

Ngāti Hine Forestry Trust Annual Report



2020



2020 Annual Report to Owners

For the Twelve Months Ended 30 June 2020

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Annual General Meeting Agenda

Chairman's Introduction
Presentation of the 2020 Annual Report
Presentation of the 2019/2020 Financial Statements
Audit Report
Recommendations to Owners
Poroporoaki
Lunch



Ngāti Hine Forestry Trust

2020 Annual Report

Tena rā koutou e te iwi

a) Executive Summary

The most significant event during the past financial year was the decision to convert the cultivars on two of the Trust's orchards; Paparata and Te Tara Kowhai and to carry out the physical conversions and improvements to infrastructure. This is significant because of the large size of the investment being made. More on this later.

The successful completion of the second and final of the two phases of the Trust's mānuka planting and forestry training programme (Ngā Māhuri o Ngāti Hine) was a highlight; this programme focused on developing people and the start of the diversification of the forest estate from pine to native species. This is an intergenerational aspiration of the trust.

It was also decided that the Trust conclude its investment in housing, as has been previously signalled, with a decision made to sell the Trust's ten houses in Kaikohe. The proceeds being reinvested into kiwifruit. Again, more on this later.

The Forestry Right arrangement with the Crown signed in early 2018 has been reported on extensively in the past couple of years continues to be operationalised with a further 650 hectares of pine planted in winter 2020.

With regards to returns to the beneficial owner's, progress continues to be made with investments in Ngāti Hine Marae through the Trust's Marae Grants Policy. In addition, a process of work is under consideration with respect of declaring dividends, this being a potential medium term goal and this is also discussed later.

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

Whaingā – Our Overall Goals

To Grow our Capacity and Capability, Maintain Key Partnerships and Influence Directly and Indirectly



b) Financial Report

The following is a summary of the 2019/2020 financial result:

Income	\$4,830,841
Expenditure	\$1,618,987
Net Surplus	\$3,211,854

While the net surplus is \$3,211,854 the taxable income for the year is \$514,431. This is due to non-taxable adjustments, the main one being the \$1.5 million increase in the value of the NZU's held by the Trust.

Forestry since the signing of the Forestry Right with the Crown in early 2018 continues to provide annual cash flow income. The valuation of NZU's held by the Trust is included as income because of accounting standards requirements but in fact is not cash income and thus distorts the bottom-line income figure for forestry.

The mānuka honey business records a profit for the first time in several years. The mānuka honey business is discussed in detail later in this report.

The housing portfolio income continued to provide positive cash flow income. This income ended as this portfolio was sold after the 30 June 2020 balance date. The proceeds are being reinvested in kiwifruit.

The MPI (Ministry for Primary Industries) Mānuka Planting and Forestry Training contract (Ngā Māhuri o Ngāti Hine) income is tagged funding and is not included in the overall income as any surplus has to be returned to MPI.

The income stream from the Trust's five kiwifruit orchards and Zespri shares (as fully imputed dividends) is now the significant cash earner for the Trust. The Trust's two Zespri SunGold orchards Āhuareka and Pukerau being our stand out performers.

During the 2019/2020 year and into 2020/2021 significant capital investment was made in the kiwifruit industry; namely the cultivar conversions to Zespri SunGold of both the Te Tara Kowhai and Paparata orchards. The total spend over the two financial years is in the order of \$6 million of which there was new borrowing of \$3,361,000 in the 2020/2021 financial year.

Total Westpac debt was \$2.26 million as at balance date. This is short term borrowing to be paid down from future kiwifruit revenue. The proceeds from the sale of the Trust's housing portfolio will either be used to pay down debt and/or make a further capital investment in kiwifruit.

The annual income streams from forestry, housing, kiwifruit and Zespri dividends has resulted in a very good cash situation at the end of the year although the mānuka honey business has yet to be fully stabilised.

In summary while the kiwifruit industry returns remain strong the Trust will receive solid annual income from its orchards and Zespri shares. Cash surpluses over the next few years



will, however, need to be applied to the repayment of debt, and further investment in income earning asset expansion.

c) Forest Harvesting

The lessee of now a very small 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. This is the lease that was signed in 1981 and was for one rotation of *pinus radiata* only. The expiry date of the lease to TPL 4 is 30 September 2021.

As the TPL 4 forest lease area is harvested these harvested areas are progressively surrendered back to the Trust. There is now only a minimal area of productive forest land that has yet to be surrendered back to the Trust. This hectareage comprises a number of small and difficult compartments with harvesting expected to be completed during this coming summer.

d) Second Rotation Pine Crop - Forestry Right 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 is therefore implementing a mosaic approach as has been discussed at previous general 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 arrangement entered into with the Crown in the form of a Forestry Right was communicated in detail in the Trust's May 2018 panui, 'Te Tātarakihi' and in both the 2018 and 2019 Annual Reports and at the 2018 and 2019 AGM's.

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.

It is envisaged that up to 3,300 hectares of land will be established as a productive *pinus radiata* crop under this Forestry Right. All costs will be met by the Crown.

The Trust receives an annual rental through-out the term of the Forestry Right and a very significant percentage of the net stumpage upon harvest.

The Forestry Right with the Crown includes the operation 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.

The Forestry Right agreement with the Crown, was a very 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 was 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. In only another couple of decades the beneficial owners will commence owning 100%, given that the pine trees planted by the Trust in the winters of 2011, 2012 and 2017 comprising 660.3 hectares are included within this Forestry Right.

Harvesting of the second rotation could start as early as within the next 15 to 18 years with a third rotation planting commencing at that point.

Planting under this Crown 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. 189.8 hectares of pine were planted in 2018 and a further 753.9 planted in 2019 together with the establishment of a production forest from a further 55.6 of self-regenerating pine.

During 2020 a further 650 hectares were planted with further areas having been brought into production forest from self-regenerating areas of pine. Planting and further forest establishment will continue for a further three years.

e) Nga Mahuri o Ngāti Hine - Mānuka Plantation / Forestry Training Program

Ngāti Hine Forestry Trust has through Ministry for Primary Industries (MPI) partnered to plant up to 495 hectares of Trust lands in Mānuka.

This is a joint venture which has been delivered through Forestry Training Program over two years (2019 and 2020). The Training Program "Nga Mahuri o Ngāti Hine" is an earn while you learn program with a total of 40 trainees (20 each year) completing a Level 2 Forestry Program and planting out up to 495 hectares of Trust lands.

Nga Mahuri o Ngāti Hine embodies the Trust's Mission "He Ringa Ahuwhenua, He Hanga Mahi" to actively grow our assets. Through Nga Mahuri o Ngāti Hine we seek to our people's capability and capacity.

Johnson Contractors delivered the training and worked with Nga Tangariki o Ngāti Hine to deliver our pastoral support. The program has delivered fabulous results for the trainees, whanau and the Trust. We wish to acknowledge Rowena Tana the Project Manager for Nga Mahuri o Ngāti Hine and Suzie Hati-Scott who led the pastoral support for the trainees.

The second years and final year of the programme has been completed, again with significant achievements:

- 210 hectares of mānuka planted. Together with the 209 hectares planted in 2019 this has resulted in 419 hectares being planted in total.
- 19 trainees completed training in 2020
- 16 trainees achieved a NZQA Level 2 Forestry qualification, the remainder having already had these qualifications.
- All trainees were offered full-time employment at the conclusion of training



This particular joint venture with the Crown was a significant step towards the Trust's vision of gradually replacing pine with native. These mānuka plantings will also contribute to commercial returns derived from mānuka honey and potentially other mānuka based products.

f) 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 2013 was completed in 2018/2019. TFL now has no further involvement with this forest; although the Trust remains a shareholder of TFL. TFL is to be wound up in the near future.

The Trust entered into a 50/50 Joint Venture Partnership with Kiwi Forestry International Ltd in 2013. This partnership involved 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 have either been planted in mānuka or left to regenerate back in to native.

g) 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) but with the Trust having 100% interest in the stumpage.

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 almost completed harvesting of this pine forest. Aubade will complete the remainder of the harvest during this coming summer.

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

h) 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. mānuka) 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 another separate Crown contract (Nga Māhuri o Ngāti Hine) to plant up to 495 hectares of mānuka.

The Trust still holds 171,172 NZU's which had a tradable value as at 30 June 2020 of \$5,460,387 (= \$31.90 per NZU).

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.

i) Mānuka Honey

As at balance date the Trust owned and managed 710 hives in its own right.

In past annual reports there has been extensive explanation as to the reasons for the past poor performance of the Trust’s honey business; namely three previous poor seasons. This past season has been far better with more and better quality honey having been harvested. Sales of high quality mānuka honey at the wholesale level have also been made during the year, resulting in a profit for the year.

The industry, however, is still facing challenges in terms of profitability mainly due to the fact that there is currently a significant over supply of honey in storage all around the country.

Another difficulty for beekeepers in Taitokerau relating to the Government’s regulation determining a scientific definition so as to determine what can be called Mānuka Honey still exists. This means that about 38% of the mānuka honey crop in Tai Tokerau can now no longer be labelled Mānuka.

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

Investigations are continuing with the view to sell honey domestically and internationally under a Ngāti Hine brand and story as opposed to the current model of selling honey wholesale in drums. This is a longer term strategy; not made easy by the large number of participants already in these markets.

As has been mentioned above the Trust is a member of a collective committee of Maori land owners who have interests in the mānuka honey space; this collective is Taitokerau Miere. The aim of this collective is capturing the whole Mānuka honey value chain from drum to overseas and domestic retail outlets.

It is envisaged that should this collective become 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 to be fed back through the value chain, right back to the land owner.

Taitokerau Miere, and the Trust, also continue to lobby the Government to change the regulation around the definition of mānuka honey.

The Government through \$6 million of Provincial Growth Funding has established the Mānuka Charitable Trust with the purpose of securing the name "mānuka" by way of patent and intellectual property rights. The Trust draws its trustees from throughout the nation and is interim until such time as robust consultation is held nationwide to ensure clear representation. Essentially this is to stop the Australians using the word "mānuka" to market Australian honey. Pita Tipene is the Chairman of this Charitable Trust.

j) Nutraceuticals

The Trustees in April 2017 established a Joint Venture Company, Hineora Limited, a vehicle for the Trust to enter into the nutraceutical industry. This was a 60% / 40% JV with the Trust holding the 60%. During 2019/2020 the Trust acquired the 40% shareholding from the JV partners being Peter Gregory and Jules Smith. Therefore, the Trust now owns 100% of Hineora Limited. The Directors are Len Bristowe and Ernest Morton.

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 Ngāti Hine story both domestically and overseas. The Trust has during 2017 and early 2018 had research undertaken with funding having been received from external sources and with University expertise. This scientific research is set to continue over the next twelve months

It is envisaged that future Ngāti Hine branding and story would be the same for both mānuka honey and any nutraceutical product that is developed.

This business opportunity is commercially sensitive as this is an extremely competitive market and thus regrettably the Trustees remain unable to disclose details at this stage.

k) Kiwifruit Orchards - Paparata, Te Tara Kowhai, Te Ara Kopeka, Ahuareka and Pukerau

The trust owns five kiwifruit orchards in Kerikeri – Waipapa comprising 43.5716 hectares (108 acres) of land. There is 27.96 hectares of Zespri SunGold G3 kiwifruit canopy.

Paparata, Te Tara Kowhai and Te Ara Kopeka were purchased by the trust in 2004. Āhuareka was purchased in December 2006 and Pukerau in December 2018. A brief overview of the orchards follow:

Ahuareka – KPIN 6275

7.5207 hectares of land
 5.64 hectares of canopy Zespri SunGold G3
 61,086 trays 2020 crop

Pukerau – KPIN 3330

7.8201 hectares of land
 3.85 hectares of canopy Zespri SunGold G3
 59,603 trays 2020 crop

Paparata – KPIN 3566

9.5828 hectares of land
 6.49 hectares of canopy Zespri SunGold G3 (cultivar conversion to SunGold July/August 2020).
 67,818 trays 2020 crop of Hayward Green

Te Tara Kowhai – KPIN 2953

10.5013 hectares of land
 6.73 hectares of canopy Zespri SunGold G3 (cultivar conversion to SunGold July 2020).
 59,457 trays 2020 crop of ENZA Gold A19.

The 2019 ENZA Gold crop made a loss of \$245,115 and the loss from the 2020 crop is still to be ascertained. Losses are carried by the lease (Seeka Limited) and will be deducted from future profits.

Te Ara Kopeka – KPIN 8181

8.1467 hectares of land
 5.25 hectares of canopy Zespri SunGold G3 (cultivar conversion to SunGold July 2019).
 Zero trays 2020 crop – cultivar conversion

1.33 canopy hectares within Te Ara Kopeka (total canopy 5.25 ha) was converted to G3 licence using Seeka acquired Zespri licence. The cost of this licence \$284,224 and cut over \$55,000 (total \$339,224) is to be repaid to Seeka from income proceeds from the 1.33 ha area of this orchard. Essentially Seeka are treating Te Ara Kopeka as two orchards; the 1.33 ha area and the remaining 3.92 ha. It is estimated that it will take 3 years to repay the debt to Seeka.

Net \$ Returns to the Trust in 2019/2020 Financial Year:

Ahuareka - SunGold	\$ 636,871
Pukerau - SunGold	\$ 431,285
Paparata – Hayward Green	\$ 84,149
Te Tara Kowhai – ENZA Gold A19	\$ 40,380 *
Te Ara Kopeka – Being converted	\$ 65,430
2019/2020 Total	\$1,258,115

*While Te Tara Kowhai has been recording losses with its ENZA Gold A19 variety, Seeka Limited have still been paying a monthly “rental” on this orchard.

Despite the restrictions imposed through the Covid-19 lock down the 2020 Kiwifruit season was very successful with all fruit harvested and marketed. Zespri's 2019/2020 operating revenue was \$3.36 billion with 164.4 million trays of kiwifruit being sold. While this volume was down 2% on the previous year global revenue generated by fruit sales increased by 7% with the overall total of fruit payments to growers increasing by 8%.

There was therefore an increase in 2019/2020 per tray of Orchard Gate Returns (OGR) across all categories. The average Hayward Green per tray return increased from \$5.45 to \$6.67, with average per hectare for Green reaching \$67,295. The SunGold average return per tray also increased to \$11.86 and the average return per hectare was a record \$161,660.

In last year's Annual Report, the Trustees advised that significant investment had been made in kiwifruit; namely the purchase of a fifth orchard "Pukerau" on 14 December 2018. The cost was \$3 million.

A decision was also made during 2018 to convert the cultivar on Te Ara Kopeka from Hayward Green to Zespri SunGold G3. This conversion was completed during the winter of 2019 at a cost of \$1,343,561 spread over two financial years, the majority of which is Zespri SunGold licence cost.

This investment in land and kiwifruit in Kerikeri was made with the confidence of a continuing strong kiwifruit industry providing solid financial returns to participants.

This confidence in the kiwifruit industry and Zespri has continued to be a driver of the Trust to invest still further. The Trust has therefore committed a further \$6 million plus investment spread over 2019/2020 and 2020/2021 financial years.

This new \$6 million plus investment is the cultivar conversions of two orchards – Paparata and Te Tara Kowhai from Hayward Green and ENZA Gold A19 respectively to SunGold G3. This investment was funded from cash on hand and the borrowing a further \$3,361,000 from Westpac. The intention is to reduce debt by putting the proceeds from the house sales on to the mortgage, or investing further in kiwifruit.

This \$6 million plus investment is made of purchasing 13.22 hectares of Zespri SunGold G3 licence for \$5,288,000 (i.e. \$400,000 a hectare) plus the cost of physical costs of cutover/conversion. As part of this process all of the structures on Paparata are being replaced. These cutover and capital structural costs are around \$1 million.

The reasons for this additional capital investment to convert Paparata and Te Tara Kowhai are:

- The ENZA Gold A 19 cultivar on Te Tara Kowhai is not successful having delivered no income over two years.
- The SunGold G3 variety (as evidenced from the large profits being received from Ahuareka and Pukerau) is much more profitable than the Hayward Green. As mentioned above Zespri state that the 2020 OGR for Hayward Green was \$67,295 per hectare whereas SunGold was \$161,660 per hectare.
- The continued enhanced capital gain being achieved of land with SunGold canopy.
- The Trustees did not wish to sell orchard land on the Kerikeri Irrigation Scheme and thus had to invest in a more profitable kiwifruit canopy – i.e. SunGold

Investment

The 2019/2020 Financial Statements record that since 2004 to 30 June 2020 \$14,239,949 had been invested by the Trust in kiwifruit orchards, including the \$5,288,000 which was invested by way of purchasing 13.22 ha of Zespri SunGold G3 licence to enable the cultivar conversions of both Paparata and Te Tara Kowhai in July/August 2020. A further \$1 million (approx.) is being expended undertaking the physical cut over and grafting plus all new structures are being erected on Paparata in 2020/2021.

Total spend from 2004 to now is therefore \$15.2 million.

Current Westpac debt on the orchards was \$2,265,000 million at balance date with a further debt of \$3,361,000 added after balance date.

The current capital value of these five orchards is estimated at around \$27 million based on Orchards in Kerikeri selling for around \$950,000 a canopy hectare.

Production

Once all five orchards are back in full production, they will produce around 400,000 trays of kiwifruit per year.

Conversion program to full production:

- Te Ara Kopeka was converted in 2019 will be in full production 2022
- Paparata and Te Tara Kowhai were converted 2020 and will be in full production in 2023

NOTE – Āhuareka and Pukerau are existing Zespri SunGold G3 orchards.

Future Income Once all Five Orchards in Full Zespri SunGold Production

Based on the net per annum income of \$112,000 to the Trust per hectare from Ahuareka and Pukerau (both full producing SunGold) in 2019/2020 once all five orchards are in full SunGold production in 2023/2024 then net annual income to the Trust is anticipated at \$3.2 million. This is conservative estimate will compensate for the debt to Seeka on Te Ara Kopeka being repaid and losses on Te Tara Kowhai from the ENZA crops being absorbed. All things being equal from 2024/2025 onwards net income to the Trust will be in the region of \$4 million per annum.

Leases to Seeka Limited

All of these five orchards were leased in 2018 under 15-year leases and supply agreements with Seeka Limited.

These leases are of a profit share nature which provide a monthly rental being a share of the profit in advance and that any losses sustained are carried by Seeka until the following season. Seeka cash flow the whole operation.

Within these leases there are five yearly review provisions which allow the Trust and Seeka to take stock of the arrangements in place thus providing an opportunity for the Trust to consider taking over the operational management of the orchards or to agree to some other type of arrangement.



Cadetships

Seeka operate an active cadetship scheme and already this is benefiting Ngāti Hine people.

l) Zespri Shares

The Trust owns 490,620 shares in Zespri.

During 2019/2020 the Trust received \$420,025 in net cash dividends plus a further \$206,876 of withholding tax and imputation credits.

The total cost of purchasing these Zespri shares between 2005 and 2011 was \$292,037.00.

The value of a Zespri share as at 22 June 2020 was \$9.10. At this value the Trust's shares are worth in the region of \$4.5 million. The Zespri shares investment continues to be a star performer for the beneficial owners.

m) Housing Portfolio

As reported to beneficial owners on previous occasions the Trustees decided some time ago that the provision of social housing is no longer a primary objective of the Trust. The Trust sold its houses in Moerewa and Kawakawa during 2017 and 2018 and reinvested the proceeds into Kiwifruit.

Since then and after the balance date of 30 June 2020 the Trust has sold its remaining ten houses in Kaikohe. The net proceeds of \$2,531,521 to be invested in kiwifruit be either paying down debt of making further capital investment, i.e. the purchase of another orchard.

n) Ngatihine H2B Share Value

As one measure of how the Trust is tracking over the past three previous financial years the Trust's Accountant has calculated 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 2019/2020 financial statements, the indicative value of a Ngatihine H2B share is \$6.68.

This compares to a value of \$5.44 in 2016/2017, \$5.43 in 2017/2018, \$5.89 2018/2019 and \$3.46 as determined in September 1999.

o) Post Graduate Tertiary Education and Education and Training Assistance Grants – Clauses 7.7 and 7.8 of Trust Order

There were no study grants made during the 2019/2020 financial year.

p) Marae Grants

The Trust Order at clause 7.6 provides the mechanism by which grants of a capital nature can be made to Ngāti Hine Marae. Grants can only be made in terms of a policy approved by beneficial owners at a general meeting with a maximum spend of \$100,000 in any one financial year.

The Marae Grants Policy was approved by beneficial owners at an AGM on 18 November 2017. This policy set a limit of \$50,000 for any one Marae. Unless the Marae is registered as



a Charitable Trust these grants are deemed distributions to members in terms of the Trust Order and tax credits at the Maori Authority rate of 17.5% have to be attached.

An update on projects being funded by Marae Grants is as follows:

Otiria Marae

Restoration of the pou kara (flag pole) - A maximum funding approval has been capped at \$40,000 cash plus tax credits at 17.5%. This project has yet to be completed and was a commitment in the Trust's 2018/2019 financial statements. It is anticipated this grant will be expended by 30 June 2021.

Ngawha Marae

Development of access road and car park. A maximum funding approval had been capped \$41,250 cash plus tax credits at 17.5% and was also a commitment in the 2018/2019 financial statements. This project has been completed and \$41,055 plus tax credits were expended during the 2019/2020 financial year.

Te Rito Marae (A Charitable Trust)

Approval for a Marae Grant of \$50,000 towards the building of a new ablution block was approved during the 2019/2020 financial year subject to the remaining funds required being acquired via a Crown Provincial Growth Fund (PGF) application. The PGF was subsequently approved and this project will be completed in the near future.

We are working alongside other Ngāti Hine Marae to progress their applications as relevant.

q) Nga Whenua Rahui Kawenata and Pest Control

The Crown entered into a Nga Whenua Rahui Kawenata (the Kawenata) with the Trust on 15 July 1998 to protect the:

- Areas of native forest
- Natural character of the area
- Historic values
- Archaeological values
- Cultural and spiritual values

The Kawenata covers an area of approximately 570 hectares of indigenous forest reserves which exist in 42 discrete blocks within the Trust's overall forest estate with some 16 km between those furthest apart.

As reported last year the results of the kiwi monitoring exercise that was undertaken then provided evidence that there is evidence of male North Island brown kiwi (*Apteryx Mantelli*) present in the Kawenata area known as the Totara Reserve, an area of around 145 hectares of native bush.

The Trust is now in the process of establishing a pest control operation in and around these areas of native bush.

The Kawenata Deed signed in July 1998 stated that "...The Landowner and the Minister, while recognising their mutual intention that this Deed shall continue forever, shall review

the objectives, conditions and continuance of this Deed at successive intervals of twenty-five (25) years from the date of execution..." Therefore, the first review is due on 15 July 2023.

r) Dividends

The Trustees are taking this topic extremely seriously and have been deliberating over it in some detail. Ensuring that a meaningful dividend can be provided for the beneficial owners is the highest priority for the trustees.

With the Crown Forestry Right now well established and the now very large investments in the kiwifruit industry which in a hand full of years will provide solid returns the Trustees are now undertaking due diligence work to ascertain how dividends could be delivered, in what quantum and to how many owners, and within what sort of timeframe.

In previous communications to beneficial owners it has been indicated that the payment of any meaningful dividends is still some way off. The challenges are the significant quantum of annual cash surpluses required plus the not inconsiderable administrative cost of undertaking such an activity.

The context being the large number of Ngātihine H2B shares at 1,809,139 that are divvied up between 5,300 plus beneficial owners together with the ongoing fragmentation of the shareholding via successions.

The Trust Order also currently has a requirement that before any dividend can be declared the Trust must have no debt or mortgages. To advance economically the Trust will probably always have some level of debt if it is to use the strength in its balance sheet to continue growth. This provision will need to be deleted. There are other parts of the Trust Order that will also need reviewing to better facilitate the paying of dividends.

It is intended, therefore, that the matter of dividends, including the consideration of changes to the Trust Order to enable a dividends regime to be established will be canvassed with the beneficial owners at a future special hui in the first half of 2021.

s) Summary

The Trust is now a significant player in the kiwifruit industry in Kerikeri. Big capital investments have been made over the past two years which will reap sizable annual cash flow. Further capital investment in kiwifruit is under consideration.

Unless growth is maintained over time there is the risk of actually going backwards in real terms. It is about keeping up the momentum but in a very considered and incremental fashion.

The forest estate is now pretty much sorted although work is to continue researching "the how to" for the transition from a pine regime to native over several generations.

The success of Nga Mahuri o Ngāti Hine is a highlight for 2020; investing in people and native forest species.



Reflections on the long term objectives of the Trust, including how and where dividends fit in, is now underway. Effective engagement and communications with beneficial owners will be key.

Na reira haere mai, nau mai, piki mai ra koutou

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

Pita Tipene
Chairman
Ngāti Hine Forestry Trust

Ngati Hine Forestry Trust

2020 Financial Statements

Ngati Hine Forestry Trust**Contents of Financial Statements****For the Year Ended 30 June 2020**

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Ngati Hine Forestry Trust

Directory

As at 30 June 2020

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 J Baker Mr L Bristowe Mr P Cherrington Mr E Morton Mr W Shortland Mr P Tipene Mr E Beattie (elect)
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 2020

	Note	2020	2019
		\$	\$
FORESTRY			
Operating Revenue			
Harvest Grant		11,070	116,007
Emissions Trading Scheme - Revaluation of NZU's		1,506,313	342,344
Rent - Crown		222,747	180,449
Nga Whenua Rahui Project		9,734	7,390
Gross Profit from Trading		1,749,864	646,190
Less Direct Costs			
Forestry Consultants		5,588	15,807
Gross Profit		1,744,276	630,383
Less Expenses			
Operating Expenses			
Kiwi Monitoring		6,924	6,750
Pest Control		2,810	640
		9,734	7,390
Administration Expenses			
Legal		6,936	10,197
Repairs and Maintenance		60,666	7,828
		67,602	18,025
Total Expenses		77,336	25,415
Profit		1,666,940	604,968


BDO Northland
ASSURANCE *BDO*

Ngati Hine Forestry Trust

Divisional Statement of Financial Performance (continued)

For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
HONEY			
Operating Revenue			
Sales		495,336	-
Rent - Honey		-	8,000
Total Sales		495,336	8,000
Less Cost of Sales			
Opening Stock transferred from JV		-	32,163
Opening Stock		236,131	142,358
Direct Honey Costs		106,278	-
Share of Earnings and Distributions from Honey JV		-	68,803
		342,409	243,324
Closing Stock		(297,506)	(236,131)
Total Cost of Sales		44,903	7,193
Gross Profit from Trading		450,433	807
Less Direct Costs			
Bee Food and Health		11,769	5,655
Beekeeping		184,708	107,661
Extraction/Packing		14,486	-
Management Costs - Honey Project		49,382	67,063
Repairs & Maintenance		-	301
Testing		4,948	-
Yard Lease		-	260
Total Direct Costs		265,293	180,940
Gross Profit (Loss)		185,140	(180,133)

BDO Northland
ASSURANCE 

Ngati Hine Forestry Trust

Divisional Statement of Financial Performance (continued)

For the Year Ended 30 June 2020

	Note	2020	2019
		\$	\$
KAIKOHE HOUSING			
Operating Revenue			
Rental Income		189,834	183,362
Less Expenses			
Operating Expenses			
Agents Fees and Commission		16,556	16,038
Administration Expenses			
Management Fee		28,475	27,504
Repairs and Maintenance		5,705	27,597
		34,180	55,101
Fixed Costs			
Insurance		18,456	19,131
Rates - Land		26,547	45,776
		45,003	64,907
Total Expenses		95,739	136,046
Profit		94,095	47,316

BDO Northland
ASSURANCE *BDO*

Ngati Hine Forestry Trust

Divisional Statement of Financial Performance (continued)

For the Year Ended 30 June 2020

	Note	2020	2019
		\$	\$
MPI TRAINING CONTRACT			
Operating Revenue			
Funding		602,647	841,774
Less Direct Costs			
Project Management		89,640	28,055
Gross Profit		<u>513,007</u>	<u>813,719</u>
Less Expenses			
Administration Expenses			
Office		4,655	9,062
Salaries & Wages		78,549	178,106
Wages - Kiwisaver Contributions		1,618	4,109
Training Programme		30,440	249,596
Total Expenses		<u>115,262</u>	<u>440,873</u>
Profit		<u><u>397,745</u></u>	<u><u>372,846</u></u>

BDO Northland
ASSURANCE *BDO*

Ngati Hine Forestry Trust

Divisional Statement of Financial Performance (continued)

For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
KIWIFRUIT ORCHARDS			
Operating Revenue			
Rent - Ahuareka		56,400	61,101
Profit Share - Ahuareka		565,341	590,932
Rent - Ahuareka House		15,130	14,560
Rent - Paparata		37,680	40,820
Profit Share - Paparata		46,469	-
Rent - Orchard Pukerau		38,500	22,459
Profit Share - Pukerau		385,585	100,041
Rent - Pukerau Sheds		7,200	3,600
Rent - Te Ara Kopeka		13,150	32,656
Profit Share - Te Ara Kopeka		52,280	-
Rent - Te Tara Kowhai		40,380	43,745
Gross Profit from Trading		1,258,115	909,914
Less Expenses			
Operating Expenses			
Replacement Planting		2,978	-
Finance Expenses			
Interest		91,645	42,751
Administration Expenses			
Repairs and Maintenance		742	-
Total Expenses		95,365	42,751
Profit		1,162,750	867,163

BDO Northland
ASSURANCE *BDO*

Ngati Hine Forestry Trust

Combined Statement of Financial Performance

For the Year Ended 30 June 2020

	Note	2020 \$	2019 \$
Divisional Revenue			
Profit from Forestry		1,666,940	604,968
Profit (Loss) from Honey		185,140	(180,133)
Profit from Kaikohe Housing		94,095	47,316
Profit from MPI Training Contract		397,745	372,846
Profit from Kiwifruit Orchards		1,162,750	867,163
Total Divisional Revenue		3,506,670	1,712,160
Other Income			
Dividends		541,394	431,746
Interest		41,435	46,754
Management Fee - Housing Projects		28,475	27,504
Rent - Office		630	3,943
Share of Earnings and Distributions from KFI JV		(2,300)	2,691
Share of Earnings and Distributions from Hineora JV		(30,329)	(5,274)
Sundry Income		643	3,622
Capital Gain on Disposal of Fixed Assets		-	303,676
Depreciation Recovered		-	76,983
Adjustment - Protection of Flora and Fauna		-	7,571
Total Other Income		579,948	899,216
Net Revenue		4,086,618	2,611,376
Less Expenses			
Operating Expenses			
Accident Compensation Levy		572	363
Consultancy		22,593	18,555
Electricity - Office		961	666
Repairs & Maintenance		660	609
Study/Training Grants		-	5,000
		24,786	25,193

BDO Northland
ASSURANCE 

Ngati Hine Forestry Trust

Combined Statement of Financial Performance (continued)

For the Year Ended 30 June 2020

	Note	2020	2019
		\$	\$
Administration Expenses			
Accountancy		36,982	64,476
AGM/SGM		18,043	23,865
Audit		16,750	18,930
Bank Fees		801	1,004
Fringe Benefit Tax		6,134	5,861
Legal		2,831	15,883
Legal - Non Deductible		3,328	730
Motor Vehicle		22,157	19,132
Non Deductible Expenditure		6,500	1,000
Office		42,620	48,736
Printing, Stationery & Typing		15,235	29,308
Salaries & Wages		196,057	189,771
Wages - Kiwisaver Contributions		5,760	4,910
Subscriptions		9,165	7,104
Trustees Fees		72,400	80,800
Trustees Travel		20,333	29,008
Trustees Meeting		6,852	7,101
		481,948	547,619
Fixed Costs			
Insurance		44,294	37,453
Rates - Land & Water		15,408	8,084
Rent - Office Whangarei		24,503	21,869
Security Office		3,565	3,963
		87,770	71,369
Non Cash Expenses			
Depreciation as per Schedule		106,579	88,049
Loss on Disposal of Assets		83,656	15,074
		190,235	103,123
Total Expenses		784,739	747,304
Profit before Income Tax		3,301,879	1,864,072
Income Tax Expense	2	90,025	-
Net Profit		3,211,854	1,864,072

BDO Northland
ASSURANCE *BDO*

Ngati Hine Forestry Trust

Statement of Changes in Trust Funds

For the Year Ended 30 June 2020

	2020	2019
	\$	\$
Revenues and Expenses		
Net Profit	3,211,854	1,864,072
Total Recognised Revenues and Expenses	3,211,854	1,864,072
Trust Capital Movements		
Movement in Marae Grant Distribution	(41,055)	-
Total Trust Capital Movements	(41,055)	-
Trust Funds at the Beginning of the Year	23,689,994	21,825,922
Trust Funds at the End of the Year	26,860,793	23,689,994

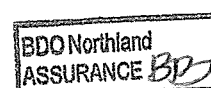
BDO Northland
ASSURANCE *BDO*

Ngati Hine Forestry Trust

Statement of Financial Position

As at 30 June 2020

	Note	2020 \$	2019 \$
Current Assets			
Westpac NZ Ltd		59,525	50,250
Westpac NZ Ltd Harvesting		283,105	263,083
Westpac NZ Ltd Kaikohe		33,453	30,141
Westpac NZ Ltd Moerewa Kawakawa		100	100
Westpac NZ Ltd Online Saver		1,165,817	1,356,760
Accrued Interest		226	11,692
Accounts Receivable		173,758	525,300
Income Tax Receivable	3	31,342	30,002
GST Receivable		762,962	50,030
Stock on Hand		297,506	236,131
Westpac Term Investment		709,893	1,558,137
Total Current Assets		3,517,688	4,111,627
Non-Current Assets			
Fixed Assets		22,893,002	17,518,115
Shares in Companies - at Cost	4	322,059	322,059
Shares in Maori Land	4	314,731	314,731
Native Forest Restoration		845,445	447,235
Investment in Related Entities		22,179	5,265
Emissions Trading - NZU's		5,460,387	3,954,074
Tenancy Bond		560	560
Capitalised Cost of Forest		925,733	925,733
Total Non-Current Assets		30,784,096	23,487,772
Total Assets		34,301,784	27,599,399
Current Liabilities			
Income in Advance		76,491	173,427
Accounts Payable		4,694,568	1,100,102
PAYE		18,873	16,206
MPI Deferred Revenue		110,839	99,866
MSD Deferred Revenue		65,000	-
Current Portion of Term Liabilities	6	120,000	35,000
Provision for Annual Leave		14,734	10,641
Provision for Protection of Flora and Fauna	7	30,000	30,000
Total Current Liabilities		5,130,505	1,465,242
Non-Current Liabilities			
Term Loans - Secured	6	2,147,035	2,270,978
NHH Ltd		575	575
Protection of Flora and Fauna	7	162,876	172,610
Total Non-Current Liabilities		2,310,486	2,444,163
Total Liabilities		7,440,991	3,909,405
Net Assets		26,860,793	23,689,994



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

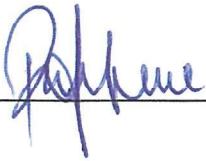
Ngati Hine Forestry Trust

Statement of Financial Position (continued)

As at 30 June 2020

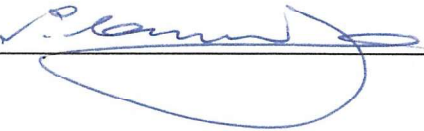
	Note	2020	2019
		\$	\$
Trust Funds			
Trust Capital	8	26,860,793	23,689,994
Total Trust Funds		26,860,793	23,689,994

For and on behalf of the Board of Trustees:



Trustee

Date 15.10.20



Trustee

Date 15.10.20



Ngati Hine Forestry Trust

Depreciation Schedule

For the Year Ended 30 June 2020

RATE & % PVT TYPE 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
MOTOR VEHICLES	48,252	-	48,252	-	-	-	-	-	-	-	804	804	-	-	47,448
FURNITURE & FITTINGS	41,616	23,294	-	-	-	-	-	-	-	-	421	18,743	-	-	22,873
PLANT & EQUIPMENT	73,234	31,497	8,127	-	-	-	(94)	-	1,904	-	8,333	42,037	-	-	31,197
HOUSING KAIKOHE	2,216,573	2,186,245	-	-	-	-	-	-	-	-	-	30,328	-	-	2,186,245
HONEY	212,126	137,787	-	-	-	-	-	-	-	-	21,207	95,546	-	-	116,580
FORESTS (Amortised)	20,668	17,720	-	-	-	-	-	-	-	-	886	3,834	-	-	16,884
ORCHARDS LAND & BUILDINGS	12,015,387	6,727,387	5,288,000	-	-	-	-	-	-	-	-	-	-	-	12,015,387
ORCHARD STOCK (Amortised)	36,725	-	36,725	-	-	-	-	-	-	-	2,754	2,754	-	-	33,971
ORCHARD DEVELOPMENT EXPENDITURE (Amortised)	2,187,837	752,580	184,018	-	-	-	(83,562)	-	-	-	72,174	1,403,975	-	-	780,862
Total Assets	24,518,309	17,518,115	5,565,122	-	-	-	(83,656)	-	1,904	-	106,579	1,625,307	-	-	22,893,002

For the Year Ended 30 June 2019

RATE & % PVT TYPE 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	23,780	-	-	-	-	-	-	-	-	486	13,322	-	-	23,294
PLANT & EQUIPMENT	67,011	32,291	6,515	-	-	-	-	-	-	-	7,309	35,514	-	-	31,497
HOUSING KAIKOHE	2,216,573	2,186,245	-	-	-	-	-	-	-	-	-	30,328	-	-	2,186,245
HOUSING MOEREWA	-	372,462	-	-	1,738,047	-	61,909	-	1,498,379	303,676	-	-	-	-	-
HONEY	212,126	161,685	-	-	2,805	-	-	-	3,400	-	21,293	74,339	-	-	137,787
FORESTS (Amortised)	20,668	18,653	-	-	-	-	-	-	-	-	933	2,948	-	-	17,720
ORCHARDS LAND & BUILDINGS	6,728,387	2,561,006	4,166,381	-	-	-	-	-	-	-	-	1,000	-	-	6,727,387
ORCHARD STOCK (Amortised)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ORCHARD DEVELOPMENT EXPENDITURE (Amortised)	2,354,492	697,608	113,000	-	-	-	-	-	-	-	58,028	1,601,912	-	-	752,580
Total Assets	19,306,764	14,695,535	4,285,896	-	1,740,852	-	61,909	-	1,501,779	303,676	86,049	1,783,649	-	-	17,518,115

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

Ngati Hine Forestry Trust

Notes to and forming part of the Financial Statements

For the Year Ended 30 June 2020

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 12 October 2020.

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.

Going Concern

As at balance date the Trust is in a negative working capital position. This is due to the timing of the purchase of the Zespri licences at year end. Subsequent to balance date this position has been corrected with the drawdown of debt as described in note 25.



Ngati Hine Forestry Trust

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

For the Year Ended 30 June 2020

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.

Donations and Grants with no "use or return" conditions are recorded when cash is received. Donations and grants with "use" or "return" conditions attached are recorded as a liability when cash is received and as conditions are met, the liability is reduced and revenue is recognised.

Profit shares pertaining to the kiwifruit orchards are recognised when they have been determined.

(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.

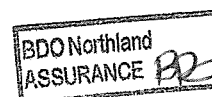
The Trust was gifted one pounamu stone on 17 January 1992 and another seven stones on 25 February 1995 from Ngai Tahu. These are classified as heritage assets for the purposes of financial reporting, however, due to the cultural significance of the pounamu it is not appropriate to place a monetary value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



Ngati Hine Forestry Trust

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

For the Year Ended 30 June 2020

(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.

(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

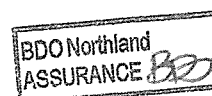
The Trust has an interest in joint venture operations, where the Trust is entitled to a share of future economic benefits. The Trust's interest is recorded using the equity method where the Trust recognises its share of earnings and distributions received (in the statement of financial performance) and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

(k) Subsidiaries

The Trust has two subsidiaries which are both 100% owned.

Ngati Hine Housing Limited is dormant and therefore no consolidation is required.

Hineora Limited, previously a joint venture company, became a wholly owned subsidiary during 2020. On the basis of materiality this has been accounted for under the equity method as noted above. This arrangement is currently being reviewed with a decision to be recorded by way of a Trustee resolution during the 2021 financial year.



Ngati Hine Forestry Trust

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

For the Year Ended 30 June 2020

(l) Marae Grant Distributions

The Trust Order makes provision for distributions to be made to Marae (Clause 7.6). A Marae Grants policy was approved by beneficial owners at the Trusts AGM on 18 November 2017. Marae Grant payments are treated as distributions to members and are a deduction from equity. Depending on the tax status of the recipient Marae, the Trust may be required to attach Maori Authority Tax Credits and/or deduct Resident Withholding Tax from any payments made.

(m) 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 earnings from manuka honey and nutraceuticals. The Trustees have split project management related costs associated with the MPI training program as 50% capital and 50% expenditure in the year incurred.

(n) 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.

2 Tax Reconciliation

	2020	2019
	\$	\$
Profit before Income Tax	3,301,879	1,864,072
Permanent Differences		
Capital Gain on Disposal of Fixed Assets	-	(303,676)
Adjustment - Protection of Flora and Fauna	-	(7,571)
Legal - Non Deductible	3,328	730
Non Deductible Expenditure	6,500	1,000
NZU'S - Non Taxable	(1,506,313)	(342,344)
Study/Training Grant	-	5,000
Imputation Credits to Gross up Dividend	85,509	167,901
Share of Earnings and Distributions from Hineora JV	30,329	5,274
Native Forest Restoration	(7,500)	(7,500)
Holiday Pay Movement	4,093	-
Tax Losses Utilised This Year	(1,403,394)	(1,382,886)
Total Permanent Differences	(2,787,448)	1,864,072
Taxable Income	514,431	-
Tax Expense at 17.5%	90,025	-
Tax Expense	90,025	-
Unused income tax losses available to carry forward	488,618	1,403,393

The business surplus (deficit) returned for income tax differs from that shown in the financial statements. The difference has 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.



Ngati Hine Forestry Trust

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

For the Year Ended 30 June 2020

3 Income Tax

	2020	2019
	\$	\$
Opening Balance	(30,002)	(17,033)
Plus:		
Provision for Taxation	90,025	-
Refunds	30,004	17,035
	<u>120,029</u>	<u>17,035</u>
Less:		
Dividend Withholding Credits	31,345	29,982
Imputation Credits Received	90,024	-
RWT Paid	-	22
	<u>121,369</u>	<u>30,004</u>
Income Tax (Receivable)	(31,342)	(30,002)

4 Term Investments

	2020	2019
	\$	\$
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 - 490,620 shares	292,037	292,037
Kerikeri Irrigation - 1,316 shares (2019:284)	284	284
Total	322,059	322,059
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	636,790	636,790

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Ngati Hine Forestry Trust

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

For the Year Ended 30 June 2020

5 Financial Instruments

Financial Instruments - Financial Assets 2020

	Amortised Cost	Cost	Fair Value
	\$	\$	\$
Cash and cash equivalents	2,251,894	-	-
Receivables	173,984	-	-
Shares in Companies	-	322,059	-
Emissions Trading NZU's	-	-	5,460,387
	2,425,877	322,059	5,460,387

Financial Instruments - Financial Liabilities 2020

Payables	(4,694,568)	-	-
Loans	(2,267,035)	-	-
	(6,961,603)	-	-

Financial Instruments - Financial Assets 2019

	Amortised Cost	Cost	Fair Value
	\$	\$	\$
Cash and cash equivalents	3,258,472	-	-
Receivables	536,992	-	-
Shares in Companies	-	322,059	-
Emissions Trading NZU's	-	-	3,954,074
	3,795,464	322,059	3,954,074

Financial Instruments - Financial Liabilities 2019

Payables	(1,100,102)	-	-
Loans	(2,305,978)	-	-
	(3,406,080)	-	-

6 Term Loans - Secured

Westpac NZ Ltd - 91

	2020	2019
	\$	\$
Total Outstanding	1,471,963	1,502,618

Less:

Current Portion	60,000	30,000
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Term Portion

	1,411,963	1,472,618
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Westpac NZ Ltd - 92

Total Outstanding	795,072	803,360
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Less:

Current Portion	60,000	5,000
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Term Portion

	735,072	798,360
--	----------------	----------------

The Trust raised the above Westpac loans to purchase the Pukerau Orchard property and Zespri Licences. The loans were interest only to 14 December 2019 and 29 May 2020 respectively, then principal repayments commenced. Maturity date is 14 December 2023 and 29 May 2024 respectively. The bank holds a registered first mortgage over the five orchard properties and had an assignment over orchard rental proceeds.

The Trust has an overdraft arrangement with the bank. As at balance date, the limit was \$50,000 (2019: \$400,000) and the security arrangement mirror those of the loans above.

Total Term Loans - Secured

	2,267,035	2,305,978
--	------------------	------------------

Ngati Hine Forestry Trust

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

For the Year Ended 30 June 2020

7 Provisions

Protection of Flora and Fauna

	2020	2019
	\$	\$
Opening Balance	202,610	217,571
Movement for period	(9,734)	14,961
Closing Balance	192,876	202,610
During 1998 the Trust received a payment of \$78,232 for fencing after the present tree crop is harvested in 10-12 years. The condition requiring fencing of the kawenata area was amended 14 May 2018 and now requires that this provision is used to establish and maintain an effective pest control programme.		
Total Provisions	192,876	202,610

8 Trust Capital

	2020	2019
	\$	\$
Opening Balance	23,689,994	21,825,922
Plus:		
Net Surplus	3,211,854	1,864,072
Less:		
Marae Grant Distribution (i)	41,055	-
Total Trust Capital	26,860,793	23,689,994

(i) The total distribution paid in respect to the Ngawha Marae Komiti was \$49,763 inclusive of tax credits

BDO Northland
ASSURANCE *BD*

Ngati Hine Forestry Trust

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

For the Year Ended 30 June 2020

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 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	26,860,793
LESS: Trust Corpus	7,598,500
Balance of Accumulations available for distribution	19,262,293
Total Equity	26,860,793

Ngati Hine Forestry Trust

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

For the Year Ended 30 June 2020

9 AGM/SGM Expenses	2020	2019
	\$	\$
Catering	5,500	6,000
Printing & Stationery	10,189	14,192
Advertising	1,990	2,883
Sound System	-	350
Transport	365	440
Total AGM/SGM Expenses	18,044	23,865
10 Accounts Receivable	2020	2019
	\$	\$
Prepaid Expenditure	27,419	23,161
Accounts Receivable	146,339	502,139
Total Accounts Receivable	173,758	525,300
11 Accounts Payable	2020	2019
	\$	\$
Trade Creditors	4,694,568	1,100,102
PAYE	18,873	16,206
Total Accounts Payable	4,713,441	1,116,308
12 Income Received in Advance	2020	2019
	\$	\$
Forestry Rental	68,189	165,125
Other	8,302	8,302
Total Income Received in Advance	76,491	173,427
13 Commitments under Operating Lease	2020	2019
	\$	\$
Current	-	9,528
Term	-	794
Total Commitments under Operating Lease	-	10,322

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ASSURANCE *B2*

Ngati Hine Forestry Trust

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

For the Year Ended 30 June 2020

14 Orchard Properties - Kerikeri

	2020	2019
	\$	\$
Orchard Properties - Kerikeri		
Te Tara Kowhai - Land	317,383	317,383
Te Tara Kowhai - Vines & Structures	798,807	798,807
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	502,636	660,926
Ahuareka - Land	904,411	904,411
Ahuareka - Vines & Structures	1,016,320	988,960
Ahuareka - Gold Licence	105,661	105,661
Pukerau - Land	804,338	804,338
Pukerau - Vines & Structures	989,939	989,939
Pukerau - Buildings	122,661	122,661
Pukerau - GA Licence	1,099,328	1,099,328
Te Ara Kopeka - G3 Licence	1,147,200	1,147,200
Te Tara Kowhai - Zespri Licence	2,692,000	-
Paparata - Zespri Licence	2,596,000	-
Total Orchard Properties - Kerikeri	14,239,949	9,082,879

On 25 June 2004 the Trust purchased three orchard properties in Kerikeri. In December 2006 a further orchard was purchased. In December 2018 the Pukerau orchard was purchased. The cost price as at balance date is above. These five properties are leased to Seeka - Te Tara Kowhai, Paparata and Te Ara Kopeka for a term of 15 years and Ahuareka for a 5 year term. All orchard properties also own water rights which are allocated on a per hectare basis. These water rights are allocated to these four parcels of land and if the orchards are sold the water rights stay with the land.

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

During the months of August to November 2015 Ahuareka was converted to another variety of Kiwifruit less susceptible to PsA V.

In July 2019 Te Ara Kopeka was converted to Zespri SunGold.

During the winter of 2020 both Paparata and Te Tara Kowhai were converted to Zespri SunGold. Zespri SunGold licences were acquired for these two orchards via a tender process which commenced in March 2020, in which the Trust was successful. Deposits for these licences were paid in June 2020, with the balance of the commitment paid in July 2020.

15 Trustees Payments

	Fees	Travel	Total
	\$	\$	\$
Trustees Payments 2020			
P Paraone	1,200	939	2,139
E Beattie	2,400	454	2,854
P Tipene	14,000	1,934	15,934
L Bristowe	16,400	2,611	19,011
P Cherrington	7,200	942	8,142
W Shortland	4,000	705	4,705
E Morton	18,400	9,810	28,210
J Baker	8,800	2,935	11,735
Total Trustees Payments	72,400	20,330	92,730

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Ngati Hine Forestry Trust

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

For the Year Ended 30 June 2020

Trustees Payments 2019

P Paraone
E Beattie
P Tipene
L Bristowe
P Cherrington
W Shortland
E Morton
J Baker

Total Trustees Payments

Fees	Travel	Total
\$	\$	\$
44,285	5,172	49,457
8,400	2,730	11,130
18,800	4,372	23,172
13,200	3,063	16,263
8,000	1,188	9,188
4,000	1,144	5,144
18,400	9,012	27,412
3,600	2,324	5,924
118,685	29,005	147,690

E Beattie replaced P Paraone as Trustee (2019: P Paraone acting CEO fee of \$44,285 included a salary of \$37,885.)

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.

Hineora Limited, is a wholly owned subsidiary company of the Ngati Hine Forestry Trust. This company is the vehicle to enter into the nutraceuticals industry. Reflected in the Financial Statements with respect to the nutraceuticals:

- Share of earnings/(loss) (\$30,329) (2019: (\$5,274))
- Investment \$26,337 (2019: \$7,123)

17 Joint Venture Partnerships

Matawaia Forest

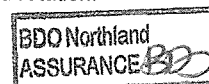
The Trust is a 50 percent partner in a joint venture operation which has the Harvesting and Marketing contract for the Matawaia Forest. The pine crop of the Matawaia Forest is owned wholly by Taitokerau Forests Ltd. Reflected in the Financial Statements with respect to the forestry joint venture:

- Share of earnings/(loss) (\$2,300) (2019: \$2,691)
- Investment in joint venture (\$4,158) (2019: (\$1,858))

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 comprises the expenditure on these 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 11 April 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 3,000 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.



Ngati Hine Forestry Trust

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

For the Year Ended 30 June 2020

19 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 \$31.90 as at 30 June 2020 (2019: \$23.10).

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.

20 Marae Grants Commitment

The Trust has committed to the following Marae Grants:

29 May 2019 Otiria Marae (2019: \$40,000)

15 June 2020 Te Rito Marae \$50,000 (2019: nil)

The commitment to Ngawha Marae of \$50,000 was settled during 2020.

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 (2019: Nil). No administration fees were received from Ngati Hine Housing Limited (2019: 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.

Ernest Morton and Lyndon Bristowe are Directors of Hineora Limited and all Ngati Hine Forestry Trust Trustees are shareholders, at balance date.

22 Capital Commitments

At Balance date the Trust has no commitments. (2019: Nil)

23 Contingent Liabilities

The trust has no contingent liabilities and no guarantees as at 30 June 2020. (2019: Contingent Liabilities Nil. Guarantees Nil.)

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Ngati Hine Forestry Trust

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

For the Year Ended 30 June 2020

24 Covid-19

In December 2019, a new virus, COVID-19 was detected in Wuhan, China. The virus was soon common in other countries and on 11 March 2020 the World Health Organization declared that the outbreak should be considered a pandemic.

The result of this pandemic has been a substantial reduction in economic activity throughout the world, as governments have introduced measures (such as the closure of national borders, the closure of non-essential businesses, the cancellation of public events and the imposition of restrictions on individuals) in an attempt to reduce transmission of the virus.

In late March 2020, the New Zealand Government ordered a four-week lockdown, during which non-essential businesses and organisations were not allowed to operate and individuals (other than essential workers or those undertaking essential business) were required to stay at home. Following the lockdown, restrictions were gradually eased within New Zealand, although restrictions remained at the border. Subsequent to this, alert levels have and will continue to change depending upon the spread of community transmission in the New Zealand.

Although there has been delay in some contract delivery, the Trust has predominantly been able to operate as usual irrespective of Covid-19. The Trust is essentially an asset holding company and it is not actively involved in the harvesting of either pine logs or kiwifruit. Covid-19 had not impacted upon the going concern assumption upon which these financial statements have been based.

25 Events Occurring After Balance Date

Kaikohe Housing

The Trust has sold all of the rental properties in Kaikohe, settlement of \$2,531,521 was received 3 September 2020.

Westpac Loan

In March 2020 the Trust entered into a Tender bid process for Zespri SunGold Licences to convert the Paparata and Te Tara Kowhai Orchards. This tender bid was successful, the deposit for the licences was paid in June 2020 with the balance being paid in July 2020. The Trust has also committed to erecting new structures on the Paparata Orchard in the 2021 year. These costs will be financed by the drawdown of \$3,361,000 from Westpac.

Offer to Purchase Kiwifruit Orchard

On 7 October 2020 a conditional offer of \$4.5 million was made to purchase an additional Kiwifruit Orchard in Waipapa.

26 Deferred Revenue

The Trust has entered into a funding agreement with MPI to provide a training and work experience programme for 40 recruits and to establish a 495ha Manuka Plantation on Trust land.

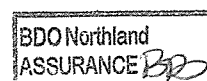
MPI may recover funding which has been misspent, uncommitted as it has not been spent or contractually committed, activities are abandoned or excess funding received.

The Trust entered into a funding agreement with the Ministry of Social Development to provide Covid-19 support to families in the community. The funding for this was invoiced in Jun 2020. The condition of the grant had not been met as at balance date and therefore the revenue is disclosed as a current liability at year end.

27 Reclassification - Orchard

The orchard profit and loss has been extracted for the 2020 year, comparatives have been adjusted.

The Orchard Asset has been disaggregated to better reflect the breakdown of the underlying asset.





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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 statement of financial position at 30 June 2020, and the statements of financial performance and statement of changes in trust funds 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 2020 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 CA ANZ 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 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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.

Emphasis of Matter - COVID 19

We draw attention to note 24 of the financial statements which describes the effects of Covid-19. 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 CA ANZ 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.

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.



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. 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
16 October 2020



Ngāti Hine Forestry Trust

Trustees' Recommendations to be

Considered by the Beneficial Owners at

the 2020 Annual General Meeting:-

- 1. That the beneficial owners receive the 2020 Annual Report**
- 2. That the beneficial owners receive the 2019/2020 Financial Statements**
- 3. That the beneficial owners authorise the Trustees to appoint BDO Northland, or equivalent, as auditors for the 2020/2021 financial year**



Ngati Hine Forestry Trust

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”

Our Overall Purpose - To Actively Influence

Whainga 1: Exotic Forest	Whainga 2: Horticulture	Whainga 3: Native Forest	Whainga 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	A) Develop Organic Production B) Advance Nutraceuticals Business C) Explore Geothermal Potential D) Develop Forest Services and Activities
Whainga 5: Sound Governance	Robust 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 |
|-----------------------------------|---|---|------------------------------------|-----------------------------------|



Ngāti 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 - 2019	Rewiti Pomare Kingi (Pita) Paraone	
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 - 2020	Pita William Tipene	Current Trustee and Chairman
2006 - 2009	Jason Cooper	
2006 - 2018	Edward Graham Beattie	
2007 - 2010	Lu Hau	
2008 - 2015	Alexander Joseph Critchfield	
2010 - 2013	Tui Shortland	
2010 - 2016	Peeni Henare	
2012 - 2020	Len Bristowe	Current Trustee
2013 - 2020	Pita Cherrington	Current Trustee and Deputy Chairman
2016 - 2020	Waihoroi Shortland	Current Trustee
2016 - 2020	Ernest Morton	Current Trustee
2018 - 2020	Jim Baker	Current Trustee
2019 - 2020	Edward Graham Beattie	Current Trustee



A Brief History of the Ngāti 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.

- 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 "Ngāti-Hine Forestry Trust".
MLC closes three roads and vests these in the Trust.
Nga Whenua Rahui application successful.
Negotiations with CHH over closed roads etc.
TFL paid for further silviculture at Matawaia.
- 1996 Nga Whenua Rahui Application injuncted. TFL successfully re-negotiates with Crown & produce a new package for owners. This is accepted by the Trustees.
TFL completes silviculture at Matawaia.
- 1997 Tamati Paraone appointed as an honorary Trustee.

Debt with Westpac repaid and Trust is essentially debt free.

Trust resolves outstanding closed roads and other land issues with CHH for \$60,400. TFL pays \$134,600 to the Trust for the TFL forest right variation but held in trust pending completion of legal matters. Injunction against completing the Nga Whenua Rahui grant is lifted, but NWR payment still delayed.
- 1998 CHH annual rent increases to \$343,000. NWR pays out \$250,000 plus \$78,000 (held in trust) for fencing. Charitable trust and native timber policy proposed. History project initiated and current ownership schedules, addresses etc. completed.
- 1999 Trust has substantial tax paid cash surplus and investigates alternate investment options.
- 1999 The Trust founds and funds the Ngāti-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 HNZN 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 HNZC with respect of gaining 100% control and ownership of the pine forest crop on the Ruatangata Forest were undertaken.

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

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

The MLC Section 231 review of the Trust was concluded.



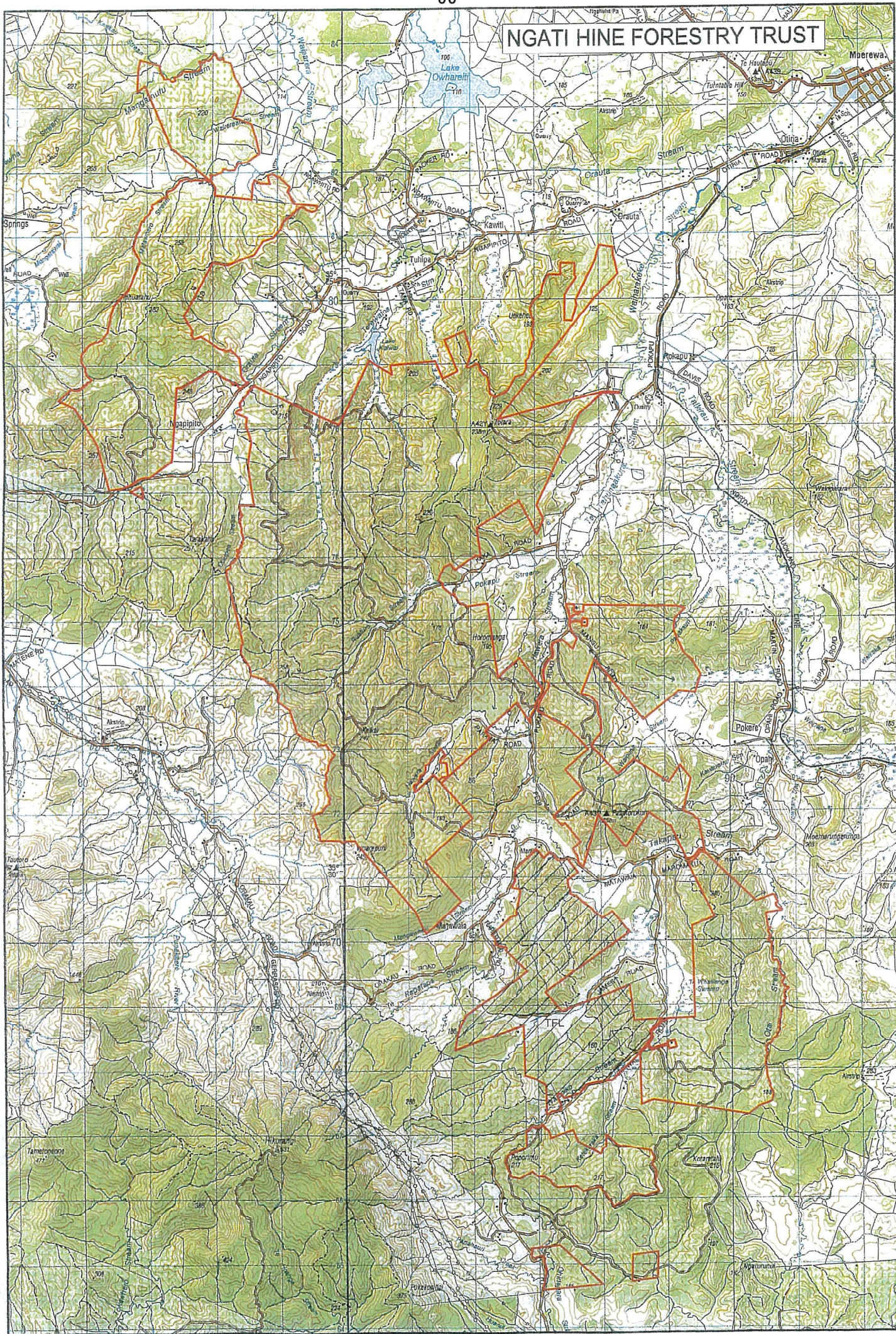
- 2015 The Paparata Kaupapa was advanced with research and analysis of the forest land being undertaken.
- Harvesting of Matawaia continued and the planting of a second rotation pine crop within this forest was commenced.
- Negotiations with TPL 4 to remove the Ruatangata Forest from the lease to TPL 4 was successfully concluded.
- Negotiations with Housing New Zealand to restructure the housing portfolio loans with a more acceptable repayment regime were successfully concluded.
- A Harvesting and Marketing Agreement was entered into with Northland Forest Managers (1995) Limited to manage the harvesting of the Ruatangata Forest.
- Kaiwae Harvesting Ltd the KFIL JV partnership harvesting company was terminated on 31 October 2014.
- Ahuareka Orchard was converted from Hort16 A to Gold 3.
- 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
- 189.8 hectares of pine planted within Forest Right with Crown

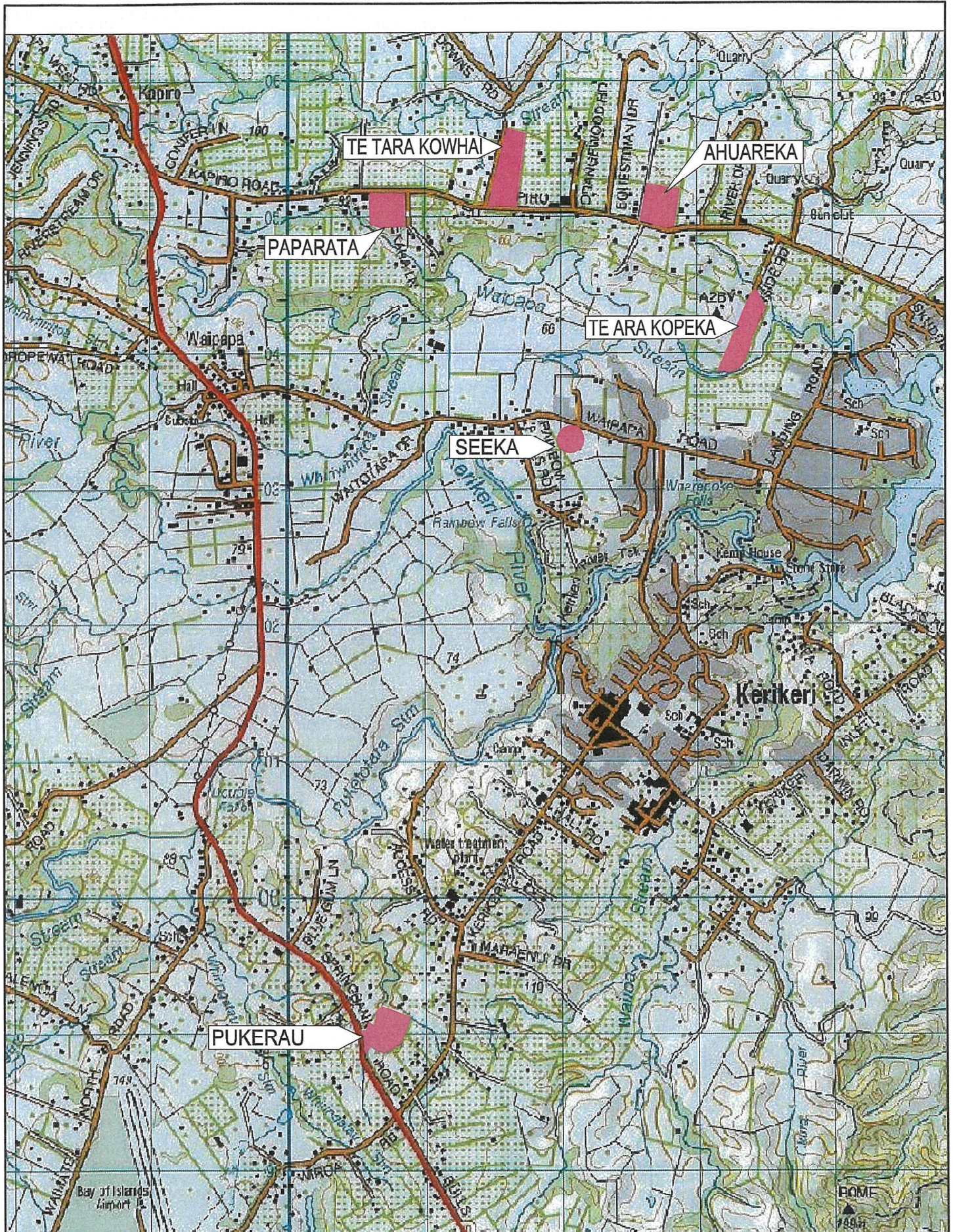


- 2019 Purchase of a fifth Kiwifruit orchard (Pukerau) in Kerikeri
- Cultivar conversion of Te Ara Kopeka kiwifruit orchard from Hayward Green to SunGold G3
- Eleven houses in Moerewa and Kawakawa were sold
- 209 hectares of manuka planted
- 20 forestry trainees achieved a NZQA Level 2 Forestry Qualification with 18 going into full time employment and the two remaining engaged in further training.
- Variation to Nga Whenua Rahui Kawenata enabling "fencing" monies to be utilised for the protection of flora and fauna.
- 753.9 hectares of pines planted within Forest Right with the Crown
- 2020 Cultivar conversions of both Te Tara Kowhai and Paparata to SunGold G3
- Ten houses in Kaikohe were sold
- 210 hectares of manuka planted
- 16 forestry trainees achieved a NZQA Level 2 Forestry Qualification, the remainder already having qualifications with all 19 going into full time employment
- Grants were made to Ngāti Hine Marae
- 650 hectares of pines planted within Forest Right with the Crown

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







Ngāti Hine Forestry Trust

Contact Details

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Bank: Westpac NZ Ltd, Whangarei
Legal Advisor: Thomson Wilson Law, Barristers and Solicitors
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