 - 2010	Lu Hau	
2008 - 2014	Alexander Joseph Critchfield	Current Trustee
2010 - 2013	Tui Shortland	
2010 - 2014	Peeni Henare	Current Trustee
2012 - 2014	Len Bristowe	Current Trustee
2013 - 2014	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.
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 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 353.3 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 kiwi fruit orchard was converted to a Turners and Growers A19 cultivar.

The MLC Section 231 review of the Trust was concluded.

***Glossary of Abbreviations:***

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



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	027 4387 054
Edward Beattie	taho.beattie@hotmail.co.nz	021 774 146
Rewiti Pomare Kingi (Pita) Paraone	paraone@xtra.co.nz	021 954 912
Alex Critchfield	critchy172@hotmail.com	027 472 2052
Peeni Henare	kotiwhero@xtra.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

