

Ngati Hine Forestry Trust Annual Report



2018



2018 Annual Report to Owners

For the Twelve Months Ended 30 June 2018

Contents

Page 1	Contents
Page 1	Agenda
Page 2	2018 Annual Report
Page 16	Financial Statements
Page 40	Audit Report
Page 42	Recommendations to the Owners
Page 43	Strategic Intent
Page 44	Current and Past Trustees
Page 45	Brief History of the Trust
Page 52	Map of Forest Estate
Page 53	Trust Directory

Annual General Meeting Agenda

Chairman's Introduction
Presentation of the 2018 Annual Report
Presentation of the 2017/2018 Financial Statements
Audit Report
Recommendations to Owners
Poroporoaki
Dinner



Ngati Hine Forestry Trust

2018 Annual Report

He mihi

Tena koutou e nga uri o nga tangata, no koutou nga hea kei raro i te marara o te Ngahere o Ngati Hine. Tena ano tatou e huihui mai nei i raro i te tuanui o tenei whare o tatou ki Ngararatunua.

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

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.

a) Our Strategic Direction

It is a privilege to present this Annual Report to you the beneficial owners at this 2018 Annual General meeting.

The Trustees continue to implement the Trust's strategic plan of progressively becoming 'active' managers of the beneficial owners' collective assets and to also grow and extend the asset base.

A revised Strategic Intent document has been developed to provide greater clarity as to the direction of travel and a copy of this features later in this report.

The decision to enter into a Forestry Right with the Crown during the course of the year was the stand out achievement for the Trust which will bring huge benefits to the shareholders over the next two generations. There is much more commentary a little later in this report.

Here is our Strategic Intent

Te Pae Tawhiti – Our Vision

‘He Whenua Hua—He Tangata Ora’

Productive lands - People Wellbeing

Kaupapa – Our Mission

‘He Ringa Ahuwhenua, He Hanga Mahi’ - To Actively Grow our Assets



b) Introducing the Trust's new Chief Executive Officer Tumu Whakarae

It is with much pleasure that the Trustees are able to introduce personally to you as the beneficial owners Ms Huhana Melanie Lyndon as its new Chief Executive Officer to lead the management of the Trust into the future.

Huhana Lyndon is of Ngati Hine [Te Orewai] and Ngati Wai whakapapa and her appointment to CEO fulfils one of the many expectations of the beneficial owners and those original Trustees responsible for the establishment of the Trust.

What is unique about this appointment is that it is the first senior management appointment from amongst its own beneficial owners that will have management oversight of the Trust and its activities which aligns with the Trust's vision that emphasises self-reliance.

c) Financial Report

The following is a summary of the 2017/18 financial result:

Income	\$1,526,314.00
Expenditure	(\$1,568,282.00)
Net Deficit	(\$ 41,968.00)

While the net deficit is \$41,968.00 the tax loss for the year is \$1,182,156.00.

The deficits these past two years, as has been signalled previously, is largely because of the non production of the Trust's Ahuareka Kiwifruit Orchard which was undergoing a cultivar conversion from Hort 16 A to Zespri G3. This orchard for the 2019 year will be back in full production. Again the loss from the Trust's manuka honey business has also contributed due to a mediocre season and the impact of vandalism of hives at a critical period.

The Trust during the year paid back to the orchard leasee the cost of converting the cultivar on Ahuareka Kiwifruit Orchard of \$311,558.00 and this cost has also contributed to the deficit being reported.

d) Forest Harvesting

The lessee of a portion 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.

As the TPL 4 forest lease area is harvested these harvested areas are progressively surrendered back to the Trust. Less than 360 hectares of productive forest land has yet to be harvested.

The expiry date of the lease to TPL 4 is 30 September 2021.



e) Second Rotation Pine Crop and Planting of Manuka - "The Deal" with the Crown

As has been reported to beneficial owners previously, the Trust's intergenerational land utilisation strategy, is to return as much of the Trust's lands back into a healthy native forest, in the meantime, it will be necessary to return, at least initially, a significant part of the forest into a second rotation, and third pine crop.

The Trust has in recent years undertaken significant land use mapping and analysis based on scientific evidence and best practice standards to determine the areas of the forest estate which are best suited for pine or manuka planting and possibly other native species. This detailed mapping also provides for the enhancement and expansion of existing native species, wetlands and riparian corridors along waterways.

The Trust is therefore implementing a mosaic approach as has been discussed at previous meetings with the long term goal to transition over time the forest lands from exotic pine to native species based on scientific evidence as to optimal land utilisation.

The very significant cost of undertaking a second rotation pine regime on areas best suited for pine by the Trust itself was just not financially possible. The Trust has been working for several years, including as part of the Trust's membership of the Taitokerau Maori Forestry Collective, to find a joint venture partner to assist.

The announcement about a Forestry Right having been negotiated with the Crown was conveyed to owners in the Trust's May 2018 panui, 'Te Tātarakihi'. Given that this decision is of such significance both now and for generations to come, large parts of the panui are repeated here, to provide an enduring record.

"...With the change of government in late 2017 the political landscape changed considerably and as a consequence the new coalition government has announced, as you will well be aware, new policy in the areas of Forestry and of Regional Economic Development. The Minister responsible for these two portfolios is the Hon Minister Shane Jones with Meka Whaitiri as the (then) Associate Minister of Forests.

The Regional Economic Development fund is being funded at \$1 billion a year and out of this funding is being made available to implement the Government's policy of planting an additional 1 billion trees over the next 10 years.

The Trustees had been in discussions and negotiations with both the Minister and his Crown Forestry officials over the past few months (January to April 2018) and I am now pleased to be able to advise that the Trust and the Crown have reached an agreement whereby the Crown via the mechanism of a Forestry Right will fund all of the costs of a second rotation pine forest.



This funding is coming from the Regional Economic Development fund and the planting of the trees on the Trust land will form part of the government's program of planting an additional 1 billion trees over the next 10 years.

This is a very significant and important event in the history of the Trust. While the financial details in terms of an annual rental and/or net stumpage share are commercially confidential, beneficial owners can be assured that from the Trustees perspective this is a great deal for beneficial owners.

It will also provide a boost for the forestry sector, it will create more jobs and training opportunities which will provide positive benefits for the local community.

Without providing any specifics, the Trustees can advise that the financial returns to the beneficial owners to be received from this Forestry Right upon harvest will be significant.

The Forestry Right with the Crown is for one rotation only and it includes the requirement for the Crown to plant a third rotation at its cost which will then be owned 100% by you, the beneficial owners.

The Forestry Right with the Crown includes the establishment of a Joint Management Committee which will enable the Trustees to actively participate in the oversight of all forestry activities over the period of the rotation.

Aside from the Forestry Right the Crown has also agreed to work with the Trust to establish areas (up to 495 hectares) of manuka planting within the forest estate and especially for riparian plantings and in culturally sensitive areas. The manuka plantings are substantial and will also allow the Trust with its manuka honey commercial objectives and possibly including products from Manuka oil.

The Forestry Right will assist in developing our forestry training programs in association with existing training providers and industry employers.

The Trust's long-term strategy remains the same and beneficial owners can be assured that our long term aim will see the return of more of our forest estate into native species. This agreement will also enhance the objective of our Trust becoming more active managers of our assets.

These goals and objectives have been intertwined into the Forestry Right agreement with the Crown, which over time will make a significant step towards the ultimate goal of self-determination including at the end of this second rotation the Trust finally owning and managing 100% of the third rotation forest crop.

This is an exceptional step forward given that the lease signed in 1981 with Carter's meant that the Trust only had a 9% share in the ownership of the crop that was planted in the 1980s.



Given that the pine trees planted by the Trust in the winters of 2011, 2012 and 2017 are included within this Forestry Right arrangement harvesting of the second rotation could start as early as within the next 15 to 18 years with a third rotation being commenced at that point.

While this Forestry Right with the Crown is the first out of the blocks in Taitokerau it is in the context of the greater Taitokerau Maori Forestry Collective's mandate which has been active for a number of years and comprises a number of Maori land blocks encompassing some 50,000 hectares.

The Trustees can assure beneficial owners that the lessons of the past have been well learned and that those learnings have been incorporated into the Forestry Right agreement with the Crown. For instance, it is untenable to have pine trees planted right up to the fringes of our waterways.

I can also assure beneficial owners that during the development of the financial model that underpins the Forestry Right agreement the Trustees engaged both professional forestry and legal advice throughout the process and that the Trustees were themselves leading the negotiations with the Crown.

It was both the Trustees and the Hon Minister Shane Jones desire that a joint announcement be made about this Forestry Right agreement having been entered into only after beneficial owners had been informed.

Regrettably events transpired beyond our control that meant that this deal with the Crown ended up being in the public domain via various media outlets ahead of time.

The Trustees therefore apologise to the beneficial owners for this happening.

Planting under this Forestry Right commenced during the course of the winter of 2018, the Crown having appointed PF Olsen as the forest management company to manage (under the over sight of the Joint Management Committee) the establishment of the second rotation pine crop. 191.7 hectares of pine have been planted to date.

I would just like to reiterate in conclusion that it is the Trustees' very firm belief that the deal that has been done with the Crown and incorporated in the Forestry Right agreement with the Crown will provide very real and exceptional benefits to you the beneficial owners both during the course of the Forestry Right rotation and particularly at the time of harvest.

f) Manuka Planting and Forestry Training Joint Venture with the Crown

Alongside the announcement of the pine plantation Forestry Right with the Crown on 31 May 2018 there was another announcement which did not receive as much coverage but was also alluded to in the Trust's May 2018 Te Tātarakihi. This announcement was made by the (then) Hon Meka Whaitiri the Associate Minister of Forestry.



It was about a separate joint venture between the Trust and the Crown to plant up to 495 hectares of the Trust's forest estate in manuka. This planting will run alongside a forestry training programme involving some 40 trainees designed to build our own people's capability and capacity.

The objectives of this manuka planting and training programme are the attainment of NZQA qualifications and full time meaningful employment. The programme is to run over two years 2019 and 2020.

This particular joint venture with the Crown is a significant step towards the Trust's vision of gradually replacing pine with native. These manuka plantings will also contribute to commercial returns derived from manuka honey and possibly other manuka products such as manuka oil.

g) Matawaia Forest

The Matawaia forest has been a distinct forest within the overall lands of the Trust. The harvesting of the 351 hectares of the Matawaia pine forest crop by Taitokerau Forests Ltd (TFL) which commenced in December 2013 is more or less completed with only a couple of hectares of pines in wet areas to be removed during the 2018/2019 summer.

Ngati Hine Forestry Trust entered into a 50/50 Joint Venture Partnership with Kiwi Forestry International Ltd in 2013. This partnership involves the planting and management for 28 years of the second rotation crop of the Matawaia Forest area.

Planting of a second rotation pine crop commenced in 2015 and concluded in the winter of 2018. A total of 283.1 hectares of second rotation pine has been established of which 50% is owned by you the beneficial owners.

The remaining areas are either very steep land and or wetland areas which will not be replanted in pine but rather be planted in manuka or left to regenerate back in to native.

h) Ruatangata Forest

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

In May 2016 the Trust transacted a stumpage sale of this forest to Aubade New Zealand Limited. This sale was reported upon in the Trust's 2016 Annual Report and financial statements.

Aubade utilising local contractors has so far harvested 55% of this forest.



Aubade continues to support via a scholarship a young and local Ngati Hine forester with ongoing studies towards forestry industry qualifications.

The harvested areas within this forest will form part of the Forestry Right with the Crown, however, those areas which are not best suited for pine and are better suited to native will either be planted in manuka or left to regenerate back into native.

i) Emissions Trading Scheme (ETS)

All of 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 de-afforested land at some future time is considered to be extremely low, especially now given the pine Forestry Right with the Crown and the Forestry Service contract with the Crown to assist with planting up to 495 hectares of manuka.

The Trust still holds 171,172 NZU's which had a tradable value as at 30 June 2018 of \$3,611,730 (= \$21.10 per NZU). More recently the value of a NZU has risen to just over \$25.00.

In August 2013 the Trust lodged with the Waitangi Tribunal a contemporary claim against the imposition by the Crown of the ETS upon the Trust's forest lands. This claim is registered as Wai 2397. The Trustees are continuing to progress this claim in conjunction with its lawyers (funded via Legal Aid) as quickly as is possible, however, as reported previously any early resolution is not anticipated.

j) Manuka Honey

As at balance date the Trust owned and managed 520 hives in its own right with a further 350 hives owned by the Trust but being managed in a Joint Venture with Ngabush Honey Co Limited (Jim Ngawati).



Beneficial owners will recall that in the previous year the Trust posted a loss of \$225,478.00 within the manuka honey business, this was on the back of the worst manuka honey season experienced in New Zealand in 30 plus years.

This past season while better than the last was only average which would normally result in a small loss or break even scenario, however, the Trust suffered significant loss of production because of large scale theft and vandalism. This is not uncommon within the industry. Hence the recorded honey loss of \$198,263.00 in this year's accounts. The Trustees and CEO are working hard to turn this situation around and a number of changes to the way the Trust runs this business are being made.

During the year the Government (Ministry for Primary Industries (MPI)) established a regulation determining a scientific definition so as to determine what can be called Manuka Honey and what can't. For honey to be able to be labelled Manuka Honey and marketed as such it must be tested in an official laboratory and meet strict criteria.

The consequence of this new scientific definition of manuka honey and the accompanying testing regime has been that about 30% of the manuka honey crop in Taitokerau can now no longer be labelled Manuka. This therefore will translate into lower financial returns to beekeepers. The Trustees, and many others, believe that the testing regime is flawed and thus has resulted in this unintended situation.

The Trustees along with other beekeepers and organisations are lobbying MPI and politicians to change the testing regime and the definition criteria.

Despite these various challenges the Trustees believe that the manuka honey business has a good synergy with the whenua and that long term there is a bright future for Manuka honey and oil.

As has been reported previously the Trust is a member of a collective committee of Maori land owners who have interests in the manuka honey space; this collective has the name Taitokerau Miere.

The aim of this collective is capture the whole Manuka honey value chain from drum to overseas and domestic retail outlets. It is envisaged once fully operationalised that the collective will purchase honey wholesale from beekeepers, undertake extraction, bottling, marketing and distribution. The marketing to be based on the stories and culture of Maori within Taitokerau. The additional profits captured at the retail end being fed back through the value chain, right back to the land owner.

The collective is still undertaking business planning and due diligence activities, including the consideration of establishing joint arrangements with other appropriate industry players, as stepping stones towards becoming one hundred percent self reliant. Beneficial owners will appreciate that such an endeavour will require significant capital and access to markets and assistance from others, will at least in the medium term be required.



k) Nutraceuticals

The Trustees have established a Joint Venture Company, Hineora Limited, a vehicle for the Trust to enter into the nutraceutical industry. This is a 60% / 40% JV with the Trust holding the 60%. The JV partners are Peter Gregory and Jules Smith.

This business is based on extracting bio active substances from native plants located on Trust whenua and creating health products that can be sold with the Ngati Hine story both domestically and overseas. The Trust is still at the research stage of this project with funding having been received from external sources and with University expertise.

This business is currently being evaluated as considerable capital and expertise will need to be deployed to take it to the next stage of due diligence, extensive scientific research and exploration of marketing opportunities using the stories of Ngati Hine as the point of difference to maximise returns back to Ngati Hine.

This business has around it significant commercial sensitivity as this is an extremely competitive market and thus regrettably the Trustees are unable to disclose too much of the details at this early stage. It is also a long game.

l) 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 Turners and Growers Horticulture Ltd and now Seeka for a term of fifteen years to expire in June 2019. These three leases are profit sharing arrangements. Paparata and Te Ara Kopeka are both Hayward Green orchards with a 70%/30% (in favour of the Trust) profit share and the leases on these two orchards both expire in June 2019. With respect of Te Tara Kowhai a variation of lease was agreed to at the time of converting its cultivar. The details of this are explained later.

The Trust's fourth orchard, Ahuareka, was purchased in December 2006 and it is also leased to Seeka (formerly Turners and Growers) on a 80%/20% profit share arrangement. The current lease expires on 30 June 2021.

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 Turners and Growers (now Seeka) and in return the net profit share arrangement was changed from 70%:30% to 37.20%:62.80% in favour of Seeka (formerly Turners and Growers) 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 did not see a full crop being produced until 2018.



In July 2015 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, at a special Hort 16 A to G3 concessional licence fee, was fully funded by the Trust, although costs of conversion of \$311,558.00 were being held by Seeka (formerly Turners and Growers) and have been repaid to within the 2017/2018 financial year. The net profit share arrangement for this orchard therefore remains 80%:20% in favour of the Trust. This conversion did not see a full crop being produced until 2018.

In June 2018 Turners and Growers sold the bulk of their Kerikeri operation (Kiwifruit and Avocado orchards and Pack House) to Seeka Limited. The lessees interest in the Trust's four orchard leases were also sold to Seeka. Seeka is therefore now the Trust's lessee for all four kiwifruit orchards.

The cost of purchasing the Trust's four kiwifruit orchards and subsequent capital improvements has been \$4,802,508.00. The current capital value of these four orchards has been estimated at around \$9.7 million.

Given that the Ahuareka orchard which is Zespri Sungold G3 provides around 63% of the financial returns from the Trust's four orchards it is critical that the either the other three orchards have cultivar conversions (to G3) undertaken or one or more orchard is sold, the proceeds used to capitalise either cultivar conversions on another orchard or to purchase alternative orchards that are already producing Zespri G3.

With the change to Seeka new opportunities have opened up and these along with the consideration of increasing revenue from the Trust's ENZA A19 gold orchard and two Hayward Green orchards is currently under extensive consideration.

At the time of writing this report the Trustees are continuing due diligence on a conditional offer that has been made to purchase an additional Zespri Gold kiwifruit orchard in Kerikeri. Subject various conditions, including finance, being met the Trustees will proceed with this purchase utilising a mix of Trust cash and bank borrowing.

The Trustees also intend to change the cultivar on Te Ara Kopeka from Hayward Green (HG) to Zespri Gold during the winter of 2019. It is envisaged that this conversion cost will also be funded by a mix of Trust cash and bank borrowing.

The Trustees are also presently working through a process or renegotiating with Seeka the leases on all four orchards plus the new fifth orchard if purchased. These leases once finalised will be an enhancement on the current leases that are in place.

The Trust's investment in kiwifruit is significant and is now a major focus for the Trustees given that the future of the forest estate is now basically been sorted out.

Seeka operate an active cadetship scheme and already this is benefiting our own people.



m) Zespri Shares

The Trust owns 327,080 shares in Zespri. During 2017/2018 the Trust received \$245,310.00 in net cash dividends.

During 2018/2019 (in August 2018) the Trust received \$353,064.69 in cash dividends plus withholding tax credits and imputation dividends equating to a gross dividend of \$526,962.22.

The total cost of purchasing these Zespri shares between 2005 and 2011 was \$292,037.00. To date the Trust has received a total of \$1,068,969.00 in cash dividends plus a further \$526,507.06 of withholding tax and imputation credits bringing the total to \$1,595,476.06. An average annual rate of return of 26%.

Zespri have forecasted a dividend range for next year (2019) of between \$1.35 and \$1.40. At \$1.35 this will reap \$441,558.00 in cash dividends plus withholding and imputation credits.

The value of a Zespri share as at 18 October 2018 was around \$7.95. At this value the Trust's shares are worth in the region of \$2.6 million.

The Zespri shares investment has therefore been a star performer for the beneficial owners.

n) Housing Portfolio

The beneficial owners at the beginning of the financial year owned twenty two homes, of which twenty one are located in Kaikohe, Kawakawa and Moerewa and most were leased to Housing New Zealand. The other home is located on the Ahuareka Orchard in Kerikeri.

As reported to beneficial owners last year the Trustees decided that the provision of social housing is no longer a primary objective of the Trust and as a consequence the Trustees have commenced selling the eleven houses in Moerewa and Kawakawa. One house was settled in the 2017/2018 financial year. The remaining ten homes have either been sold or will be sold by the end of November 2018.

The capital freed up from the sale of houses is to be reinvested in other core business assets (e.g. kiwifruit conversions to a higher performing cultivar as discussed above) of the Trust or in new business or a mixture of both.

o) Dividends

As reported at past Annual General Meetings, and particularly at the Special General Meeting at Motatau Marae in August 2017 the payout of any dividends is not able to be contemplated in the immediate future.



The stumpage sale of the Ruatangata Forest did provide a significant cash injection, however, after tax and paying off all of the Trust's debts the remainder it was used to expand the Trust's manuka honey business and to compensate for the loss of income from the Ahuareka Orchard kiwifruit cultivar conversion process.

Now that the Ahuareka kiwifruit conversion has been completed and full production is achieved then this income together with the income from the Crown Forestry Right rental, the Zespri share dividends and in the longer term income from the manuka honey business the Trust's financial situation has stabilised.

However to achieve the significant quantum of annualised cash flow income that would sustain and ability to pay dividends many more years of capital investment in manuka honey, kiwifruit, nutraceuticals and possibly other businesses is required.

Certainly once the harvest of the pine second rotation begins there will be very large financial returns that begin to flow into the Trust. At that point some big decisions will need to be made in terms of making further investments (meaning expanding the asset base to a large extent), keeping sufficient reserves to maintain the third rotation pine crop which the beneficial owners will own 100% of for 25 years until its harvest vs. using all or part to pay a dividend(s).

As time goes on the fragmentation of shares via successions if left to continue at its present rate of travel could potentially mean that paying dividends is neither practical, sensible nor meaningful.

By way of example an analysis to the breakdown of the 1,809,139 shares that Ngatihine H2B has undertaken in 2009 revealed that of the then 4,083 beneficial owners 1,700 of these had less than 37 shares and only 60 beneficial owners had 4,000 shares or more. 200 beneficial owners had less than 1 share.

The situation today is that there are around 5,000 beneficial owners in an increase of nearly 20% in just nine years and also consequently the shareholding has been fragmented still further making the payment of dividends more problematic and probably less of a sensible undertaking.

The business of dividends is still a far way off and others will at some point in the future have to grapple with alongside considering other ways of rewarding or benefiting the beneficial owners and their communities.

p) Marae Grants

There is provision within the Trust Order that allows the Trustees to make grants to Marae for capital building projects. A Marae Grants policy was approved at the 2017 AGM and subsequently two Marae have made applications for funding. The Trustees continue to work with these Marae with respect of their projects. Trustees have not at the time of writing made any decisions on these applications.

Applications from other Ngati Hine Marae are invited for the next round opening in 2019.



q) Shares in Ngatihine H2B held by the Trust

During the 1960s, 1970s and early 1980s the Crown purchased shares from various Ngati Hine owners on a willing buyer/willing seller basis. These shares were purchased by the Maori Trustee in 1983 who at that time was the sole Trustee of the Ngati Hine Forestry Trust. At that time the shares owned by the Trust totalled 91,208. At the time of this transaction the Maori Land Court specifically ordered that the voting rights which may otherwise attach to these shares at AGM's et cetera shall not be exercised – they are to be neutral shares which, in the hands of the trustees, shall not confer beneficial rights.

At the 1999 AGM beneficial owners resolved that the shares be offered back to the original owners to purchase at a value of \$3.46 per share. Only one whanau took up this offer to purchase "their" 5563.688 shares.

The Trust therefore has since that time retained 85,644.312 shares in itself. As stated above there are no voting rights attached to these shares.

For the purpose of the buyback offer as described above the Trust's accountant undertook a valuation of these shares in September 1999 and determined a value at that time of \$3.46 per share. A valuation then was relatively straightforward to complete because the Trust had a very limited asset base at that time.

If the Trust were to have a new comprehensive current market valuation completed to determine the value of a Ngatihine H2B share then full registered valuations of all of its assets, forest, houses, orchards et cetera would need to be obtained at some considerable cost. Given that there is no practical need or requirement for such a gold plated valuation the Trustees believe that the significant expenditure required to undertake this process is not warranted.

However the Trust's accountant has prepared, as a cost-effective alternative, an analysis of valuation based purely on the movement of the equity value of the Trust. Based on the asset and liability values recorded in the Trust's 2017/2018 financial statements, the indicative value of a Ngatihine H2B share is \$5.43. This compares to a value of \$5.44 in 2016/2017 and \$3.46 in September 1999.

r) Study Grants

In terms of clause 7.8 of the Trust Order the Trustees during this year have continued to support Pira Vakatini who is studying for his Diploma in Forestry Management at Toi-Ohomai Institute in Rotorua.

Also this year the Trust has provided support to Jean Morton who is also studying for his Diploma in Forestry Management at Toi-Ohomai Institute in Rotorua.



A total of \$10,000.00 was sent during 2017/2018 supporting these two recipients which is the maximum spend able to be made in any one year in terms of the Trust Order.

s) Summary

The year has been dominated by the signing of the Forestry Right and Manuka Planting Programme with the Crown. This was a watershed moment in the history of the Trust which will generate considerable wealth for the beneficial owners over the next generations and beyond.

Now that the future of the forest has essentially been sorted out through significant Crown funding the Trustees have now turned their attention to the other aspects of the Trust's businesses guided by a revised and more clear Strategic Intent with the Trust's new CEO Tumu Whakarae Huhana Lyndon playing the pivotal role.

In particular big decisions about enhancing the Trust's kiwifruit investment are currently being contemplated.

A bright future is very much assured, albeit the long game being played.

E mihi tonu ana ki a koutou katoa.

Tena ra koutou katoa.

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

Pita Tipene
Chairman
Ngati Hine Forestry Trust

Ngati Hine Forestry Trust

2018 Financial Statements

Ngati Hine Forestry Trust
Contents of Financial Statements

For the Year Ended 30 June 2018

Contents of Financial Statements	1
Directory	2
Divisional Statements of Financial Performance	3 - 5
Combined Statement of Financial Performance	6 - 7
Statement of Changes in Trust Funds	8
Statement of Financial Position	9 - 10
Depreciation Schedule	11
Notes to and forming part of the Financial Statements	12 - 23
Independent Auditors Report	24 - 25

Ngati Hine Forestry Trust

Directory

As at 30 June 2018


Nature of Business	Administration, ownership of land for afforestation, horticulture, manuka honey, nutraceuticals and housing
Address	Vinery Lane Whangarei 0110
Telephone	09 459 6425
Trust Formation Date	23 December 1974
Trustees	Mr E Beattie Mr L Bristowe Mr P Cherrington Mr E Morton Mr P Paraone Mr W Shortland Mr P Tipene
Beneficiary	Ngathine H2B Beneficiaries as per list held by the Maori Land Court
Business Location	6 Vinery Lane Whangarei
Accountants	Syers Hamilton Pool Ltd Chartered Accountants 113 Bank Street Whangarei 0110
Auditor	BDO Northland Chartered Accountants
Bankers	Westpac NZ Ltd
Solicitors	Thomson Wilson Law
IRD Number	043-590-413

Ngati Hine Forestry Trust

Divisional Statement of Financial Performance

For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
FORESTRY			
Operating Revenue			
Harvest Grant		40,549	59,805
Rent - Taitokerau Forests Ltd		5,668	9,386
Rent - Taumata Plantations		-	75,958
Emissions Trading Scheme - Revaluation of NZU's		667,571	-
Roading Compensation	19	-	445,000
Rent - Crown	18	37,754	-
Gross Surplus from Trading		751,542	590,149
Less Direct Costs			
Emissions Trading Scheme - Revaluation of NZU's	20	-	111,262
Forestry Consultants		48,217	28,612
Pre Harvest Costs		4,764	483
Total Direct Costs		52,981	140,358
Gross Surplus		698,561	449,792
Less Expenses			
Administration Expenses			
Legal		26,423	1,955
Repairs and Maintenance		1,448	30,275
Total Expenses		27,871	32,231
Surplus		670,690	417,561

BDO Northland
ASSURANCE 

Ngati Hine Forestry Trust

Divisional Statement of Financial Performance (continued)

For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
HONEY			
Operating Revenue			
Share of Earnings and Distributions from Honey JV	17	(54,889)	(28,651)
Sales		6,417	-
Rent - Honey		4,000	-
Total Income		(44,472)	(28,651)
Less Cost of Sales			
Opening Stock transferred from JV		-	27,776
Opening Stock		77,056	-
		77,056	27,776
Closing Stock		(142,358)	(77,056)
Total Cost of Sales		(65,302)	(49,280)
Gross Surplus from Trading		20,830	20,629
Less Direct Costs			
Bee Food and Health		5,309	9,307
Beekeeping		112,570	81,097
Freight		-	540
Honey Consultants		-	200
Management Costs - Honey Project		89,118	130,260
Protective Clothing		-	194
Repairs & Maintenance		8,548	15,484
Re-Siting Hives		-	2,832
Testing		688	4,574
Yard Lease		2,860	1,620
Total Direct Costs		219,093	246,108
Gross Deficit		(198,263)	(225,478)

BDO Northland
ASSURANCE BDO

Ngati Hine Forestry Trust

Divisional Statement of Financial Performance (continued)

For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
MOEREWA, KAWAKAWA AND KAIKOHE HOUSING			
Operating Revenue			
Rental Income		301,417	287,431
Less Expenses			
Operating Expenses			
Agents Fees and Commission		28,163	27,485
Administration Expenses			
Management Fee		45,212	43,114
Repairs and Maintenance		21,507	51,195
		<u>66,719</u>	<u>94,309</u>
Fixed Costs			
Insurance		30,496	28,459
Rates - Land		55,460	52,891
		<u>85,956</u>	<u>81,350</u>
Total Expenses		<u>180,838</u>	<u>203,143</u>
Surplus		<u>120,579</u>	<u>84,288</u>

BDO Northland
ASSURANCE *BB*

Ngati Hine Forestry Trust

Combined Statement of Financial Performance

For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
Divisional Income			
Surplus from Forestry		670,690	417,561
Deficit from Honey		(198,263)	(225,478)
Surplus from Moerewa, Kawakawa and Kaikohe Housing		120,579	84,288
Total Divisional Income		593,006	276,371
Other Income			
Dividends		245,310	88,312
Interest		59,199	86,258
Management Fee - Housing Projects		45,212	43,114
Rent - Orchard x 3		58,568	36,366
Rent - Orchard House		14,560	14,560
Rent - Office		6,043	1,387
Share of Earnings and Distributions from KFI JV	17	1,794	(62,340)
Share of Earnings and Distributions from Hineora JV	17	(34,978)	-
Reimbursement from Nutraceuticals		8,375	-
Sundry Income		15,653	2,914
Capital Gain on Disposal of Fixed Assets		21,000	-
Depreciation Recovered		11,789	-
Total Other Income		452,525	210,570
Net Revenue		1,045,531	486,941
Less Expenses			
Operating Expenses			
Accident Compensation Levy		468	474
Consultancy		1,728	1,500
Electricity - Office		1,068	1,370
Orchard Costs		311,558	53,024
Orchard Costs - non deductible		1,328	-
Repairs & Maintenance		677	892
Study/Training Grants		10,000	6,000
		326,827	63,260
Finance Expenses			
Bank Fees		596	541
Interest - Loans		-	7,766
Transfer Interest NWR Fencing		7,662	8,073
		8,258	16,380

BDO Northland
ASSURANCE *BDO*

Ngati Hine Forestry Trust

Combined Statement of Financial Performance (continued)

For the Year Ended 30 June 2018

	Note	2018 \$	2017 \$
Administration Expenses			
Accountancy		30,300	33,604
AGM/SGM	9	36,304	22,470
Audit		16,150	16,050
Consultancy Non-Deductible		-	920
Fringe Benefit Tax		5,349	4,045
Legal		6,759	13,709
Legal - Non Deductible		3,334	890
Motor Vehicle		15,136	16,804
Office		28,440	32,744
Printing, Stationery & Typing		29,094	25,290
Salaries & Wages		233,923	214,089
Wages - Kiwisaver Contributions		6,893	6,375
Subscriptions		4,572	4,173
Tree Planting Ceremony		1,070	-
Trustees Fees	15	115,200	82,400
Trustees Travel	15	38,101	26,660
Trustees Meeting		6,425	6,087
		577,050	506,311
Fixed Costs			
Insurance		27,675	21,320
Legal - Orchard Lease		6,500	6,500
Rates - Land & Water		22,412	19,548
Rent - Office Whg		19,911	19,272
Security Office		2,814	1,641
		79,312	68,281
Non Cash Expenses			
Depreciation as per Schedule		95,188	96,699
Loss on Disposal of Assets		865	-
		96,053	96,699
Total Expenses		1,087,499	750,931
Net Deficit		(41,968)	(263,990)

BDO Northland
ASSURANCE *BDO*

Ngati Hine Forestry Trust

Statement of Changes in Trust Funds

For the Year Ended 30 June 2018

	2018	2017
	\$	\$
Revenues and Expenses		
Net Deficit	(41,968)	(263,990)
Total Recognised Revenues and Expenses	(41,968)	(263,990)
Trust Capital Movements		
Movement in Imputation Credits Converted to Loss	-	-
Total Trust Capital Movements	-	-
Trust Funds at the Beginning of the Year	21,867,889	22,131,879
Trust Funds at the End of the Year	21,825,922	21,867,889

BDO Northland
ASSURANCE *BDO*

Ngati Hine Forestry Trust

Statement of Financial Position

As at 30 June 2018

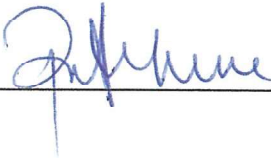
	Note	2018 \$	2017 \$
Current Assets			
Westpac NZ Ltd		80,655	50,498
Westpac NZ Ltd Kaikohe		34,942	10,943
Westpac NZ Ltd Moerewa Kawakawa		29,104	10,611
Westpac NZ Ltd Online Saver		363,614	184,382
Accrued Income		7,611	9,930
Accrued Interest		9,306	26,708
Accounts Receivable	10	14,089	78,476
Income Tax Receivable	3	17,033	53,823
GST Receivable		6,646	23,982
Stock on Hand		142,358	77,056
Westpac Term Investment		1,514,671	2,307,580
Total Current Assets		2,220,030	2,833,990
Non Current Assets			
Fixed Assets		14,695,535	14,913,635
Shares in Companies - at Cost	4	321,775	321,775
Shares in Maori Land	4	314,731	314,731
Native Forest Restoration		51,280	46,160
Investment in Joint Ventures	17	40,011	964
Emissions Trading - NZU's	20	3,611,730	2,944,159
Tenancy Bond		560	560
Capitalised Cost of Forest	18	925,733	867,877
Total Non Current Assets		19,961,355	19,409,861
Total Assets		22,181,386	22,243,851
Current Liabilities			
Income in Advance	12	56,049	10,886
Accounts Payable	11	50,351	126,948
PAYE	11	22,717	9,396
Provision for Annual Leave		8,201	18,248
Total Current Liabilities		137,318	165,478
Non Current Liabilities			
NHH Ltd		575	575
Nga Whenua Rahui Fencing Project	7	217,571	209,909
Total Non Current Liabilities		218,146	210,484
Total Liabilities		355,464	375,962
Net Assets		21,825,922	21,867,889
Trust Funds			
Trust Capital	8	21,825,922	21,867,889
Total Trust Funds		21,825,922	21,867,889

BDO Northland
ASSURANCE 

These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.

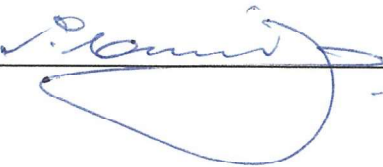
Ngati Hine Forestry Trust**Statement of Financial Position (continued)****As at 30 June 2018**

For and on behalf of the Board of Trustees:



Trustee

Date 7/11/2018



Trustee

Date 7/11/2018

Ngati Hine Forestry Trust

Depreciation Schedule

For the Year Ended 30 June 2018

	RATE & TYPE	% PVT USE	Cost on HAND	OPENING WDV	ADDITIONS	DATE of ADDITION	SALE PRICE	PARTSALE PRICE	PROFIT (LOSS)	DISPOSAL DATE	Cost	CAPITAL GAIN/LOSS	DEPN	ACC DEPN	PRIVATE DEPN	ACCUM PRIVATE	CLOSING WDV
LAND & BUILDINGS			7,665,891	7,641,605	-	-	-	-	-	-	-	-	-	24,286	-	-	7,641,305
FURNITURE & FITTINGS			41,616	24,347	-	-	-	-	-	-	-	-	567	17,836	-	-	23,780
PLANT & EQUIPMENT			60,496	25,041	15,683	-	609	-	(865)	-	1,474	-	6,959	28,205	-	-	32,291
ORCHARDS			4,803,498	3,322,155	990	-	-	-	-	-	-	-	64,531	1,544,384	-	-	3,258,514
HOUSING KAIKOHE			2,216,573	2,186,245	-	-	-	-	-	-	-	-	-	30,328	-	-	2,186,245
HOUSING MOERewa			1,498,379	1,510,974	-	-	170,900	-	11,789	-	150,332	21,000	401	125,917	-	-	1,372,462
HONEY			215,526	183,633	-	-	-	-	-	-	-	-	21,748	53,841	-	-	161,885
FORESTS (Amortised)			20,668	19,635	-	-	-	-	-	-	-	-	982	2,015	-	-	18,653
Total Assets			16,522,647	14,913,635	16,673	-	171,509	-	10,924	-	151,806	21,000	95,188	1,827,112	-	-	14,695,535

For the Year Ended 30 June 2017

	RATE & TYPE	% PVT USE	Cost on HAND	OPENING WDV	ADDITIONS	DATE of ADDITION	SALE PRICE	PARTSALE PRICE	PROFIT (LOSS)	DISPOSAL DATE	Cost	CAPITAL GAIN/LOSS	DEPN	ACC DEPN	PRIVATE DEPN	ACCUM PRIVATE	CLOSING WDV
LAND & BUILDINGS			7,665,891	7,641,605	-	-	-	-	-	-	-	-	-	24,286	-	-	7,641,605
FURNITURE & FITTINGS			41,616	25,009	-	-	-	-	-	-	-	-	662	17,269	-	-	24,347
PLANT & EQUIPMENT			46,287	25,343	3,727	-	-	-	-	-	-	-	4,029	21,246	-	-	25,041
ORCHARDS			4,802,508	3,393,135	800	-	-	-	-	-	-	-	71,780	1,480,353	-	-	3,322,155
HOUSING KAIKOHE			2,216,573	2,186,245	-	-	-	-	-	-	-	-	-	30,328	-	-	2,186,245
HOUSING MOERewa			1,648,711	1,509,748	2,150	-	-	-	-	-	-	-	934	137,737	-	-	1,510,974
HONEY			215,526	-	201,894	-	-	-	-	-	-	-	13,261	31,893	-	-	183,633
FORESTS (Amortised)			20,668	-	20,658	-	-	-	-	-	-	-	1,033	1,033	-	-	19,635
Total Assets			16,657,780	14,781,085	229,249	-	-	-	-	-	-	-	95,699	1,744,145	-	-	14,913,635



These financial statements are to be read in conjunction with the accompanying Notes. These statements have been audited.

Ngati Hine Forestry Trust

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2018

1 Statement of Accounting Policies

Reporting Entity

Ngati Hine Forestry Trust is an Ahu Whenua Trust, established by a trust order dated 23 December 1974.

The special purpose financial report was authorised for issue in accordance with a resolution of Trustees dated 16 October 2017.

The Trust is involved in the business of administration, ownership of land for afforestation, horticulture, manuka honey, nutraceuticals and housing.

Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with A Special Purpose Framework for use by For-Profit Entities (SPFR for FPEs) published by the New Zealand Institute of Chartered Accountants.

Ngati Hine Forestry Trust is designated as an Ahu Whenua Trust and accordingly must comply with the Te Ture Whenua Maori Act 1993. There is no statutory requirement under this act or under the Trust Order to prepare financial statements in accordance with Generally Acceptance Accounting Practice. The Trustees identify the Trust as a for-profit entity and have elected to prepare financial statements on a special purpose basis.

The financial statements have been specifically prepared for internal use.

The accounting principles recognised as appropriate for measurement and reporting of the Combined Statement of Financial Performance and Statement of Financial Position on a historical cost basis are followed by the trust, unless otherwise stated in the Specific Accounting Policies.

The information is presented in New Zealand dollars. All values are rounded to the nearest \$

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.

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.

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.

The accounting principles recognised as appropriate for the measurement and reporting of the Combined Statement of Financial Performance and Statement of Financial Position on a historical cost basis are followed by the trust, unless otherwise stated in the Specific Accounting Policies.

The information is presented in New Zealand dollars. All values are rounded to the nearest \$.

BDO Northland
ASSURANCE *BR*

Ngati Hine Forestry Trust

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2018

Specific Accounting Policies

The following specific accounting policies which materially affect the measurement of the Combined Statement of Financial Performance and Statement of Financial Position have been applied:

(a) Revenue Recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, to the extent it is probable that the economic benefits will flow to the trust and revenue can be reliably measured.

Interest received is recognised as interest accrues, gross of refundable tax credits received.

Dividends received are recognised on receipt, net of non-refundable tax credits.

(b) Stock on Hand

Stock on hand (including raw materials, work in progress and finished goods as appropriate) have been valued at the lower of cost or net realisable value on a FIFO basis after making allowance for damaged and obsolete stock.

(c) Accounts Receivable

Accounts Receivable are stated at their estimated realisable value. Bad debts are written off in the year in which they are identified.

(d) Fixed Assets

Fixed Assets are recognised at cost less accumulated depreciation. Historical cost includes expenditure directly attributable to the acquisition of assets, plus the cost of any replacements that have been capitalised.

Depreciation has been calculated using the maximum rates permitted by the Income Tax Act 2007.

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 with the accumulations balance of the Trust.

Kiwifruit licences are included in fixed assets.

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.

(e) Operating Leases

Operating lease payments, where the lessors effectively retain substantially all of the risks and benefits of ownership of the leased items, are recognised in the determination of the operating surplus in equal instalments over the lease term.

(f) Income Tax

Income tax is accounted for using the taxes payable method. The income tax expense recognised in the Combined Statement of Financial Performance is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior years.

(g) Investments

Investments are carried at the lower of cost or net realisable value. Where there has been a permanent reduction in the value of the investments, this has been brought to account in the current period. Ngati Hine H2B Maori land shares were revalued in 2001.



Ngati Hine Forestry Trust

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2018

(h) Financial Instruments

Financial instruments - Financial assets

At initial recognition the Trust determines the classification of financial assets as either held at fair value, cost or amortised cost. Financial assets are measured initially at fair value, estimated at the transaction price less any associated transaction costs.

Amortised cost

Includes assets where the Trust intends to earn contractual cash flows in the nature of principal and interest payments. Such assets are carried at amortised cost. Gains and losses are recognised in statement of financial performance when the assets are derecognised or impaired, as well as through the amortisation process.

Cost

Equity instruments are classified as held at cost. Assets are stated at cost less any accumulated impairment loss. Gains and losses are recognised in statement of financial performance when the assets are derecognised or impaired.

Fair value

Financial assets not held at amortised cost or cost are held at fair value. Assets are subsequently measured at fair value only when the fair value of the instrument can be reliably measured based on a quoted price for an identical asset in an active market. Gains and losses are recognised in statement of financial performance for movements in the fair value of the assets and when the assets are derecognised.

Financial instruments - financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised in statement of financial performance.

(i) Goods and Services Taxation (GST)

Revenues and expenses have been recognised in the financial statements exclusive of GST except that irrecoverable GST input tax has been recognised in association with the expense to which it relates. All items in the Statement of Financial Position are stated exclusive of GST except for receivables and payables which are stated inclusive of GST.

(j) Joint Ventures

The Trust has an interest in joint venture operations, where the Trust is entitled to a share of future economic benefits. The Trust's interest is recorded using the equity method where the Trust recognises its share of earnings and distributions received (in the statement of financial performance) and its share of net assets as an investment in joint ventures (in the statement of financial position).

(k) Forestry Assets

All planted forestry assets have been recorded at cost including silviculture and development.

Native forest restoration has been treated as an asset on the basis that it will support future earning from manuka honey and nutraceuticals.

(i) Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on a basis consistent with those used in previous years.



Ngati Hine Forestry Trust

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2018

2 Tax Reconciliation

	2018	2017
	\$	\$
Deficit before Income Tax	(41,968)	(263,990)
Permanent Differences		
Capital Gain on Disposal of Fixed Assets	(21,000)	-
Transfer Interest NWR Fencing	7,662	8,073
Legal - Non Deductible	3,334	890
Roading Compensation	-	(445,000)
NZU'S - Non Taxable	(667,571)	111,262
Study/Training Grant	10,000	6,000
Imputation Credits to Gross up Dividend	95,398	10,176
Consultancy	-	920
Cost of Forest	(57,856)	(16,200)
Share of Earnings and Distributions from Hineora JV	34,978	-
Losses from Conversion of ICA Credits	(545,133)	(58,148)
Total Permanent Differences	(1,140,189)	(382,027)
Total Loss	(1,182,156)	(646,017)
Unused income tax losses available to carry forward	1,828,173	646,017

The business surplus (deficit) returned for income tax differs from that shown in the financial statements. The difference may have occurred because some figures are not tax deductible for income tax purposes, or other amounts may be required to be separately disclosed in the income tax return. The reconciliation between the two figures is as shown above.

3 Income Tax

	2018	2017
	\$	\$
Opening Balance	(53,823)	411,071
Plus:		
Refunds	53,825	23,988
Less:		
Dividend Withholding Credits	17,035	22,325
Provisional Tax Paid	-	466,557
	17,035	488,882
Income Tax (Receivable)	(17,033)	(53,823)

4 Term Investments

	2018	2017
	\$	\$
Shares in Companies - at Cost		
Taitokerau Forests Ltd - 2,764 shares	27,639	27,639
NHH Ltd - 100 shares	100	100
Taitokerau Miere Ltd - 2,000 shares	2,000	2,000
Zespri - 327,080 shares	292,037	292,037
Total	321,775	321,775

BDO Northland
ASSURANCE *BDO*

Ngati Hine Forestry Trust

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2018

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.

Shares in Maori Land

Shares in Maori Land

314,731

314,731

The original cost of 85,644.312 Ngati Hine H2B shares was \$83,699, a revaluation was done in 2001 bringing the value of the shares to \$296,329 (85,644.312 shares at \$3.46/share).

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.

The original cost of 85 Motatau 1C9B1 shares was \$18,401.

Total Term Investments

636,506

636,506

5 Financial Instruments

Financial Instruments - Financial Assets 2018

Cash and cash equivalents

2,022,987

Receivables

31,007

Shares in Companies

321,775

Emissions Trading NZU's

3,611,731

Total Financial Instruments

2,053,994

321,775

3,611,731

Financial Instruments - Financial Liabilities 2018

Payables

(50,351)

(50,351)

Financial Instruments - Financial Assets 2017

Cash and cash equivalents

2,564,015

Receivables

115,115

Shares in Companies

321,775

Emissions Trading NZU's

2,944,159

2,679,130

321,775

2,944,159

Financial Instruments - Financial Liabilities 2017

Payables

(126,947)

(126,947)

BDO Northland
ASSURANCE

Ngati Hine Forestry Trust

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2018

6 Bank Overdraft

The Trust has an overdraft arrangement with Westpac NZ Limited. As at balance date, the limit was \$400,000 (2017: \$400,000). The bank holds a registered first mortgage over the four orchard properties and has an assignment over orchard rental proceeds.

7 Provisions

Nga Whenua Rahui Fencing Project

Opening Balance

Movement for period

Closing Balance

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.

Total Provisions

2018	2017
\$	\$
209,909	201,836
7,662	8,073
<u>217,571</u>	<u>209,909</u>
<u>217,571</u>	<u>209,909</u>

8 Trust Capital

Opening Balance

Less:

Net Deficit

Total Trust Capital

2018	2017
\$	\$
21,867,889	22,131,879
41,968	263,990
<u>21,825,922</u>	<u>21,867,889</u>

BDO Northland
ASSURANCE *BB2*

Ngati Hine Forestry Trust

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2018

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

The Trust balance of accumulations includes the following historical revaluations:
Government Valuations 1 September 1998

a) Leased to Carter Holt (5062.0407ha)	\$
Capital Value	6,361,500
b) Subject to TFL Forestry Right	
(i) Pt Ngati Hine H2B (446.8865ha) Capital Value	1,105,000
(ii) Motatau 1C9B1 (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
	7,676,500
Less cost of:	
Forestry Block	1,270,748
Land and Building Moerewa	55,764
	1,326,512
Historic Revaluations included within Accumulations	6,349,988
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
	1,270,748

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

Accumulations Available for Distribution

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 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 1C9B1 (60% share)	132,000
Trust Deed Corpus Balance	7,598,500

Accumulations

Total Equity	\$	21,825,922
LESS: Trust Corpus		7,598,500
Balance of Accumulations available for distribution		14,227,422
Total Equity		21,825,922



Ngati Hine Forestry Trust

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2018

9 AGM/SGM Expenses

	2018	2017
	\$	\$
Catering	11,660	6,213
Printing & Stationery	18,654	12,749
Advertising	4,520	2,327
Sound System	700	350
Transport	770	831
Total AGM/SGM Expenses	36,304	22,470

10 Accounts Receivable

	2018	2017
	\$	\$
Prepaid Expenditure	13,544	15,843
Accounts Receivable	544	62,632
Total Accounts Receivable	14,088	78,475

11 Accounts Payable

	2018	2017
	\$	\$
Trade Creditors	50,351	126,948
PAYE	22,717	9,396
Total Accounts Payable	73,068	136,344

12 Income Received in Advance

	2018	2017
	\$	\$
Forestry Rental	48,136	2,973
Other	7,913	7,913
Total Income Received in Advance	56,049	10,886

13 Commitments under Operating Lease

	2018	2017
	\$	\$
Current	9,528	9,528
Term	10,322	19,850
Total Commitments under Operating Lease	19,850	29,378

BDO Northland
ASSURANCE *BR*

Ngati Hine Forestry Trust

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2018

14 Orchard Properties - Kerikeri

	2018	2017
	\$	\$
Orchard Properties - Kerikeri		
Te Tara Kowhai - Land	317,383	317,383
Te Tara Kowhai - Vines & Structures	685,807	685,807
Paparata - Land	289,733	289,733
Paparata - Vines & Structures	606,911	606,911
Te Ara Kopeka - Land	246,621	246,621
Te Ara Kopeka - Vines & Structures	660,926	660,926
Ahuareka - Land	904,411	904,411
Ahuareka - Vines & Structures	985,055	985,055
Ahuareka - Gold Licence	105,661	105,661
Total Orchard Properties - Kerikeri	4,802,508	4,802,508

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 above. These four properties were leased to Kerifresh Ltd, now Seeka - Te Tara Kowhai, Paparata and Te Ara Kopeka. 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 ENZA Gold (A19).

During the months of August to November 2015 Ahuareka was converted to another variety of Kiwifruit Zespri Gold (G3).

15 Trustees Payments

	Fees	Travel	Total
	\$	\$	\$
Trustees Payments 2018			
P Paraone	22,207	5,969	28,176
E Beattie	15,200	5,763	20,963
P Tipene	19,600	4,579	24,179
L Bristowe	17,200	2,882	20,082
P Cherrington	18,400	2,876	21,276
W Shortland	6,400	1,643	8,043
E Morton	30,400	14,388	44,788
Total Trustees Payments	129,407	38,100	167,507

P Paraone's duties included acting CEO for the Trust from May 2018, his 2018 Fee of \$22,207 included a salary of \$14,207. (2017: E Morton replaced P Henare as Trustee).



Ngati Hine Forestry Trust

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2018

Trustees Payments 2017

	Fees	Travel	Total
	\$	\$	\$
P Paraone	3,600	2,650	6,250
E Beattie	11,200	4,487	15,687
P Tipene	24,000	8,936	32,936
L Bristowe	13,200	2,220	15,420
P Henare	2,000	-	2,000
P Cherrington	12,400	3,334	15,734
W Shortland	8,000	1,913	8,913
E Morton	8,000	3,119	11,119
Total Trustees Payments	82,400	26,659	108,059

16 Subsidiary companies

Ngati Hine Housing Limited, (NHH Limited), is a wholly owned subsidiary company of the Ngati Hine Forestry Trust. This company is currently dormant and therefore consolidated financial statements are not required.

17 Joint Venture Partnerships

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. Reflected in the Financial Statements with respect to the forestry joint venture:

- Share of earnings/(loss) \$1,794 (2017: (\$62,340))
- Investment in joint venture (\$4,549) (2017: (\$6,343))

Honey Operations

The Trust is a 50 percent partner in a joint venture operation which produces manuka honey with Nga Bush Honey Co Ltd. Reflected in the Financial Statements with respect to the manuka honey joint venture:

- Share of earnings/(expenses) and distributions (\$54,889) (2017: (\$28,651))
- Investment in joint ventures \$32,163 (2017: \$7,308)

Nutraceuticals

The Trust is a 60 percent partner in a joint venture company Hineora Ltd, which is the vehicle to enter into the nutraceuticals industry. Reflected in the Financial Statements with respect to the nutraceuticals joint venture:

- Share of earnings (loss) (\$34,978) (2017: nil)
- Investment in joint venture \$12,397 (2017: nil)



Ngati Hine Forestry Trust

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2018

18 Cost of Planted Forest and Forestry Right Agreement

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 represents the cost incurred by the Trust to plant the pine trees during the 2011, 2012, 2017 and 2018 financial years. On April 11 2018 the Trust entered into a Forestry Right with the Crown to establish second and third pine rotation crops. The pine trees planted by the trust in 2011, 2012, 2017 and 2018 were included within the Forestry Right. The Forestry Right is in two parts (both identical, but covering the forest estate in two parts) will, once fully implemented, have established a second rotation pine crop comprising 3,625 hectares. From this Forestry Right the Trust receives a annual rental (paid quarterly) from the Crown and on harvest commencing in around 2035 the Trust will commence receiving a significant percentage share of the net stumpage (harvest) proceeds. All costs during the term of the Forestry Right are met by the Crown. As the second rotation is harvested the Crown will replant a third rotation pine crop all at the cost of the Crown which will then be handed over to the Trust. The Forestry Right will therefore conclude at the end of the second rotation leaving the Trust owning 100% of the third rotation.

19 Forestry Roding Provision

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

As per a Memorandum of Lease dated October 1981, as at 30 June 2016 Trust was committed to compensating TPL4 for two-thirds of the value of the permanent roads on the leased land. Compensation was payable at the conclusion of the lease which is 30 September 2021. The Trust was required to retain funds to cover the cost of the roding compensation. A valuation was obtained dated 17 March 2016 and calculated in accordance with clause 26 (d) of lease. The valuation arrived at a compensation payable by the Trust of \$445,000.

On 24 March 2017 a Variation of Lease has been entered into whereby the rent receivable from 1 April 2017 to 30 September 2021 of \$180,000 will be forgone and in return the Trust is released from any obligation to pay Roding Provision. The 2016 Provision for Roding has been reversed.

20 Emissions Trading - NZU's

The Trust has an ongoing obligation and commitment to comply with the 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 2018 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 \$21.10 as at 30 June 2018 (2017: \$17.20).

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.

BDO Northland
ASSURANCE *BD*

Ngati Hine Forestry Trust

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2018

21 Related Parties

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 (2017: Nil). No administration fees were received from Ngati Hine Housing Limited (2017: Nil).

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 and Pita Tipene are Directors of Puawai Honey Limited and all Ngati Hine Forestry Trust Trustees are shareholders.

Ernest Morton and Pita Paraone are Directors of Hineora Limited and all Ngati Hine Forestry Trust Trustees are shareholders.

Trustee Pita Paraone was appointed as acting CEO of the Trust for the period of 9 May 2018 to 9 September 2018. Pita was remunerated for his services by way of an arms length salary. This cost is reflected in note 15.

22 Capital Commitments

At Balance date the Trust has a commitment under the Nutraceuticals JV Agreement to contribute capital of \$12,625 to Hineora Limited. (2017: \$60,000)

23 Contingent Liabilities

The trust has no contingent liabilities and no guarantees as at 30 June 2018. (2017: Contingent Liabilities Nil. Guarantees Nil.)

24 Events Occurring After Balance Date

The Trust had the following sales of rental properties settle 62 Albert Street, Kawakawa - \$252,872 (12 July 2018), 15 Commercial Street, Kawakawa - \$278,000 (19 July 2018), 48A Otiria Road, Moerewa - \$170,000 (24 September 2018), 22A & 22B Hospital Road, Kawakawa - \$295,000 (31 October 2018) and 24A & 24B Hospital Road, Kawakawa - \$270,000 (31 October 2018).

The Trust has commenced a process to purchase a 7.8ha Kiwifruit Orchard in Kerikeri, and is under a conditional sales offer. It is anticipated the transaction will be completed in the 2019 financial year.





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 BENEFICIAL OWNERS OF NGATI HINE FORESTRY TRUST

Opinion

We have audited the financial statements of Ngati Hine Forestry Trust ("the Trust"), which comprise the balance sheet as at 30 June 2018, and the statement of profit and loss and statement of changes in equity for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Trust for the year ended 30 June 2018 are prepared, in all material respects, in accordance with Chartered Accountants Australia and New Zealand's Special Purpose Financial Reporting Framework for use by For-Profit Entities ("the CAANZ Framework").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared solely for the Trust's beneficial owners, as a body. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Trust and the Trust's beneficial owners, as a body, and should not be distributed to or used by parties other than the Trust or the Trust's beneficial owners. Our opinion is not modified in respect of this matter.

Trustees' Responsibilities for the Financial Statements

The Trustees are responsible for the preparation of the financial statements in accordance with the CAANZ Framework and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

PARTNERS: Adelle Allbon Angela Edwards Scott Kennedy Robyn Terlesk

BDO New Zealand Ltd, a New Zealand limited liability company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms. BDO New Zealand is a national association of independent member firms which operate as separate legal entities.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Trustees.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Who we Report to

This report is made solely to the Trust's beneficial owners, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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 Trust and the Trust's beneficial owners, as a body, for our audit work, for this report or for the opinions we have formed.



BDO Northland
Whangarei
New Zealand
8 November 2018



Ngati Hine Forestry Trust

Trustees' Recommendations to be

Considered by the Beneficial Owners at

the 2018 Annual General Meeting:-

- 1. That the beneficial owners receive the 2018 Annual Report**
- 2. That the beneficial owners receive the 2017/2018 Financial Statements**
- 3. That the beneficial owners authorise the Trustees to appoint BDO Northland, or equivalent, as auditors for the 2018/2019 financial year and to fix their remuneration**



Ngati Hine Forestry Trust

Strategic Intent 2018 – 2030

Te Pae Tawhiti — Our Vision

“He Whenua Hua—He Tangata Ora”

(Productive Lands, People Wellbeing)

Te Kaupapa — Our Mission

“He Ringa Ahuwhenua, He Hanga Mahi”

(To Actively Grow our Assets)

Our Overall Purpose – To Actively Influence

To achieve our purpose, we will: a) Understand our Business, b) Grow our Capacity and Capability, c) Maintain Key Partnerships d) Influence In/Directly

Whaingā 1: Exotic Forest	Whaingā 2: Horticulture	Whaingā 3: Native Forest	Whaingā 4: Supplementary
A) Strengthen the Evolving Mosaic Approach B) Quality Management through the JV C) Grow Parallel Cash Flow Enterprises D) Foster Value Added Processing	A) Extend our Kiwifruit Business B) Examine Diversification C) Explore options for H2B Block D) Investigate Marketing Options	A) Grow Viable Manuka Hive Numbers B) Build the Relevant Infrastructure C) Expand our Products D) Market Product through Collective	A) Develop Organic Production B) Advance Nutraceuticals Business C) Explore Geothermal Potential D) Develop Forest Services and Activities
Whaingā 5: Sound Governance			
A) Well Defined Strategies	B) Clear Policies and Procedures	C) Stronger Connections with Owners and Stakeholders	D) Robust Governance

Nga Tikanga – Our Core Values

1. Mana Motuhake
Self Reliance

2. Kaitiakitanga
Safeguard our Lands

3. Te Tu o Ngati Hine
Ngati Hine Conventions

4. Whakanekeneke
Transformative

5. Manawaroa
We plan long term



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; assisted by Advisory Trustees
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 - 2018	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 - 2018	Pita William Tipene	Current Trustee and Chairman
2006 - 2009	Jason Cooper	
2006 - 2018	Edward Graham Beattie	Current Trustee
2007 - 2010	Lu Hau	
2008 - 2015	Alexander Joseph Critchfield	
2010 - 2013	Tui Shortland	
2010 - 2016	Peeni Henare	
2012 - 2018	Len Bristowe	Current Trustee
2013 - 2018	Pita Cherrington	Current Trustee and Deputy Chairman
2016 - 2018	Waihoroi Shortland	Current Trustee
2016 - 2018	Ernest Morton	Current Trustee



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



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



- 2011 The Trustees completed their review of the Trust's Strategic Plan 2010 – 2025 and a revised plan was approved on the 9th October 2010.
- The Trust completed the building of the ten homes (eight two bedroom and two four bedroom) in Kaikohe in December 2010 and all of these have been leased to HNZC for fifteen years. The HNZC Rural Housing Programme which the Trust had been involved with for some eight years was terminated by the Government on the 31st December 2010.
- The Trust's four kiwifruit orchards continued to perform well. Psa (*Pseudomonas syringae* pv *actinidiae*) was discovered in November 2010 in the Bay of Plenty. To date Psa has not been identified above Auckland.
- In December 2010 the Trust received its initial allocation of 104,972 New Zealand Units (NZUs) for the 4,564 hectares of the Trust's pre 1990 exotic forest. The Trust sold all of these NZUs for \$2,062,349.00. A further allocation of 168,868 NZUs is to be made to the Trust in 2013.
- The kiwifruit orchards Westpac mortgage was further reduced by \$1 million.
- The lessee TPL 4 via their New Zealand agent HFM has continued to harvest the forest on both sides of the forest on Ngapipito Road with some 472 hectares of plantation forest land formally surrendered back to the Trust as at the 1st April 2011, and as at the 30th June 2011 the lessee had returned 581.7 hectares on land which includes reserves and non plantation areas.
- As a consequence of the Emissions Trading Scheme and the inability to find at this time a second rotation joint venture partner or a new lessee the Trust was faced with the requirement to fund itself the re establishment of a commercial forest.
- During the early part of the 2011 winter some 353.3 hectares was re planted in *pinus radiata* and a further 109.5 hectares (harvested in 2009) was released sprayed. The cost of this was \$445,808.00 and was funded from the proceeds from the sale of the NZUs. A "first tree" planting ceremony was held on the 4th May 2011.
- The Trust continued its involvement with a Joint Venture partner (Harvest Pro) operating one harvesting crew (Kaiwae Harvesting Ltd) within the Trust's forest.
- The Trustees commenced a process to review the Trust Order. As a consequence of a Maori Land Court hearing with respect of a challenge to the outcomes of the 2010 Annual General Meeting election process by Marie Tautari the Court on 19th May 2011 instructed the Trust to apply to the Court for a review of the Trust under Section 231 of the Te Ture Whenua Maori Act 1993.
- 2012 The Trustees undertook a review of the Trust Order with a new proposed Trust Order being presented to the beneficial owners at both the 2011 Special General Meeting and at the 2011 AGM. The review of the Trust and the approval of a new Trust Order are still processes which are still progressing through the Maori Land Court.



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

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

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

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 HNZN 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.



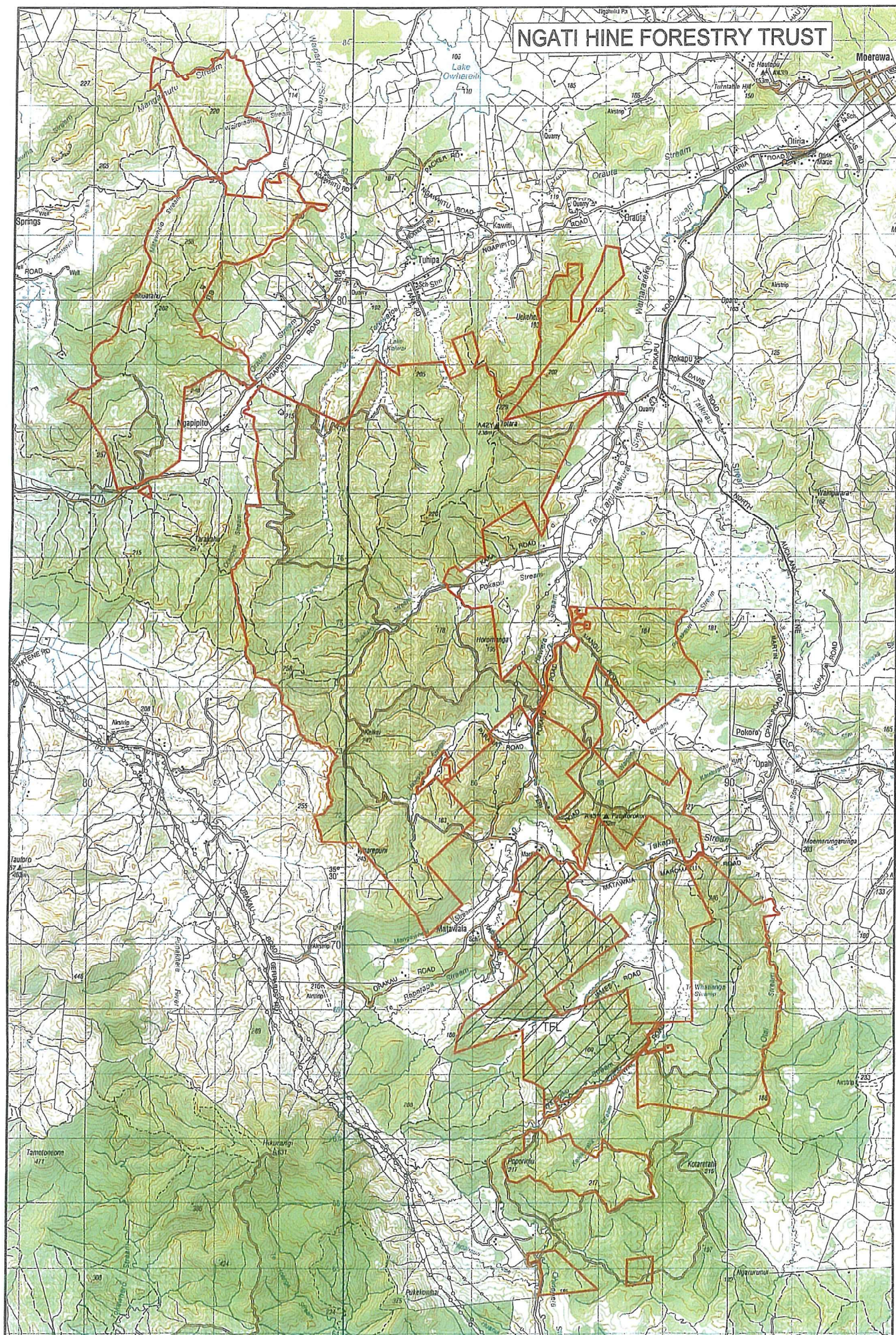
- 2015 The Paparata Kaupapa was advanced with research and analysis of the forest land being undertaken.
- Harvesting of Matawaia continued and the planting of a second rotation pine crop within this forest was commenced.
- Negotiations with TPL 4 to remove the Ruatangata Forest from the lease to TPL 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.
- 2016 Stumpage Sale of the Ruatangata Forest crop to Aubade NZ was transacted.
- All of the Trust's debts to Housing NZ were repaid.
- A pilot trial of planting manuka was undertaken.
- The Trust's manuka honey business was reviewed.
- Harvesting and replanting of the Matawaia Forest continued.
- Work undertaken on future land use options for Trust's forest estate.
- Discussions held with TPL 4 regarding roading compensation liability.
- 2017 Negotiations with TPL 4 regarding roading compensation concluded and variation of lease signed
- Expansion of Manuka honey business
- 105 hectares of 2R pine planted
- 10 hectares of Manuka planted
- Nutraceutical business JV established
- Kiwifruit Debt to Westpac fully repaid
- Detailed land utilisation mapping of the forest estate completed
- Special General Meeting held for beneficial owners in August 2017
- 2018 Forest Right signed with Crown for a second and third pine rotations
- Contract entered into with Crown to plant up to 495 ha of manuka and to provide forestry industry training over a two year period
- Tree planting ceremony "Te Herenga Rua i Pukeatua" on 31 May 2018
- Appointment of new Tumu Whakarae - CEO Huhana Lyndon



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
2R	Second pine rotation planting

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
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>	pitabet18@gmail.com	0274 387 054
Edward Beattie	Ebeattie141@gmail.com	021 270 2345
Rewiti Pomare Kingi (Pita) Paraone	paraone@xtra.co.nz	021 954 912
Len Bristowe	ngabush@live.com	021 633 473
Waihoroi Shortland	waihoroi@xtra.co.nz	027 664 2006
Ernest Morton	ernest.morton@xtra.co.nz	027 492 0218

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