



ANNUAL REPORT 2017



KAUMĀTUA DINNER 2017

Our Kaumātua Dinner was held on 14 October 2017 at the Great Lake Centre, Taupō.

Here are a few photos of our Kaumātua and Kuia enjoying themselves. Thanks to all involved in this special event.



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ABOUT US

Tūwharetoa Settlement Trust:

We are the Post-Settlement Governance Entity (PSGE) that manages the financial resources returned to Ngāti Tūwharetoa in the Central North Island Forests Iwi Collective settlement.

Approved by Ngāti Tūwharetoa, the Trust was established on 1 July 2009, and has been operating for the benefit of Ngāti Tūwharetoa ever since.

Our role is to:

- ▶ Protect and enhance the mana and rangatiratanga, taonga, and arikitanga of Ngāti Tūwharetoa and its members;
- ▶ Promote and advance the educational, health, spiritual, economic, social and cultural wellbeing of our members and their hapū;
- ▶ Maintain and establish places of cultural or spiritual significance to Ngāti Tūwharetoa; and
- ▶ Pursue any other matters beneficial to Ngāti Tūwharetoa, its members and communities.



"To protect and enhance the mana and rangatiratanga, taonga, and arikitanga of Ngāti Tūwharetoa and its members"

Our other objectives are to:

- ▶ Complete the Mana Whenua determination over land held by Central North Island Iwi Holdings Limited (CNIIHL);
- ▶ Complete the cultural redress on the CNIIHL lands;
- ▶ Establish Forest Hapū Cluster Trusts (FHCs), hold and distribute funds belonging to those Hapū Trusts; and
- ▶ Realise the opportunities in the Deferred Selection Process (DSP) of the CNI settlement (property purchases).

The CNI settlement and Ngāti Tūwharetoa:

Ngāti Tūwharetoa is one of eight iwi included in the CNI settlement. Our Iwi received:

- ▶ A payment of \$66m of accumulated rentals, with approximately \$29m for the associated forest hapū;
- ▶ 25.9% of annual Crown Licence fees until the year 2043;
- ▶ An equal shareholding in CNIIHL (the company holds 176,000ha of the CNI forest land, with the actual land holding by iwi to be determined by Mana Whenua);
- ▶ A share of three million NZUs (carbon credits); and
- ▶ Preferential rights to buy certain Crown assets (DSP).

GOVERNANCE

TŪWHARETOA SETTLEMENT TRUST'S VALUES ARE WISDOM, INTEGRITY, FAIRNESS, TOLERANCE, ACCOUNTABILITY AND COURAGE. ALL THESE VALUES ARE HELD CLOSELY BY THE TRUST, AND WE ARE MEASURED AGAINST THEM BY YOU – THE TŪWHARETOA PEOPLE.

Our Board:

Tūwharetoa Settlement Trust is governed by seven Trustees from within Ngāti Tūwharetoa. Elections will be held in December 2017 for all Trustee positions except that of the Arikitunga (currently held by Jeffrey Bennett).

Our current Trustees are:



**Rakeipoho Taiaroa,
Chairman**

Trustee – Maataapuna

Ngāti Hinemihi, Ngāti Turumakina, Ngāti Manunui, Ngāti Kurauia, Ngāti Turangitukua, Ngāti Te Rangiita, Ngāti Rongomai, Ngāti Pouroto, Ngāti Rakeipoho, Ngāti Whititama, Ngāti Te Mahau, Ngāti Tarakaiahi, Ngāti Te Kōhera, Ngāti Wairangi, Ngāti Marangataua and Ngāti Waewae



**Hon Georgina te Heuheu,
QSO, Deputy Chairman**

Trustee – Iwi Whānui

Ngāti Manunui, Ngāti Turumakina, Ngāti Tutemohuta, Ngāti Hikairo and Ngāti Tutetawha



Te Kanawa Pitiroi

Trustee – Iwi Whānui

Ngāti Hineure, Ngāti Ruingarangi, Ngāti Tahu, Ngāti Te Rangiita and Ngāti Tutemohuta



Jeffrey Bennett

Trustee – Te Arika Representative

Ngāti Turangitukua, Ngāti Tutemohuta, Ngāti Whitikaupeka, Ngāti Tamakopiri, Ngāti Hikairo, Ngāti Kurauia, Ngāti Hinekura and Ngāti Te Rangiita



Dylan Tahau

Trustee – Hikuwai

Ngāti Tutemohuta, Ngāti Hinerau and Ngāti Te Rangiita



Eruini George

Trustee – Tai Hauāuru

Ngāti Te Kohera and Ngāti Tutemohuta



Dr. Charlotte Severne, ONZM

Trustee – Tai Tonga

Ngāti Hikairo, Ngāti Tutemohuta, Ngāti Turangitukua and Ngāti Hinerau

Our Trustees' responsibilities are:

- ▶ Strategic direction
- ▶ Setting values and principles
- ▶ Monitoring performance
- ▶ Reporting to members
- ▶ Risk management
- ▶ Legislative compliance
- ▶ Policy formulation
- ▶ General Manager selection

The Trustees have delegated implementation and operations to the General Manager, through policy and a Delegated Authorities Manual.

CHAIRMAN'S REPORT

**Ko Tongariro te maunga
Ko Taupō te moana
Ko Tūwharetoa te iwi
Ko te Heuheu te tangata**

**E ngā mana, e ngā reo, koutou e hāpai ngā pae o te
iwi, tēnā koutou katoa
Tēnei au, matou, ko te poari e mihi atu ki a koutou e
Ngāti Tūwharetoa whānui
E tangi tonu ana ma rātou kua whiti atu ki te ora,
haere koutou
Hoki mai ki te ao matemate nei, koutou e māuiui, e
pōkaikaha nei, piki te ora, te kaha, te māramatanga ki
a koutou, otirā ki a tātou katoa**

Tēnā koutou katoa

It is my pleasure to present this Annual Report for the 2016/17 financial year, which highlights the positive results that Tūwharetoa Settlement Trust is achieving for Ngāti Tūwharetoa whānau.

Our Trust is tasked with the important role of managing the financial resources returned to Tūwharetoa in the Central North Island Forests Iwi Collective settlement. In doing so, our mission and our focus remains on actively improving the social, economic and cultural wellbeing of Ngāti Tūwharetoa.

Just as our tūpuna fought to carve out a strong place for us, the Trust continues to plan and invest for the benefit of our mokopuna and their future. We want to see a proud and successful Tūwharetoa – *Tūwharetoa, He Whare Mana, He Whare Toa* – and we are committed to providing a strong whare for Ngāti Tūwharetoa whānau and hapū to rely on.


Over the past year we have continued to build a solid foundation for a prosperous future, by ensuring we have robust systems and processes in place. We have allocated funds to our four Forest Hapū Cluster Trusts, who have then returned these funds to our people through grants.

The Trust works for the people of Tūwharetoa, led by our dedicated Trustees. This December marks the end of our current Trustees' term in office, and I would like to thank them for their efforts in serving our whānau and hapū. There have been challenges along the way, but we have tackled them head on, and the result is that we are now stronger than ever.

Back when our Trustees took office in January 2013, their immediate priorities were to set up a new office and operating systems, recruit a General Manager and support team, and get the financials under control – including clarifying the Trust's true level of assets and liabilities. They also needed to establish the Forest Hapū Clusters (FHCs), seek an extension from the Crown to the Deferred Selection Process (DSP) deadline, and advance the completion of the CNI Mana Whenua Process. These were not easy tasks but we have been successful.

In 2013, an audit of the financials revealed that after taking account of the Trust's liabilities to the FHCs, the residual Trust Equity was only \$16.2 million. However, through prudent investments and cost management, now in 2017 the Trust's Equity is \$37.0 million. This is an excellent result, and one that we can all be proud of. Our success has continued in the 2016/17 financial year, with total comprehensive income after tax of \$4.7million.

There has also been great progress with regards to the Trust's grants. To get our finances sorted, the Trustees were forced to make a tough call four years ago to temporarily cease the annual grants for Marae, Kaumātua and Kuia, and the Paramountcy Office. I am very pleased to report that the Paramountcy and Marae Operational grants were re-established in 2016 and Education grants were added in 2017. Looking ahead to 2018, we plan to introduce a Marae Capital Works grant, and the total grants budget will be increased to \$1 million.



“Looking ahead to 2018, we plan to introduce a Marae Capital Works grant, and the total grants budget will be increased to \$1 million.”

Through the DSP process and our collaborative investment with other Tūwharetoa commercial entities, specifically the Tūwharetoa Māori Trust Board, Te Pae o Waimihia, Lake Rotoaira Forest Trust, Lake Taupō Forest Management Limited, Oraukura 3 Incorporation, Puketapu 3A Incorporation and Waihi Pukawa Trust, we have been able to return the following properties to Tūwharetoa ownership:

- ▶ Hautū-Rangipō corrections property and forest
- ▶ Nine Taupō schools land
- ▶ Taupō Courthouse land
- ▶ Taupō Probation Office land and building
- ▶ Forest Enclaves

A further property at 11 Tūwharetoa Street in Taupō has now been purchased on a 50-50 share basis with Te Pae o Waimihia, through the CNI Right of First Refusal (RFR) process. This is a 2,000m² commercial property in the Taupō CBD, with high development potential. More details will be reported once the plans have been developed.

In my last two reports I have spoken of our efforts to work collaboratively with the Tūwharetoa Māori Trust Board and Ngāti Tūwharetoa Fisheries Charitable Trust, while keeping the business of each entity clear and intact. To advance this kaupapa we have signed a Memorandum of Understanding (MOU), formalising our commitment to work together in a positive, efficient and respectful manner for the benefit of Ngāti Tūwharetoa. Our current focus is on sharing administrative services for efficiency.

We also intend to reignite our discussions with Te Kotahitanga o Ngāti Tūwharetoa in the hope to work collaboratively in the future.

I would like to acknowledge the mahi of our Trustee Dylan Tahau, who resigned from his role as General Manager of the Trust in May 2017 to take a senior management position at Taupō District Council. Dylan made a significant contribution to our current strong position and has been a great support to the Trust. We are fortunate that Greg Stebbing has now stepped into the General Manager role, and with several years' experience in the international commercial world and latterly serving Ngāti Tūwharetoa in commercial advisory roles, I am sure he will continue the smooth operation of the Trust.

Lastly, at the time of writing, the Trustee election process is underway and three of the four Taiwhenua positions have been filled due to no contest. I welcome the return of Dylan Tahau on behalf of Hikuwai and Joanne Te Huia as the new Trustee on behalf of Tai Hauāuru Taiwhenua to the Trust. I will fill the Maataapuna Taiwhenua position myself. Adult registered beneficiaries will now be able to vote for the two Iwi Whanui positions, and Tai Tonga Taiwhenua adult registered beneficiaries will vote to fill that specific position.

Ngā manaakitanga o te runga rawa ki runga i a koutou katoa mo tēnei wā o te hari koa.

Meri Kirihimete, tēnā koutou katoa.



Rakeipoho Taiaroa
Chairman

MANAGEMENT



Greg Stebbing
General Manager
Ngāti Rauhoto and Ngāti
Ruingārangi



Kelly Martin
Office Manager
Ngā Ngaru o Hokianga and Ngāti
Korokoro, Ngāpuhi



Mere Tahuparae-Luinstra
Executive Administrator
Ngāti Rangī, Ngāti Tūwharetoa,
Ngā Rauru Kīhahi, Atihau nui
a Paparangi, Te Atiawa, Ngāti
Maniapoto, Tainui



Te Aroha Woods
Finance Administrator
Ngāti Kurauiā




Meriana Morehu
Administration Assistant
Ngāti Te Rangīhita, Ngāti
Tutemohuta

Our Team:

The Tūwharetoa Settlement Trust operational team includes our General Manager, Office Manager, Executive Administrator and Administration Assistant. We also contract a part-time Finance Administrator.

Oversight of financial services is provided by Beker Findlay Allen, and legal advice is provided by Lisle McErlane.



“We were delighted that this continued strong financial performance enabled Tūwharetoa Settlement Trust to increase our distributions”

OPERATIONAL REPORT

Māringiringi ana ngā roimata, te hupe hoki, ma rātou kua okioki. Koutou kua tuku ki te pō, haere koutou. E hoki mai rā e au ki te ora, ko wāku nei mihi aroha ki a koutou katoa e Ngāti Tūwharetoa whānui

Tēnā koutou katoa

The Tūwharetoa Settlement Trust's operations have continued to run well over the 2016/17 financial year. We had a change of General Manager in May 2017, with Dylan Tahau moving on to a newly-created Strategic Development Manager role at Taupō District Council. Greg Stebbing was subsequently appointed as our new General Manager and the transition has been smooth. Greg has held a number of different roles for the Trust since 2013, particularly in a commercial advisory capacity, and is a safe pair of hands.

We maintained consistent operating expenses throughout the year and the Trust achieved excellent financial results through to June 2017, with total comprehensive income after tax of \$4.7 million. This represents an increase of \$1.7 million compared to last year.

We were delighted that this continued strong financial performance enabled Tūwharetoa Settlement Trust to increase our distributions to a total of \$682,800. This was \$125,000 more than was distributed the previous financial year.

In the next financial year the Trust is budgeting for distributions of \$1.0 million, including the introduction of a Marae Capital Works grant programme and targeted Education scholarships.

Key projects over the year included our extensive Member Register Database upgrade project, work to support our Forest Hapū Clusters, and continued mahi on the CNI Mana Whenua process.

Member Register Database upgrade

The Tūwharetoa Settlement Trust Deed states: The Trustees shall have and maintain in a current state, a register of Members of Ngāti Tūwharetoa.

Over the past year considerable effort has been put into improving our Member Register database. We ran an online campaign called Whakatata Mai, which aimed to increase the number of new registrations from Tūwharetoa uri, as well as improve the data accuracy of existing members.

As part of this project, a 'Hapū Validation' process has been implemented. Each Tūwharetoa Hapū received a booklet listing all our members that claim whakapapa links to that Hapū. The role of each Hapū is then to appoint a whakapapa komiti to review the register and either confirm the members' whakapapa or request further information.

This is an important requirement, as the Tūwharetoa Settlement Trust Member Register database is now also used by other entities, such as the FHCs for matters including elections and distributions. Significantly, it was the Tūwharetoa Settlement Trust database that was used by the Tūwharetoa Hapū Forum for the recent ratification of the comprehensive Tūwharetoa Deed of Settlement.

Distributions

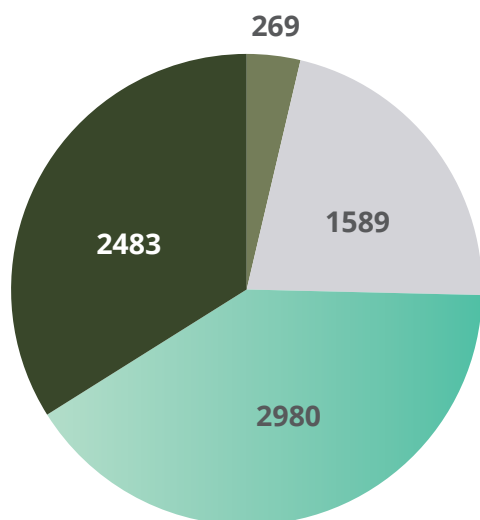
Ngā Marae o Ngāti Tūwharetoa	\$462,800
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Education Grants (distributed via the Tūwharetoa Māori Trust Board)	\$160,000
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Te Arikitanga o Ngāti Tūwharetoa	\$ 60,000
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OPERATIONAL REPORT CONTINUED

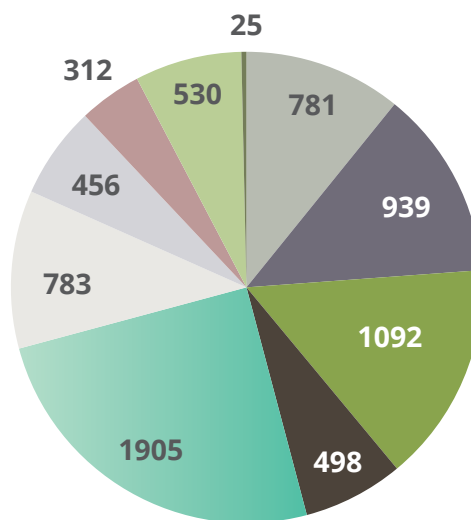
AGE PROFILE



80+	269
60 - 79	1589
40 - 59	2980
18 - 39	2483
Total	7321

Statistics from our Member Register Database as at 30 September 2017

REGION



Auckland/Northland	781	South Island	312
Waikato	939	Australia	530
Bay of Plenty	1092	International other	25
Hawkes Bay & East Coast	498	Total	7321
Taupō/Turangi	1905		
Whanganui/Manawatu	783		
Wellington/Wairarapa	456		

Forest Hapū Clusters (FHCs)

We are pleased to report that three of the four FHCs are now fully operational, having completed all of their Schedule 5 tasks and elected new Trustees. Taurewa remains outstanding but should be established by June 2018.

Te Pae o Waimihia is now well-established and is working through the full implementation of its distributions and investment programme. Key achievements in this area have been:

- ▶ A Marae Capital Works programme supporting the wharekai upgrade at Nukuhau Marae, the total rebuild of Pakira Marae and the soon-to-be-started rebuild of Tutetawha Marae
- ▶ Provision of Kaumātua firewood
- ▶ Marae Operational grants, including whanaunga marae
- ▶ Pakeke (50-59 years old) Medical grants
- ▶ Education grants for tamariki in years 1 to 10
- ▶ Sporting Participation and Representation grants

- ▶ Tangihanga grants
- ▶ Kura/Kōhanga Reo grants
- ▶ Kaumātua housing accessibility (under development)
- ▶ Other support, including Timatanga hou, Ear clinics, Suicide prevention “shot bro” campaign

Marotiri/Pureora is now fully established, having completed all the tasks required of the Initial Trustees. The Trustees, chaired by Anne Kendall QSM, have identified the following tasks as being their main priorities going forward:

- ▶ Refreshing the Strategic Plan
- ▶ Increasing the number of registered members
- ▶ Completing outstanding audits from the previous Trustees’ term
- ▶ Governance – understanding roles and responsibilities, Trustees’ training, and Trustee remuneration
- ▶ Understanding the CNI process, relationships and agreement

Sale of Forestry Rights for Taurewa, Waituhi and Pureora South Forests

In 2012, GFPC (NZ) Ltd, the holder of the Crown Forest Licences, advised CNI Iwi Holdings Limited (CNIHL) that they would not be seeking a renewal of their forestry rights for Pureora South, Taurewa and Waituhi forests (Satellite forests). This meant that once GFPC completed the harvesting of the existing crops, they would not be undertaking any replanting.

In order to safeguard land value and ensure ongoing forestry rental income from these Satellite forests, Tūwharetoa Settlement Trust (TST) agreed with CNIHL to have the forestry rights assigned to TST, who would then assume all the replanting responsibilities and subsequent costs (and income) associated with ownership of the tree crop.

The term of the forestry right is 35 years and while at the end of this period TST would expect to have realised an acceptable financial return, this form of investment does not generate any income until beyond 25 years, with significant costs incurred in the interim. This is not a good investment profile for TST as it impacts on the Trust being able to deliver member benefits in the short to medium term.

In April 2017, TST was approached by two large forestry companies both currently operating at the southern end of Lake Taupō, to enquire if TST was interested in selling its forestry rights in the Satellite forests.

After a series of discussions with both parties, TST has reached an agreement on value and key terms for the sale of the forestry rights for the Satellite forests to Lake Taupō Forest Management Limited (LTFM) on the condition that the respective FHCs be offered first right of refusal.

Discussions with the FHCs are underway and are expected to be concluded by the end of February 2018.

CNI Mana Whenua Process

A unique feature of the CNI Forests Collective Settlement was the agreement that iwi themselves, rather than the Crown, would decide which areas of the returned land would rightfully belong to each iwi. The land was transferred entirely to CNI Iwi Holdings Limited (CNIHL), to then carry out a process of identifying, discussing and eventually agreeing the respective Mana Whenua interests.

The CNI Mana Whenua process was set down to take two years but continues to be ongoing. Given the drawn-out nature of this important process and to provide context and background information, the following is an overview of what has occurred over the past five years.

The land held by CNIHL is made up of 23 Crown Forest Licence areas (CFLs), including 11 Kaingaroa CFLs and 12 Satellite CFLs. Tūwharetoa registered an interest in several of these CFLs (those that are highlighted in the table below) as part of stage one of the Mana Whenua process.

Forest Name	Area (ha)
Crater	1150
Horohoro	1575
Kaingaroa Caves	5078
Kaingaroa Flaxy Creek	10706
Kaingaroa Headquarters	8905
Kaingaroa Matea	20734
Kaingaroa Northern Boundary	13377
Kaingaroa Reporoa	14319
Kaingaroa Totara	5722
Kaingaroa Wairapukao	14545
Kaingaroa Whirinaki	7489
Kaingaroa Waimaroke	22758
Kaingaroa Pukuriri	17173
Waimihia North	7160
Waimihia South	16030
Marotiri	166
Pureora South (Tihoi)	1022
Taurewa	1322
Waituhi	1179
Whakarewarewa Highlands	1481
Whakarewarewa Tokorangi	290
Whakarewarewa Waimangu	649
Whakarewarewa Whaka	3185
TOTAL	176015

The Mana Whenua process was originally intended to be completed by the end of June 2011, along with the resulting resolutions and allocations of title. Due to a series of delays and disagreements, time extensions were provided by CNIHL, and in the later part of 2012 a lot of focus, attention and resource was given to progress Mana Whenua.

In January 2013 a report was issued, which included the Stage One Mana Whenua interest register and record of Stage two 'kanohi ki te kanohi' understandings to date.

At the end of December 2013, after a series of Mana Whenua hui organised by CNIHL, another report was issued with an updated Stage One interest register and the identification of CFLs that iwi believed would be agreed 'kanohi ki te kanohi' and therefore did not need to go to adjudication. A subsequent resolution at the time removed several CFLs from the adjudication process. The CFLs important to Tūwharetoa are: Pureora South, Marotiri, Taurewa, Waimihia North, Waimihia South, Waituhi, Pukuriri and Waimaroke.

OPERATIONAL REPORT CONTINUED

As at 11 December 2013, these iwi maintained a registered interest in major contested CFLs for Tūwharetoa:

- ▶ Waimaroke: Five Iwi – Ngāi Tūhoe, Ngāti Tūwharetoa, Raukawa, Te Pūmautanga o Te Arawa, Ngāti Rangitahi
- ▶ Pukuriri: Four Iwi – Ngāi Tūhoe, Ngāti Tūwharetoa, Te Pūmautanga o Te Arawa, Raukawa
- ▶ Waimihia North: Two Iwi – Ngāti Tūwharetoa, Te Pūmautanga o Te Arawa
- ▶ Waimihia South: Two Iwi – Ngāti Tūwharetoa, Te Pūmautanga o Te Arawa
- ▶ Waituhi and Taurewa were uncontested

In February 2014, Tūwharetoa and Raukawa reached an agreement 'kanohi ki te kanohi' for Pureora South and Marotiri. These are the only CFLs to have been agreed by negotiations.

Nine of the Kaingaroa CFLs went to adjudication in early 2014. In the Adjudicators' final report dated 14 June 2014, they provide an allocation by CFL using a three-level number system (Substantive 4, Medial 2, Limited 1). The Adjudicators had left it up to the respective iwi in each CFL to then determine the form of title. The allocations to Tūwharetoa (through Tūwharetoa Settlement Trust) were:

Kaingaroa CFL Interest	TST
Caves	1
Flaxy Creek	1
Headquarters	0
Matea	2
Northern Boundary	0
Reporoa	1
Totara	1
Wairapukao	1
Kaingaroa Whirinaki	0

(Note: Tūwharetoa did not contest Mana Whenua in Northern Boundary and Whirinaki.)

In September 2015, Ngāti Manawa challenged the Adjudicators, CNIHL and the seven other CNI iwi by stating that the "decision to allocate land has not been completed" and claiming that therefore they had all failed to meet their duties and responsibilities.

The case taken by Ngāti Manawa was heard in the High Court on 9 March 2016, and the reserved judgement was issued on 2 June 2016.

The Court found that CNIHL was not neglectful of its duties but it was instructed to reconvene the Adjudication Panel to "complete the allocation process".

The Adjudication Panel was reconvened and produced a statement on the allocation of lands on 18 November 2016. Unfortunately, one of the Adjudicators was seriously ill during this period and was unable to participate. Only two Adjudicators signed off the statement. This was understood to be a breach of process. On 20 July 2017, prompted by certain PSGEs, CNIHL convened a meeting of the eight PSGEs to see if all eight iwi would agree to amend the CNI Deed to allow only two Adjudicators. The resolution was not passed, with four iwi for the motion and four iwi against.

The November 2016 Adjudication Statement also included other recommendations that are believed to be contrary to the CNI Deed and the March 2016 High Court judgement.

At a Board meeting held on 24 August 2017, CNIHL received kanohi ki te kanohi agreements for the Craters, Whakarewarewa Waimangu and Whakarewarewa Highlands Satellite CFLs.

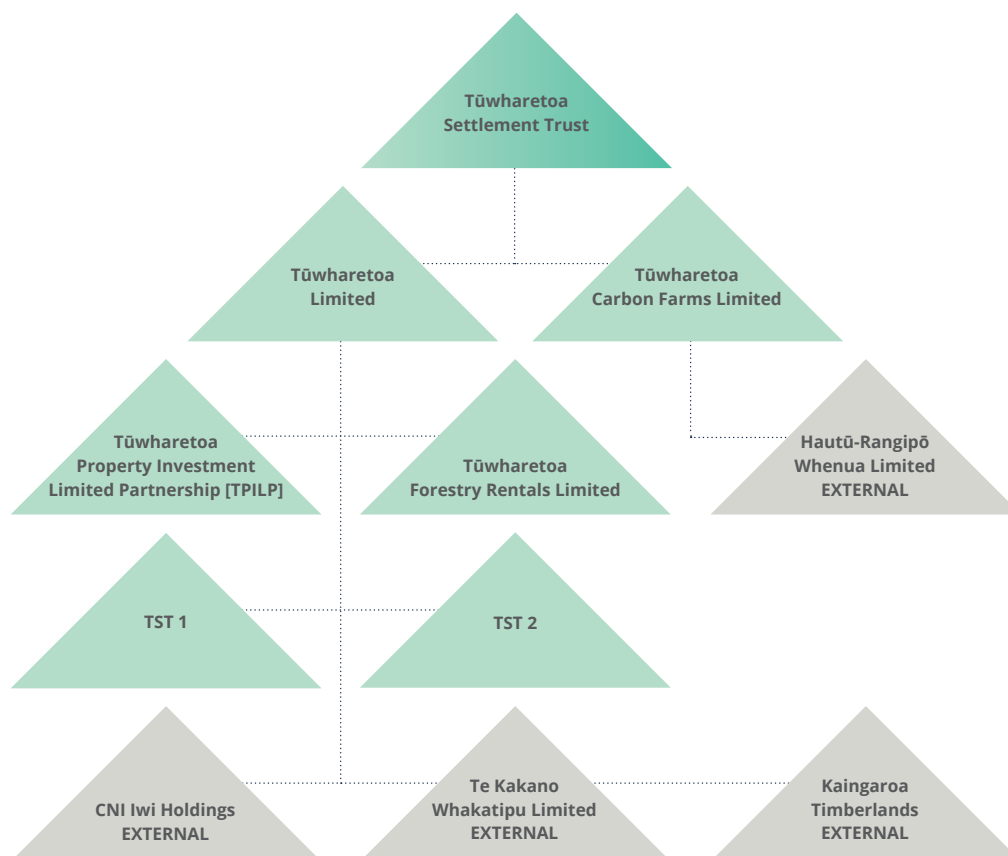
Until August this year, Tūwharetoa Settlement Trust believed that we were in a positive position of mutual understanding with Ngāti Tahu for the CFLs of Waimaroke and Pukuriri, despite a running dispute between Ngāti Tahu and their PSGE Te Pūmautanga o Te Arawa. This understanding appears to have now been undermined by position statements made in the Environment Court at Rotokawa.

Accordingly, there is no short-term end in sight with regards to the Mana Whenua process for the remaining CFLs. Tūwharetoa Settlement Trust will keep our members updated of any further developments.

ORGANISATIONAL STRUCTURE

Our streamlined organisational structure has enabled us to manage risk and make the most of commercial opportunities.

Our subsidiary company, Tūwharetoa Limited, continues to fulfil its role of facilitating the adoption of skilled and experienced personnel, mitigating and managing risk, and facilitating co-investments and capital raising.



CNI Iwi Holdings Limited

Tūwharetoa Settlement Trust holds 11.25% of the shares in CNIHL and appoints two directors to its Board.

Tūwharetoa Property Investment Limited Partnership (TPILP)

This is an investment partnership established to purchase and hold the Taupō DSP properties. Tūwharetoa Properties Limited is the General Partner.

Tūwharetoa Forestry Rentals Limited

Tūwharetoa Forestry Rentals Limited was established to receive rentals and facilitate our lending for, and the investment in, Te Kakano Whakatipu Limited, while limiting risk. The Trust has cleared all its debt.

Te Kakano Whakatipu Limited

This is the company that holds the Iwi Collective investment in Kaingaroa Timberlands. Tūwharetoa Limited holds 20.6% of the shares. The other Iwi investors are Ngāti Raukawa (31.5%), Te Arawa 20.6%, Ngāti Whare (15.9%), Ngāti Whakaue (9.5%) and Ngāti Rangitihī (1.9%).

Tūwharetoa Carbon Farms Limited

Tūwharetoa Carbon Farms Limited is the Tūwharetoa Settlement Trust entity that holds 19.74% of Hautū-Rangipō Whenua Limited. This shareholding may change if Te Hapainga Hapū Collective (the eight hapū with Mana Whenua of the Hautū lands) decide to accept the Trust's offer to purchase part of their share.

TST 1 and TST 2

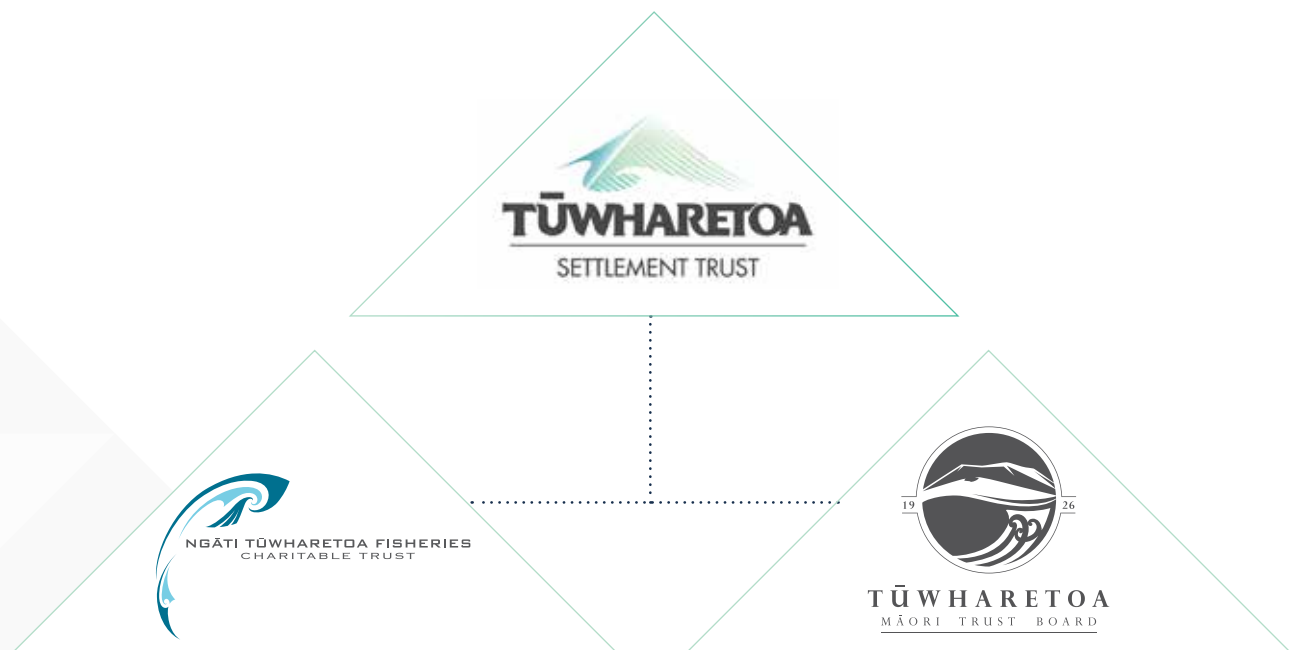
These are the partners in TPILP, representing Tūwharetoa Settlement Trust and Te Pae o Waimihia respectively.


OUR RELATIONSHIPS



Collaboration with other Tūwharetoa Iwi Organisations

AS REPORTED BY THE CHAIRMAN, TŪWHARETOA SETTLEMENT TRUST CONTINUES TO WORK CLOSELY WITH THE TŪWHARETOA MĀORI TRUST BOARD AND NGĀTI TŪWHARETOA FISHERIES CHARITABLE TRUST TO IDENTIFY FURTHER AREAS WHERE CLOSER COLLABORATION WILL DELIVER MORE EFFICIENT SERVICES AND BENEFITS TO THE IWI. THIS COMMITMENT HAS BEEN FORMALISED THROUGH THE SIGNING OF A MEMORANDUM OF UNDERSTANDING.





“Working with both the forestry and farming leases to ensure the best use of the land and return of the respective investors.”

Central North Island Iwi Holdings Limited (CNIHL)

CNIHL is comprised of eight CNI iwi, namely Ngāi Tahu, Ngāti Manawa, Ngāti Tūwharetoa, Ngāti Whakaue, Ngāti Whare, Raukawa, and the Affiliate Te Arawa Iwi/Hapū.

On 1 July 2009, the Crown transferred the CNI lands into a trust holding entity called CNIHL, which is the corporate trustee of the CNI Iwi Holdings Trust. The key functions of CNIHL are:

- 1 To receive the settlement assets.
- 2 To distribute the settlement assets and any ongoing revenue from those assets (including ongoing licence fees paid under the Crown Forest Licences (CFLs)).
- 3 To safeguard the land and ensure that it is never put at risk.

Tūwharetoa Settlement Trust is represented on the board of CNIHL by Rakeipoho Taiaroa and Temuera Hall.

Hautū-Rangipō Whenua Limited

The Hautū-Rangipō lands investment continues to perform well for Tūwharetoa Settlement Trust and our fellow investors Lake Taupō Forest Management Limited, Oraukura 3 Incorporation, Puketapu 3A Incorporation and Waihi Pukawa Trust.

Over the last two years Hautū-Rangipō Whenua Limited has been focused on understanding the asset. It has been working with both the forestry and farming leases to ensure the best use of the land and return of the respective investors.

Considerable focus has also been on building the relationship with the Mana Whenua Hapū that have formed Te Hapainga Collective. Te Hapainga has been interested in recreational access, tangihanga access, wahi tapu site survey, and acquisition of the now vacant Southern Prison buildings.

Highlights for the year include:

- ▶ A 45% increase in the rateable land value.
- ▶ The establishment of a Wahi Tapu Committee, made up of the respective Hapū who hold Mana Whenua, which then completed the Wahi Tapu Survey over the majority of Hautū-Rangipō Whenua lands.
- ▶ Additional honey income via a honey tender won by KiwiBee.
- ▶ The exit of Corrections from the Southern land area.
- ▶ Investigations into the removal and demolition on the Southern Correction Units.
- ▶ Significant work going into establishing access procedures and policies on Hautū-Rangipō Whenua, including the setting aside of hunting areas specifically for tangihanga.

Greg Stebbing represents Tūwharetoa Settlement Trust as a Director on Hautū-Rangipō Whenua Limited.

Te Kakano Whakatipu Limited

This investment vehicle comprises six iwi – Ngāti Tūwharetoa, Raukawa, Ngāti Whare, Te Arawa, Ngāti Rangitahi and Ngāti Whakaue. These iwi jointly purchased a 2.5% stake in Kaingaroa Timberlands, the company that owns and manages the Kaingaroa forest estate.

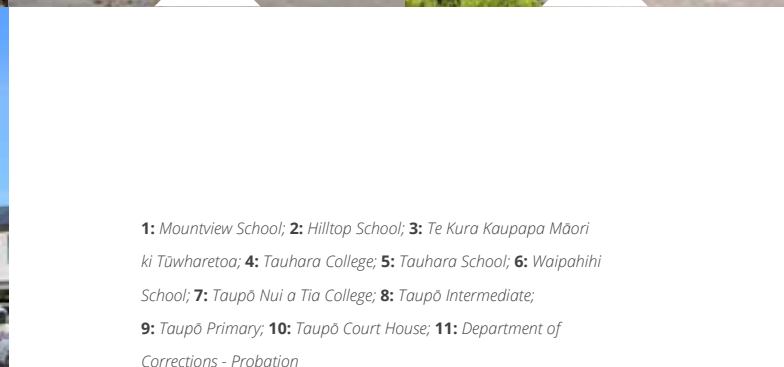
Temuera Hall represents Tūwharetoa as a Director on Te Kakano Whakatipu Limited.

OUR RELATIONSHIPS CONTINUED

Tūwharetoa Property Investment Limited Partnership (TPILP)

This investment partnership includes Tūwharetoa Settlement Trust, Te Pae o Waimihia (via Tūwharetoa Settlement Trust), the Tūwharetoa Māori Trust Board and Lake Rotoaira Forest Trust. The Partnership owns 11 properties purchased under the CNI Deferred Selection Process (DSP) including the land of nine Taupō schools, the land of the Taupō Courthouse and the land and buildings of the Taupō Probation Office in Taniwha Street.

Tūwharetoa Settlement Trust is represented on the TPILP by Hon Georgina te HeuHeu (Chair), Rakeipoho Taiaroa and Dylan Tahau.



1: Mountview School; **2:** Hilltop School; **3:** Te Kura Kaupapa Māori ki Tūwharetoa; **4:** Tauhara College; **5:** Tauhara School; **6:** Waipahihi School; **7:** Taupō Nui a Tia College; **8:** Taupō Intermediate; **9:** Taupō Primary; **10:** Taupō Court House; **11:** Department of Corrections - Probation



Te Pae o Waimihia

Through the CNI First Right of Refusal process, Tūwharetoa Settlement Trust and Te Pae o Waimihia have recently jointly purchased a commercial property located at 11 Tūwharetoa Street in the Taupō CBD. This property has high development potential. We will seek professional property development advice to ensure we use this in the best way possible.



FINANCIAL PERFORMANCE

THE TOTAL COMPREHENSIVE INCOME AFTER TAX FOR THE YEAR WAS \$4.7 MILLION, AN INCREASE OF \$1.7 MILLION COMPARED TO LAST YEAR.

The strong performance incorporated the following notable points.

- ▶ CNI Forestry Rental distributions were up \$0.2m.
- ▶ A capital distribution of \$0.5m was received from CNI Iwi Holdings Limited.
- ▶ Operating expenses were consistent with last year after adjusting for a one-off credit adjustment received in 2016.
- ▶ The Kakano Investment Limited Partnership investment continues to be the stand out performer with cash distributions of \$1.2m (9%) and a further increase in the valuation of the investment of \$2.2m (12%). Since the original investment of \$12.5m was made in December 2013, TST has received cash distributions totalling \$3.2m (26%) along with an increase of \$8.0m (64%) in the book value of the investment.
- ▶ The Hautū-Rangipō Whenua Limited Partnership investment performance was down slightly due to a poor honey season.

FINANCIAL PERFORMANCE	2013	2014	2015 (\$million)	2016	2017
Revenue	4.7	3.0	11.2	4.5	5.0
Expenditure	(2.8)	(1.7)	(1.4)	(0.9)	(1.1)
Interest and Depreciation	0.1	(0.4)	(1.1)	(0.7)	(0.2)
Operating Profit	1.9	0.9	8.7	3.0	3.6
Distributions and Grants	(5.3)	(1.6)	(0.0)	(0.6)	(0.7)
Kakano Revaluation		1.2	3.8	1.5	2.8
Income Tax	(0.4)	(0.9)	(1.4)	(0.9)	(1.1)
Comprehensive Income	(3.8)	(0.4)	11.1	3.0	4.7

Operating Expenditure was consistent with 2016 after adjusting for a \$0.2m credit adjustment received in 2016. Costs have now stabilised at a level 60% lower than in 2013 when the current Trustees took office.

EXPENDITURE	2013	2014	2015 (\$million)	2016	2017
Administration	0.8	0.5	0.7	0.4	0.5
Professional Services	0.8	0.4	0.3	0.2	0.3
Governance	0.7	0.3	0.2	0.2	0.2
Projects – Mana Whenua, FHC.	0.5	0.5	0.2	0.1	0.1
Total Expenditure	2.8	1.7	1.4	0.9	1.1

FINANCIAL POSITION (BALANCE SHEET)

THE FINANCIAL POSITION OF THE TRUST CONTINUES TO STRENGTHEN WITH TOTAL EQUITY (EXCLUDING NON CONTROLLING INTEREST) NOW AT \$37.0 MILLION COMPARED TO \$32.4 MILLION IN 2016, AND 16.2 MILLION IN 2013.

The 2016 closing equity position has been restated upwards from \$31.2 million to \$32.4 million due to a change in the accounting treatment for CNI Distributions. The change in accounting policy also led to the removal of previous entries for capitalisation of future forestry rental income as the requirement to have a corresponding liability entry resulted in a zero equity impact. This reduced both assets and liabilities by \$15.5 million with no change to equity.

Bank debt was reduced by \$5.9 million through full repayment of the BNZ loan for the Tūwharetoa Properties Investment Limited Partnership investment. With the \$8.0 million Kakano Limited Partnership loan fully repaid in 2016, the Trust is now totally debt free.

The non-controlling interests of \$2.1 million are the shares held in the Tūwharetoa Property Investment Limited Partnership by Tūwharetoa Māori Trust Board and Lake Rotoaira Forest Trust.

Liabilities includes a provision for \$26.7 million (\$24.7 million last year), being funds held on behalf of the Forest Hapuū Cluster Trusts, which are still subject to the final outcome of the CNI Mana Whenua determination process.

FINANCIAL POSITION	2013	2014	2015 (\$million)	2016 (restated)	2017
Total Assets	64.1	80.0	92.2	64.9	66.7
Total Liabilities	(48.0)	(63.0)	(62.4)	(31.1)	(27.6)
Total Equity	16.2	17.0	29.8	33.8	39.1
Less Non-Controlling	0	(1.3)	(1.3)	(1.3)	(2.1)
Net TST Equity	16.2	15.7	28.5	32.4	37.0

The graph overleaf breaks down the equity of the Trust into the specific asset classes.

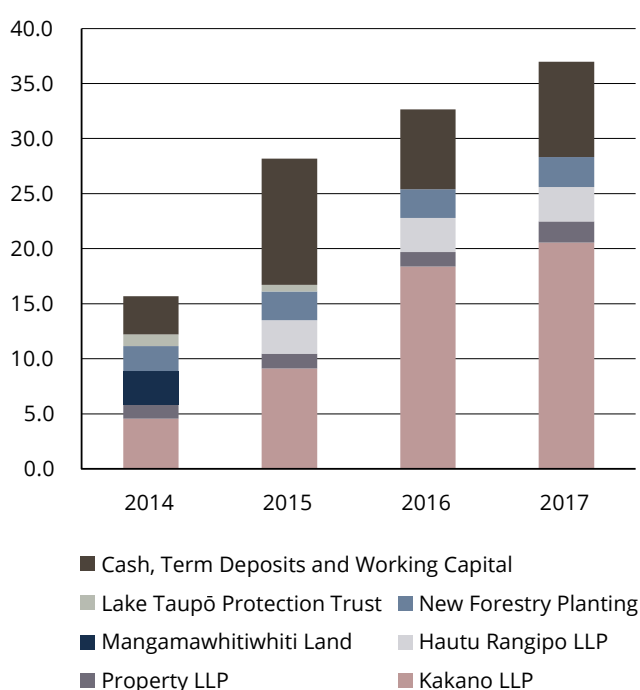
These assets classes can be further grouped into:

- ▶ Forestry \$23.3 million (63%)
- ▶ Property \$5.1 million (14%)
- ▶ Funds (cash) \$8.6 million (23%)

FINANCIAL POSITION CONTINUED

Description of individual assets classes:

- ▶ **New Forest Planting** is the expenditure incurred in replanting Taurewa, Waituhi and Marotiri/Pureora forests under a Forestry Right Agreement with CNI Iwi Holdings.
- ▶ **Hautū-Rangipō Limited Partnership** is the entity that purchased the Hautū-Rangipō Prison land (8,500 hectares) and the Mangamawhitiwhiti block (600 hectares). The Partners are: Tūwharetoa Carbon Farms Limited (TST), Lake Taupō Forest Management Limited, Oraukura 3 Incorporation, Puketapu 3A Incorporation and Waihi Pukawa Trust.
- ▶ **Property LLP** is Tūwharetoa Property Investment Limited Partnership which is the entity that has purchased the Taupō DSP land properties – nine schools, the Courthouse and Probation Office. The Partners are: Tūwharetoa Settlement Trust, Tūwharetoa Māori Trust Board and the Lake Rotoaira Forest Trust.
- ▶ **Kakano LLP** is the Kakano Investment Limited Partnership which comprises six CNI iwi owning a 2.5% share in Kaingaroa Timberlands.
- ▶ Cash and Term Deposits are funds held with the BNZ and Iwi Investor.





“We are committed to having discussions regarding the future structure of Ngāti Tūwharetoa.”

LOOKING AHEAD 2017 AND BEYOND

OUR IMMEDIATE PRIORITIES FOR 2017/18 ARE TO:

- ▶ Continue Mana Whenua kōrero over the three unresolved forest lands (Waimihia, Waimaroke and Pukuriri) currently held by CNIHL.
- ▶ Complete the beneficiary data verification process in conjunction with Tūwharetoa hapū.
- ▶ Complete the establishment of the Taurewa Forest Hapū Cluster Trust.
- ▶ Develop and implement action plans around all the areas of collaboration stipulated in the recently signed Memorandum Of Understanding (MOU) between Tūwharetoa Settlement Trust, Tūwharetoa Māori Trust Board and Ngāti Tūwharetoa Fisheries Charitable Trust.
- ▶ Welcome the newly elected Board of Trustees, including a full induction programme.
- ▶ Implement Marae Capital Development and Educational Scholarship grants programmes.
- ▶ In conjunction with Te Pae o Waimihia, formulate an optimal commercial development plan for our property at 11 Tūwharetoa Street.
- ▶ Sale of Taurewa, Waituhi and Pureora South Forestry Rights.
- ▶ We are committed to having discussions regarding the future structure of Ngāti Tūwharetoa.

Trustee Elections 2017

The five-yearly election of Trustees for the Tūwharetoa Settlement Trust is being held in December 2017. At the time of writing, nominations have now closed for the following six Trustee positions*:

- 1 Iwi Whānui 1
- 2 Iwi Whānui 2
- 3 Maataapuna Taiwhenua
- 4 Hikuwai Taiwhenua
- 5 Te Tai Tonga Taiwhenua
- 6 Tau Hauāuru Taiwhenua

*Te Ariki Representative position is excluded from this election.

Due to only one valid nomination being received for each of the Hikuwai, Maataapuna and Tai Hauāuru positions, Dylan Tahau, Rakeipoho Taiaroa and Joanne Te Huia have been elected to these respective roles unopposed.

Voting papers for the remaining three positions have been sent to all our adult registered members, with voting closing 12 noon on Thursday, 7 December 2017.

HE MAHERE

PUREORA
FOREST

MAROTIRI
FOREST

WAITUHI
FOREST

TAUREWA
FOREST

HAUTŪ - RANGIPŌ

WAIMIHIA NORTH &
WAIMIHIA SOUTH



GROUP FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2017

	Note	2017 \$	2016 Restated \$
Income			
Income from Crown Licence Fees		4,407,184	4,051,142
Less Share Due to Forestry Hapu Clusters	24	(1,241,561)	(1,011,023)
Capital Distribution from CNI IWI Holdings Trust		466,425	-
Rent Received		912,250	911,517
Profit Share from Kakano Investment Limited Partnership	11	542,169	542,116
Profit Share from Hautu-Rangipo Limited Partnership	11	133,726	156,003
Interest & Dividends Received		706,246	974,463
Less Investment Revenue Due to Forestry Hapu Clusters	24	(951,950)	(1,113,170)
Sundry Income		-	11,215
Total Income		4,974,489	4,522,263
LESS OPERATING EXPENSES			
Administration		502,312	474,367
Hui a Iwi		37,263	41,613
Professional Services		310,687	80,618
Project Management		64,520	77,793
Governance		178,114	180,712
		1,092,896	855,103
Earning Before Finance & Depreciation Expenses (EBITDA)		3,881,593	3,667,160
Less Finance Expense		89,907	533,581
Operating Surplus Before Depreciation		3,791,686	3,133,579
Less Depreciation		144,695	166,555
Net Operating Surplus before distributions		3,646,991	2,967,024
Less: Distributions		682,800	557,425
Net Operating Surplus before taxation		2,964,191	2,409,599
Income Tax Expense (Credit)	7	1,184,537	942,081
Surplus/(Deficit) after taxation		1,779,654	1,467,518
Attributed to:			
Non Controlling Interests		108,368	84,585
Beneficiaries of Parent		1,671,286	1,382,933
		1,779,654	1,467,518
Other Comprehensive Income			
Profit Share from Kakano Investment Limited Partnership	11,18	2,821,867	1,529,734
Income Tax Expense (Credit) on Other Comprehensive Income	7	(52,526)	(44,042)
Total Other Comprehensive Income		2,874,393	1,573,776
Attributed to:			
Non Controlling Interests		-	-
Beneficiaries of Parent		2,874,393	1,573,776
		2,874,393	1,573,776
Total Comprehensive Income		4,654,047	3,041,294



These financial statements should be read in conjunction with the notes to the financial statements and Independent Auditor's Report

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2017

	Retained Earnings	Non Controlling Interests	Revaluation Reserve 18	Total
Note				
Balance 1 July 2016	25,734,534	1,316,826	6,709,777	33,761,137
Total Comprehensive Income	1,671,286	108,368	2,874,393	4,654,047
Contributions from Owners		866,511		866,511
Less Distributions to Non Controlling Interests	-	100,866	-	100,866
Balance 30 June 2017	27,405,820	2,190,839	9,584,170	39,180,829
	Restated			Restated
Balance 1 July 2015	24,351,601	1,319,763	5,136,001	30,807,365
Total Comprehensive Income	1,382,933	84,585	1,573,776	3,041,294
Less Distributions to Non Controlling Interests	-	87,522	-	87,522
Balance 30 June 2016	25,734,534	1,316,826	6,709,777	33,761,137



STATEMENT OF FINANCIAL POSITION

As at 30 June 2017

	Note	2017 \$	2016 Restated \$
ASSETS			
Current Assets			
Cash & Cash Equivalents	8	8,859,270	5,021,369
Investments	10	16,462,389	20,379,522
Trade and Other Receivables	9	113,501	455,910
Total Current Assets		25,435,160	25,856,801
Non-Current Assets			
Investments in Associates	11	23,664,147	21,474,268
Biological Assets (Forest)	13	2,737,894	2,600,041
Investment Property	12	14,817,963	14,833,426
Property, Plant & Equipment	14	22,464	69,525
Intangible Assets	14	68,819	46,759
Total Non-Current Assets		41,311,287	39,024,019
TOTAL ASSETS		66,746,447	64,880,820
LIABILITIES			
Current Liabilities			
Trade and Other Payables	15	133,186	212,184
Income Tax Payable/(Receivable)	7	316,075	19,988
Provisions	10,24	26,690,488	24,725,988
Total Current Liabilities		27,139,749	24,958,160
Non-Current Liabilities			
Bank of New Zealand	17	-	5,935,000
Deferred Tax Liability	7	425,869	226,523
Total Non-Current Liabilities		425,869	6,161,523
TOTAL LIABILITIES		27,565,618	31,119,683
NET ASSETS		39,180,829	33,761,137
EQUITY			
Attributable to Parent Trust Beneficiaries		36,989,990	32,444,311
Attributable to Non Controlling Interests		2,190,839	1,316,826
TOTAL EQUITY		39,180,829	33,761,137

For and on behalf of the Board of Trustees, who authorised the issue of these financial statements on the


Chairman:
Rakeipaho Taiaroa


Trustee:
Dylan Tahau

Date: 6/11/2017



STATEMENT OF CASH FLOWS

As at 30 June 2017

	Note	2017 \$	2016 Restated \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash was provided from/(to):			
Cash Received from Customers		6,128,268	7,284,652
Interest and Dividends Received		87,844	94,144
Disbursed to Suppliers and Employees		(1,171,879)	(2,831,168)
Grants & Koha		-	(14,500)
Distribution to Ko Tūwharetoa te Iwi		(60,000)	(120,000)
Other Distributions		(622,800)	(437,425)
Interest Expense		(89,907)	(533,581)
Income Tax		(636,595)	(1,614,580)
Net Cashflow from Operating Activities		3,634,931	1,827,542
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash was provided from/(to):			
Disposals of Investments and Capital Receipts		5,776,738	15,155,327
Acquisition of Investments		-	(2,012,815)
Purchase of Property, Plant & Equipment		(25,412)	(122,783)
Purchase of Biological Assets		(216,672)	(105,371)
Net Cashflow from Investing Activities		5,534,654	12,914,358
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash was provided from/(to):			
Net Loans Received / (Paid)		(5,935,000)	(8,000,000)
Funds Provided From / (Distributed To) Non Controlling Interests		765,645	(87,557)
Hapū Cluster Payments		(162,331)	(6,307,317)
Net Cashflow from Financing Activities		(5,331,686)	(14,394,874)
Net Increase/(Decrease) in Cash		3,837,901	347,026
Opening Cash and Bank Balances		5,021,369	4,674,343
TOTAL CASH AND BANK BALANCES	8	8,859,270	5,021,369



NOTES TO THE FINANCIAL STATEMENTS

1 CORPORATE INFORMATION

The financial statements of Tūwharetoa Settlement Trust (the 'Trust') and Subsidiaries ('the Group') for the year ended 30 June 2017.

The Trust was established in New Zealand and was established as a Post Settlement Governance Entity ("PSGE") for the Ngāti Tūwharetoa Iwi. The financial statements of the Trust and Group have been prepared in accordance with the Financial Reporting Act 2013.

The nature of the operations and principle activities of the Trust is included in a mandate to:

- (i) Finalise Central North Island Iwi ("CNI") negotiations
- (ii) Develop structures and policies for distribution of benefits to Ngāti Tūwharetoa
- (iii) Manage the Ngāti Tūwharetoa portion of the CNI settlement
- (iv) Facilitate mana whenua rights of Ngāti Tūwharetoa within the CNI settlement
- (v) Facilitate the establishment of suitable forestry Hapū cluster entities

2 STATEMENT OF ACCOUNTING POLICIES

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Basis of Preparation

- (a) Statement of compliance
- (b) NZ IFRS - Reduced Disclosure Regime
- (c) Basis of measurement

Summary of Significant Accounting Policies

- (d) Basis of consolidation
- (e) Cash and cash equivalents
- (f) Trade and other receivables
- (g) Investments, other financial assets, biological assets and investment property
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- (l) Intangibles
- (m) Trade and other payables
- (n) Revenue recognition
- (o) Income Tax Expense
- (p) Other taxes
- (q) Property, Plant & Equipment
- (r) Changes in Accounting Policies

The consolidated financial statements were authorised for issue by the Trustees on 20 October 2017.

(a) Statement of compliance

These financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP), and the Financial Reporting Act 2013.

For this purpose the Trust has designated itself as profit-oriented. The Trust has voluntarily adopted NZ IFRS 9 prior to the date on which it becomes mandatory. It has not had a material effect on results or financial position in either the current or prior periods.

The financial statements are presented in New Zealand dollars and all values are rounded to the nearest dollar.

(b) NZ IFRS - Reduced Disclosure Regime

The Trust has adopted External Reporting Board Standard A1 Accounting Standards Framework (for-profit-Entities Update) ("XRB A1"). For the purposes of complying with NZ GAAP, the Trust is eligible to apply Tier 2 For - Profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ("NZ IFRS RDR")) on the basis that it does not have public accountability and is not a large for-profit public sector entity. The Trust has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

(c) Basis of Measurement

The financial statements have been prepared on a historical cost basis, except for assets and liabilities as disclosed below that have been measured at fair value.

The accrual basis of accounting has been used unless otherwise stated and the financial statements have been prepared on a going concern basis.



(d) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Tūwharetoa Settlement Trust and its Subsidiaries as at 30 June 2017.

The Subsidiaries of the Trust at 30 June 2017 are:

	% Control	
	2017	2016
Tūwharetoa Carbon Farms Limited	100%	100%
Tūwharetoa Limited	100%	100%
TST No 1 Limited	100%	100%
TST No 2 Limited	100%	100%
Tūwharetoa Forestry Rentals Limited	100%	100%
Tūwharetoa Property Limited	100%	100%
Tūwharetoa Property Investment Limited Partnership	85%	85%

The non-controlling interests of the Group represent the remaining 15% interest in Tūwharetoa Property Investment Limited Partnership held by entities outside of the Group. These entities are Tūwharetoa Maori Trust Board and Lake Rotoaira Forest Trust.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies so as to obtain the benefit from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the group controls another entity.

The financial statements of the Subsidiaries are prepared for the same reporting period as the Parent, using consistent accounting policies.

In preparing the consolidated financial statements, all intergroup balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Subsidiaries are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date on which control is transferred from the Group.

The acquisition of Subsidiaries is accounted for using the purchase method of accounting. The purchase method of accounting involves allocating the cost of the business combination to the fair value of the assets acquired and the liabilities assumed at the date of acquisition.

(e) Cash and cash equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the Cash Flow Statement, cash and cash equivalents consists of cash and cash equivalents as defined above.

(f) Trade and other receivables

Trade receivables, which generally have 30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectible amounts. Collectability of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

(g) Investments and other financial assets

Financial assets in the scope of NZ IFRS 9 *Financial Instruments* are classified as either financial assets at fair value through profit or loss, fair value through other comprehensive income or subsequently measured at amortised cost. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets after initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

Financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset.

(i) Financial assets at fair value through profit or loss

The Group has designated its investments as financial assets at fair value through profit or loss as it manages the investments investments on a fair value basis in accordance with its investment strategy. Realised gains or losses on investments are recognised in the Statement of Comprehensive Income on the disposal of the investment. Movements in fair value give rise to unrealised gains or losses which are recognised in the Statement of Comprehensive Income.

(ii) Financial assets at fair value through other comprehensive income

No financial assets are currently classified as fair value through other comprehensive income by the Group.

(iii) Financial assets subsequently measured at amortised cost

These financial assets include cash and cash equivalents, trade and other receivables and loans receivable. They are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are de-recognised or impaired.



NOTES TO THE FINANCIAL STATEMENTS

2 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(h) Biological assets

The forest is an immature consumable biological asset which is intended to be held to harvest. The forest is recorded at cost less depreciation. After initial recognition the forest is recorded at fair value once the forest manager determines that fair value can be reliably measured. The fair value of the forest can be reliably measured once forest thinning has been performed and the final tree count determined. This process generally occurs in a forest's 8th year and as such a forest can be reliably measured at this time. A gain or loss arising from a change in fair value shall be included in the statement of comprehensive income for the period in which it arises.

(i) Investment Property

Investment property is property principally held to earn rentals or for capital appreciation. Investment property is valued at cost less accumulated depreciation and impairment losses.

Investment property is depreciated at the following rates:

Land	0% Diminishing Value
Buildings and Improvements	3% Diminishing Value

(j) Investment in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements. The associates are entities over which the Group has significant influence but not control and are not either subsidiaries nor joint ventures.

Under the equity method, investments in associates are carried in the consolidated Statement of Financial Position at cost plus post-acquisition changes in the Group's share of net assets of the associates. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. After application of the equity method, the Group determines whether it is necessary to recognise any impairment loss with respect to the Group's net investment in associates.

The Group's share of its associates' post-acquisition profits or losses is recognised in the Profit and Loss, and its share of post-acquisition movements in reserves is recognised in Other Comprehensive Income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. Dividends receivable from associates reduce the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including and unsecured long-term receivables and loans, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(k) Impairment of non-financial assets other than goodwill

Non-financial assets are tested for impairment annually at balance date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an assets fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

(l) Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is recognised in the Statement of Comprehensive Income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or infinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible assets may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at each financial year-end. Changes in the expected useful life of the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in the Statement of Comprehensive Income in the expense category consistent with the function of the intangible asset.

Intangible assets with a finite life are amortised using the following rates on a straight line basis over the life of the asset.

Website	4 years
---------	---------

(m) Trade and other payables

Trade payables and other payables are carried at amortised cost. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.



(n) Revenue recognition

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Crown Forest Licence Fees

Crown Forest Licence Fees are paid to the Group by CNI Iwi Holdings Limited as a distribution of net Crown Forest Licence Fees on an agreed percentage. The fees are recognised in the relevant financial year that they are earned at the CNI Iwi Holdings Limited level. The share of these fees that are provided for the Forest Hapu Cluster Trusts is deducted from income of the Group.

(ii) Rental Income

Rental income from operating leases is recognised on a straightline basis over the term of the lease. Any initial direct costs incurred in negotiating and arranging an operating lease are expensed at the time they are incurred.

(iii) Interest Income

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. The share of these revenues that are provided for the Forest Hapu Cluster Trusts is deducted from income of the Group.

(o) Income Taxes

(i) Income tax expense

Income tax expense comprises current and deferred tax. Current and deferred tax is recognised in profit or loss, or items recognised directly in equity or in other comprehensive income.

(ii) Current income taxes

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

(iii) Deferred Tax

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Trust is taxed at the Maori Authority rate, currently 17.5% (2016: 17.5%).

(p) Goods and Services Tax (GST)

Revenues, expenses, assets and liabilities are recognised net of the amount of GST except:

- * when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- * receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of Trade and Other Receivables or Trade and Other Payables in the Statement of Financial Position.

(q) Property, Plant & Equipment

All property, plant and equipment is initially recorded at cost less accumulated depreciation and less any impairment loss.

When an item of property, plant and equipment is disposed of, any gain or loss is recognised in the Statement of Comprehensive Income and is calculated as the difference between the sale price and the carrying value of the item.

Depreciation is provided for on all tangible property, plant and equipment other than freehold land and capital work in progress, at depreciation rates calculated to allocate the asset's cost or valuation less estimated residual value, over its estimated useful lives. The following depreciation rates have been applied:

Land	0%
Buildings	5% Diminishing Value
Plant and Equipment	33% Diminishing Value

(r) Changes in Accounting Policies

Crown Forestry Rental distributions were previously treated as either income in advance or arrears dependent upon the period that the distribution related to. As these distributions are considered to be distributions of the net surplus in Central North Island (CNI) Forestry partnership, these distributions are now recognised as income when received.



NOTES TO THE FINANCIAL STATEMENTS

2 STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(r) Changes in Accounting Policies (continued)

Statement of Comprehensive Income	Previously Reported to 30 June 2016	Adjustments	Restated 30 June 2016
Income from Crown Licence Fees	4,111,079	(59,937)	4,051,142
Income Tax Expense (Credit)	952,570	(10,489)	942,081
Total Comprehensive Income	3,090,742	(49,448)	3,041,294
Statement of Financial Position			
Non-Current Investments	15,488,503	(15,488,503)	-
Deferred Tax Asset/(Liability)	43,584	(270,107)	(226,523)
Trade and Other Payables	1,755,650	(1,543,466)	212,184
Current Portion of Term Liabilities	1,072,409	(1,072,409)	-
Crown Forestry Licence Revenue Accrued	14,416,094	(14,416,094)	-
Total Equity	32,487,776	1,273,361	33,761,137

3 FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures including an assessment of their independent credit rating, financial position, past experience and industry reputation. Risk limits are set for each individual customer in accordance with parameters set by the board. These risk limits are regularly monitored. The statement of investment parameters and objectives (SIPO) provides the appropriate weightings of investments to minimise the overall risk to the Trust. The Trust regularly monitors the SIPO to ensure that there is compliance with these.

In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

There is no significant concentrations of credit risk within the Group.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS

In applying the Group's accounting policies management continually evaluates judgements, estimates and assumptions based on experience and other factors, including expectations of future events that may have an impact on the Group. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to management. Actual results may differ from judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by management in the preparation of these financial statements are outlined below:

(i) Significant Accounting Judgements

Classification and valuation of investments

The Group has decided to classify certain investments as 'fair value through profit or loss' and movements in fair value are recognised in the Statement of Comprehensive Income. The fair value of listed investments has been determined by reference to published prices quoted in an active market.

Impairment of non-financial assets

The Group assesses impairment of all assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves value-in-use calculations, which incorporate a number of key estimates and assumptions.

(ii) Significant Accounting Estimates and Assumptions

Estimation of useful lives of assets

The estimation of useful lives of assets has been based on historical experience. In addition, the condition of the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful life are made when considered necessary.

Estimation of amounts required to settle present obligations

The Group has made an assessment of their best estimate to settle present obligations to the Forest Hapu Cluster Trusts being a 100% arising from the Mana Whenua process. This is detailed in notes 6 and 26.



5 DEED OF SETTLEMENT

On 25 June, 2008 a Deed of Settlement was entered into between the beneficiaries and Her Majesty the Queen in the right of New Zealand (the Crown), for the settlement of historical claims in relation to the Central North Island Forest Lands (CNIFL). The settlement included ownership of the land, but did not include rights to the current forest plantation crop growing on the land.

As part of the CNI Forest Collective Settlement, Ngati Tuwharetoa received:

- * A Cash payment of \$66M
- * 25.9% of the annual Crown Forest License fees.
- * A share of three million NZUs (Carbon Credits)
- * Preferential rights to buy certain Crown Assets
- * A share of the 176,000ha of Central North Island forests (to be determined by a Mana Whenua process).

6 MANA WHENUA

The Mana Whenua process determines the allocation of CNI Forests Lands amongst the CNI Collective Iwi. All the lands are held in Trust by CNI Iwi Holdings Limited, until transferred to respective iwi, or otherwise determined by the CNI Iwi. Mana Whenua is a legislative process which includes three stages. The mana whenua allocations were completed for nine Kaingaroa Crown Forest CFLs in June 2014. The Final Allocation Report was issued 1 July 2014.

The Kaingaroa CFLs of Pukuriri and Waimaroke are the major CFLs to Tuwharetoa. These are yet to be determined. There are five forests to which Ngati Tuwharetoa has claimed exclusive rights: Marotiri, Taurewa, Waimiha, Pureora South, and Waituhi. Ngati Tuwharetoa reached a 'kanohi ki te kanohi' agreement with Ngati Raukawa for Marotiri and Pureora South. There are no known mana whenua claims over Taurewa and Waituhi by any of the other CNI Iwi. Two other Iwi are claiming interest in Waimaroke and Pukiri.

Within Tuwharetoa the group of Hapu associated with each of these forests are referred to as Forest Hapu Clusters. Tuwharetoa Settlement Trust has completed an internal Hapu process to identify the Hapu with mana whenua in these land blocks. Trusts for each forest have been established except for Taurewa who are working through mandate.

The initial funds agreed to for these individual blocks have been transferred to these Trusts. The remaining funds are held on Trust until the mana whenua process is completed fully.

7 TAXATION

	2017	2016
	\$	Restated \$
(a) Components of Income Tax Expense		
Current Tax Expense	1,030,407	792,392
Prior Year Under/(Over) Provision	(97,742)	-
Deferred Tax Expense/(Income)	199,347	105,647
Income Tax Expense	1,132,011	898,039
Charged to Profit or Loss	1,184,537	942,081
Charged to Other Comprehensive Income	(52,526)	(44,042)
	1,132,011	898,039
It is related to accounting profit as follows:		
Total Comprehensive Income/(Loss) Before Tax)	5,786,058	3,939,333
Tax at Applicable Rate of 17.5%	1,012,560	689,383
Tax Effect of Subsidiary Income Taxed at 28%	17,024	6,880
Non Controlling Interests	(18,964)	(14,802)
Tax Effect of Non-Taxable Income	(548,239)	(267,565)
Tax Effect of Non Deductible Expenditure	384,311	450,021
Tax Losses Retrospectively Applied	229,237	-
Other Adjustments	56,082	34,122
Income Tax Expense	1,132,011	898,039



NOTES TO THE FINANCIAL STATEMENTS

7 TAXATION (CONTINUED)

(b) Current Income Tax Payable/(Receivable)

	2017 \$	2016 Restated \$
Opening balance	19,988	842,175
Current year tax expense	1,030,407	792,392
Prior Year Under/(Over) Provision	(97,742)	-
Net taxes (Paid)/refunded	258,425	(135,024)
MATC's and RWT received	(895,003)	(1,479,555)
Closing balance	316,075	19,988

(c) Deferred Tax Liabilities/(Assets)

The Company has a net deferred tax liability of \$425,869 (2016: Liability of \$226,523) as at the end of the reporting period. The following table shows the build up of the net deferred tax liability.

Recognised in Profit and Loss

Depreciation- Biological Assets	24,124	(137)
Depreciation Investment Property (Buildings)	(2,706)	(2,790)
Tax Losses	229,237	(68,132)
Income in Advance	-	218,423
Trade and Other Receivables	(1,750)	-
Accrual Adjustments & Employee Provisions	2,967	2,325
	251,872	149,689

Recognised in Other Comprehensive Income

Investment - Associates	(52,526)	(44,042)
	199,347	105,647

Deferred Tax Liability/(Asset) at 30 June

Accrual Adjustments & Employee Provisions	(970)	(3,938)
Trade and Other Receivables	(1,750)	-
Depreciation- Biological Assets	479,131	455,007
Investment - Associates	(42,662)	9,864
Depreciation Investment Property (Buildings)	(7,880)	(5,174)
Tax Losses	-	(229,236)
	425,869	226,523

(d) Maori Authority Tax Credits (MATC)

Imputation Credit Account Balance	5,986,312	5,422,106
Closing Balance as at 30 June	5,986,312	5,422,106

8 CURRENT ASSETS - CASH AND CASH EQUIVALENTS

Reconciliation to Cash Flow Statement

For the purpose of the Cash Flow Statement,
Cash and cash equivalents comprise the following:
Cash at bank and in hand

2017 \$	2016 \$
8,859,270	5,021,369
8,859,270	5,021,369

9 TRADE AND OTHER RECEIVABLES

	2017 \$	2016 \$
Trade receivables	49,309	374,897
Other receivables	24,192	41,013
Tu Whare Oranga Trust	50,000	50,000
Tuwharetoa Hapu Forum Loan (2012)	1,551,839	1,551,839
Te Whenua Venture Holdings/Mangamawhitiwhiti Guarantees	3,320,042	3,320,042
Tokaanu Township 2nd Residue Trust Loan	536,687	536,687
	5,532,069	5,874,478
Less impairment and provision for doubtful debts	(5,418,568)	(5,418,568)
Carrying amount of trade and other receivables	113,501	455,910



Other than those disclosed at note 16, no debts are considered impaired and consequently no provision for impairment losses has been made.

(a) Related party receivables

For terms and conditions of related party receivables refer to note 16.

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

Tu Whare Oranga Trust

Tu Whare Oranga Trust received an interest free loan from the Trust to assist in the establishment of the Trust.

No impairment has been made as, although overdue, the Trustees are pursuing the recovery of this outstanding debt.

Tuwharetoa Hapu Forum (THF)

The THF received a loan from the Trust in 2012 to support the completion of the Tuwharetoa Comprehensive Settlement claims.

The recipient of the settlement is going to be Te Kotohaitanga O Ngati Tuwharetoa (TKNOT), not the THF. As such repayment of the loan is dependant upon TKNOT accepting responsibility for the repayment.

As there is still uncertainty regarding acceptance of the loan in full or part, the Trustees have decided to fully provide for non repayment of this loan.

Tokaanu Township 2nd Residue Trust Loan

As the Trustees consider the recovery of this loan to be unlikely a full provision for non recovery has been made.

10 INVESTMENTS

	2017 \$	2016 \$
Investments		
New Zealand Fixed Interest	16,462,389	20,379,522
	<u>16,462,389</u>	<u>20,379,522</u>
Represented by:		
Current Investments	16,462,389	20,379,522
	<u>16,462,389</u>	<u>20,379,522</u>

The above investments include funds held on behalf of the Forestry Hapū Clusters, as provisioned on the Trust achieving 100% Mana Whenua allocation. The liability is shown on note 24. The funds held on behalf of the Forestry Hapū Clusters are as follows:

	2017 \$	2016 \$
Investments	14,888,201	17,523,253
Investments in Subsidiaries and Other Accounts	11,802,287	7,202,735
	<u>26,690,488</u>	<u>24,725,988</u>

11 INVESTMENTS IN ASSOCIATES

	2017 \$	2016 \$
Kakano Investment Limited Partnership	20,564,311	18,372,168
Hautu-Rangipo Limited Partnership	3,099,836	3,102,100
Total	<u>23,664,147</u>	<u>21,474,268</u>

Investment in Kakano Investment Limited Partnership

The Group has a 20.63% (2016: 20.63%) interest in Kakano Investment Limited Partnership which is an investment entity that holds a 3.13% (2016: 3.13%) investment in Kaingaroa Timberlands Limited. The Associate is a privately held Limited Partnership that is not listed on any public exchange.

The Group's interest in the Associate is accounted for using the equity method in the consolidated financial statements.

	2017 \$	2016 \$
Opening Balance	18,372,168	17,117,756
Share of associate profit/(loss) for the year	542,169	542,116
Share of associate other comprehensive income	2,821,867	1,529,734
Acquisition of equity interest in associate in the year	-	58,926
Distributions to Partners	(1,171,893)	(876,364)
Closing carrying value of Associate	<u>20,564,311</u>	<u>18,372,168</u>



NOTES TO THE FINANCIAL STATEMENTS

11 INVESTMENTS IN ASSOCIATES (CONTINUED)

Hautu-Rangipo Limited Partnership

The Group has a 19.74% (2015: 19.74%) interest in Hautu-Rangipo Limited Partnership which owns farm and forestry land near Turangi. The Associate is a privately held Limited Partnership that is not listed on any public exchange. The Group's interest in the associate is accounted for using the equity method in the consolidated accounts. As at 30 June 2017, Hautu-Rangipo revalued its land and buildings to current rating valuation which resulted in an increase of \$12,561,000. The Group's share of this increase is \$2,479,000. This increase has not been recognised in the Group's investment in Hautu-Rangipo as the Group does not revalue land and buildings, and NZ IFRS 13 does not allow the use of rating valuation to revalue land and buildings.

	2017 \$	2016 \$
Opening Balance	3,102,100	3,046,935
Share of associate profit/(loss) for the year	133,726	156,003
Distributions to Partners	(135,990)	(100,319)
Tax credits distributed from the Limited Partnership	-	(519)
Closing carrying value of Associate	3,099,836	3,102,100

12 INVESTMENT PROPERTIES

	2017 \$	2016 \$
Opening balance	14,833,426	14,849,367
Additions during the year	-	-
Less Depreciation	(15,463)	(15,941)
	14,817,963	14,833,426

Description of the Group's investment properties

The investment property consists of land owned in Taupo that is currently being leased to the Ministry of Education for use as schools, land leased to the Ministry of Justice for use as a police station and court house, and land and building leased to the Dept of Corrections as a Probation centre.

13 BIOLOGICAL ASSETS

Description of the Group's biological assets

The biological assets consist of plantation forests for which the Group is currently planting under a forestry right on land held by CNI Iwi Holdings Limited. As all of the forest areas are under 8 years old, in accordance with the Group's accounting policy, the biological assets are measured at cost less accumulated depreciation. The biological assets are depreciated over their useful lives of 30 years.

	2017 \$	2016 \$
Opening Cost	2,827,060	2,721,700
Additions	216,672	105,360
Closing Cost	3,043,732	2,827,060
Opening accumulated depreciation	227,019	120,879
Current year depreciation	78,819	77,439
Closing accumulated depreciation	305,838	227,019
Closing Book Value	2,737,894	2,600,041

Forestry Replanting Commitments

Under the granting of the forestry right, there is a commitment to continue the replanting of the plantation forest through the first rotation of the agreement. The current best estimate of the replanting commitment is included below.

	2017 \$	2016 \$
Within 12 months of balance date	100,000	350,000
Between 1 and 2 years of balance date	13,000	200,000
Greater than 5 years of balance date	1,380,000	1,050,000
	1,493,000	1,600,000



14 PROPERTY, PLANT & EQUIPMENT

Plant & Equipment

Opening Cost	127,422	63,820
Additions	-	63,602
Closing Cost	127,422	127,422
Opening accumulated depreciation	57,897	32,688
Current year depreciation	46,093	25,209
Disposals	968	-
Closing accumulated depreciation	104,958	57,897
Plant & Equipment Total	22,464	69,525
Closing Book Value	22,464	69,525

Intangible Assets

Opening Cost	66,013	6,832
Additions	26,380	66,013
Disposals	-	(6,832)
Closing Cost	92,393	66,013
Opening accumulated depreciation	19,254	-
Current year depreciation	4,320	19,254
Closing accumulated depreciation	23,574	19,254
Intangible Assets Total	68,819	46,759
Closing Book Value	68,819	46,759

Description of the Group's intangible assets

The Group's intangible assets comprise software development costs.

15 TRADE AND OTHER PAYABLES

	2017 \$	2016 Restated \$
Trade and other payables	96,476	148,701
Other payables:	27,626	35,965
GST	9,084	27,518
Carrying amount of trade and other payables	133,186	212,184

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

(b) Related party payables

For terms and conditions relating to related party payables refer to note 16.

16 RELATED PARTY DISCLOSURE

(a) Subsidiaries

The consolidated financial statements include the financial statements of the Trust and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest	
		2017	2016
Tuwharetoa Carbon Farms Limited	New Zealand	100%	100%
TST No 1 Limited	New Zealand	100%	100%
TST No 2 Limited	New Zealand	100%	100%
Tuwharetoa Limited	New Zealand	100%	100%
Tuwharetoa Forestry Rentals Limited	New Zealand	100%	100%
Tuwharetoa Property Limited	New Zealand	100%	100%
Tuwharetoa Property Investment Limited Partnership	New Zealand	85%	85%



NOTES TO THE FINANCIAL STATEMENTS

16 RELATED PARTY DISCLOSURE (CONTINUED)

Related Party transactions of a material nature, which occurred during the financial year for which these financial statements are prepared for are:

Mangamawhitiwhiti Debt Guarantees - Provision for Doubtful Debts

At the time that the Trustees (as the shareholders of Tuwharetoa Carbon Trust Limited) entered into agreements to purchase debt instruments from Westpac New Zealand Limited and Dorchester Finance Limited, the Deeds of Assignment of Debt included a number of securities with Ngati Tuwharetoa Iwi organisations.

As there have been public expressions that the guarantees provided (notably by Opepe Farm Trust, Ngati Turangitukua and Owawenga Trust (being entities that remain in existence and solvent) would not be called upon, the Trustees consider that it is prudent to reflect that the sums being under-written by those guarantees may not be collectable, thereby reducing the asset base of the Trust.

On that basis, in 2013 the Trustees determined that it was appropriate to make a provision for doubtful debts. (per Note 9)

(b) Key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The Group has assessed that the Trustees, General Manager and Commercial Adviser are key management personnel.

	2017 \$	2016 \$
Remuneration, including meeting and travel fees	338,859	276,424

(c) Other related parties

(i) Te Pae o Waimihia

Greg Stebbing (General Manager) is a trustee of Te Pae o Waimihia. The Group recognises a provision to Te Pae o Waimihia as a result of the Group's trust deed. The amount recognised as a provision at 30 June 2017 was \$24,150,440 (2016: 22,172,546). During the year, the Group made a partial payment of the provision to Te Pae o Waimihia of \$nil (2016: \$6,307,317).

(ii) Opepe Farm Trust

Dr Charlotte Severne (Trustee) is a Trustee of Opepe Farm Trust. The Group has an impaired receivable from Opepe Farm Trust in relation to the guarantees provided from the Mangamawhitiwhiti transaction detailed above. No other transactions occurred with Opepe Farm Trust for the year ended 30 June 2017 (2016: nil).

(iii) Tuwharetoa Maori Trust Board

The Tuwharetoa Maori Trust Board (TMTB) is a partner in the Tuwharetoa Property Investment Limited Partnership. Rakeipho Taiaroa is the Manager-Commercial & Strategy for TMTB and Georgina Te Heuheu and Te Kanawa Pitiroi are Board Members of TMTB.

(iv) Lake Rotoaira Forest Trust

Lake Rotoaira Forest Trust (LRFT) is a partner in the Tuwharetoa Property Investment Limited Partnership. Dr Charlotte Severne is a Trustee and Chairperson for the LRFT.

(v) Tuwharetoa Hapu Forum

Tuwharetoa Hapu Forum (THF) has received a loan from the Group to support the Tuwharetoa Comprehensive Claim negotiations. Erui George is a Negotiator for THF and Paora Bennett is a Delegate.

17 TERM LIABILITIES

Bank of New Zealand

Borrowed by:

Tuwharetoa Property Investment Limited Partnership

-	5,935,000
-	5,935,000

Less Current Portion of Loans

-	-
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Term Portion of BNZ Loan

-	5,935,000
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Loan Terms and Conditions:

The Bank of New Zealand loan to Tuwharetoa Property Investment Limited Partnership was repaid in full on 28 October 2016



18 REVALUATION RESERVE

	2017 \$	2016 \$
Investment Revaluation	219,705	219,705
Kakano Investment LP - Revaluation and Foreign Currency Translation		
Opening	6,490,072	4,916,296
Revaluation	2,821,867	1,529,734
Deferred Tax	52,526	44,042
	9,364,465	6,490,072
Total revaluation reserves	9,584,170	6,709,777

19 COMMITMENTS

There are no commitments for capital expenditure at balance date.

20 AUDITOR'S REMUNERATION

Auditors' remuneration

The auditor of Tuwharetoa Settlement Trust and the Group is Crowe Horwath New Zealand Audit Partnership. Auditors' remuneration is included in Professional Services and other expenses in the Statement of Comprehensive Income.

	2017 \$	2016 \$
<i>Amounts received or due and receivable by the current Auditors (Crowe Horwath New Zealand Audit Partnership) for:</i>		
* Audit of the financial statements	30,496	29,657
* Other assurance-related services	3,500	1,587
* Accounting advice	1,200	-
	35,196	31,244

21 CONTINGENT ASSETS

The CNI lands are held in trust by CNI Iwi Holdings Limited until 2043 unless otherwise determined by the CNI Iwi.

22 CONTINGENT LIABILITIES

There are no contingent liabilities for the group.

23 EVENTS AFTER BALANCE DATE

The Group has entered into a sale and purchase agreement for 11 Tuwharetoa Street, Taupo on 21 August 2017 with a total value of \$2,100,000 of which the Group will acquire 50% of the property, with the other 50% acquired by Te Pae o Waimihia.

24 FOREST HAPU CLUSTER TRUSTS

The Group has an obligation to the Deed of Trust to manage the process whereby Forest Hapu Cluster Trusts (FHCT) are established and funds attributable to them from the CNI Settlement are distributed.

The FHCTs were established 19 December 2012 and an initial transfer was made on 21 December 2012, as per clause 3.3 of the Trust Deed.

- (h) *The Trustees are required to transfer 60 percent of the Accumulated Rentals to the relevant Forest Hapu Cluster Trusts before the end of 2012, even if the Hapu Allocation Process is not completed by that time. Any such allocation shall be revocable on the basis of the extent to which the relevant forests are received by the Trust and the final outcome of the Hapu Allocation Process.*

The final distribution of funds to FHCTs is yet to be determined and is dependent on the completion of the CNI Iwi Mana Whenua process. The Group has provided for the best estimate of the future liability in the financial statements to reflect the final distribution. The provision for the final distribution is subject to the completion of the Mana Whenua process and currently reflects a 100% success in Mana Whenua, which is not guaranteed. The Group is accruing the ongoing Forestry Rental monies, and allowing for the investment income earned on the funds invested in determining the provision, less a share of related costs.

	2017 \$	2016 \$
Opening Balance	24,725,988	28,909,112
Additions to Provision	2,126,831	2,124,193
Amounts Used through Distribution to FHCT's	(162,331)	(6,307,317)
	26,690,488	24,725,988



NOTES TO THE FINANCIAL STATEMENTS

24 FOREST HAPU CLUSTER TRUSTS (CONTINUED)

The allocation of the provision to the individual FHCT's is shown below.

2017	Te Pae o Waimihia	Waituhi	Marotiri - Pureora	Taurewa	Total
Opening balance	22,202,465	683,789	576,708	1,263,026	24,725,988
Share of CNI income	1,094,695	31,629	40,306	45,011	1,211,641
MATC's Received	-	-	-	-	-
Investment Income	307,753	14,972	14,702	32,236	369,663
Investment Income Tuwharetoa Property Investment LP	545,527	-	-	-	545,527
Share of costs	-	-	-	-	-
Distributions	-	(162,331)	-	-	(162,331)
Closing Balance	24,150,440	568,059	631,716	1,340,273	26,690,488
Per TB					
2016	Te Pae o Waimihia	Waituhi	Marotiri - Pureora	Taurewa	Total
Opening balance	26,516,664	648,113	525,771	1,218,564	28,909,112
Share of CNI income	1,075,115	16,368	35,349	8,002	1,134,834
MATC's Received	-	-	-	-	-
Investment Income	590,204	19,308	15,588	36,460	661,560
Investment Income Tuwharetoa Property Investment LP	327,799	-	-	-	327,799
Share of costs	-	-	-	-	-
Distributions	(6,307,317)	-	-	-	(6,307,317)
Closing Balance	22,202,465	683,789	576,708	1,263,026	24,725,988

25 FINANCIAL INSTRUMENTS

(a) Classification of financial instruments

The carrying amounts presented in the statement of financial position relate to the following categories of financial assets and liabilities.

2017	Financial assets at FV through profit and loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total
Financial assets				
Cash and cash equivalents	-	8,859,270	-	8,859,270
Investments (current)	16,462,389	-	-	16,462,389
Trade and other receivables	-	103,501	-	103,501
Total	16,462,389	8,962,771	-	25,425,160
Financial liabilities				
Trade and other payables	-	-	133,186	133,186
Income Tax Payable	-	-	316,075	316,075
Bank of New Zealand	-	-	-	-
Total	-	-	449,261	449,261
Financial assets				
Cash and cash equivalents	-	5,021,369	-	5,021,369
Investments (current)	20,379,522	-	-	20,379,522
Trade and other receivables	-	445,910	-	445,910
Total	20,379,522	5,467,279	-	25,846,801
Financial liabilities				
Trade and other payables	-	-	1,755,650	1,755,650
Income Tax Payable	-	-	19,988	19,988
Bank of New Zealand	-	-	5,935,000	5,935,000
Total	-	-	7,710,638	7,710,638



INDEPENDENT AUDITOR'S REPORT



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INDEPENDENT AUDITOR'S REPORT

To the Beneficiaries of Tuwharetoa Settlement Trust

Opinion

We have audited the consolidated financial statements of Tuwharetoa Settlement Trust and its controlled entities ("the Group") on pages 26 to 42, which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2017, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards with Reduced Disclosure Regime (NZ IFRS RDR).

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 Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our firm carries out other assurance assignments for the Group and provides accounting advice to the Group. The firm has no other interests in the Group.

Trustees Responsibilities for the Consolidated Financial Statements

Trustees are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS RDR, and for such internal control as Trustees determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

INDEPENDENT AUDITOR'S REPORT (CONTINUED)



Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

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.

A handwritten signature in blue ink that reads "Crowe Horwath".

Crowe Horwath New Zealand Audit Partnership

CHARTERED ACCOUNTANTS

6 November 2017

SCHEDULE OF EXPENSES, DISTRIBUTIONS & FAIR VALUE ADJUSTMENTS

For the year ended 30 June 2016

	Note	2017 \$	2016 Restated \$
EXPENSES			
Administration			
ACC Levies		262	491
Accommodation		2,256	13,845
Advertising		18,994	1,376
Bank Fees		25,588	778
Forestry Right Licence Fee		70,100	69,401
General Expenses		4,635	32,835
Human Resource		2,707	2,843
Information & Archives		16,499	27,824
Insurance		33,114	14,873
Maanaakitanga		4,077	13,347
Mileage		-	320
Office Rent & Storage		47,674	55,174
Office Supplies & Expenses		9,819	18,079
Photocopying		4,842	3,923
Postage & Courier		-	37
Telephone		9,077	17,408
Travel		10,443	-
Wages, Salaries and Contract Labour		242,225	201,813
		<u>502,312</u>	<u>474,367</u>
Hui a Iwi			
Annual Hui		32,763	23,757
Catering		-	3,356
Koha & Venue Hire		4,500	14,500
		<u>37,263</u>	<u>41,613</u>
Professional Services			
Accountancy		112,594	90,368
Advisory Services		76,279	40,008
Audit		40,168	31,244
Consultancy		57,058	(195,675)
Investment Fees		24,588	35,790
Legal Fees		-	78,033
Valuation Fees		-	850
		<u>310,687</u>	<u>80,618</u>
Project Management			
DSP Costs		31,580	18,038
Mana Whenua Costs		4,677	(9)
Hautu-Rangipo Project		-	6,521
Tai Tonga Elections		-	14,282
THF/PSGE		28,263	38,961
		<u>64,520</u>	<u>77,793</u>



SCHEDULE OF EXPENSES, DISTRIBUTIONS & FAIR VALUE ADJUSTMENTS

For the year ended 30 June 2017

	Note	2017 \$	2016 Restated \$
Governance			
Meeting Costs		5,723	352
Meeting Fees		164,350	179,139
Trustee Travel		8,041	1,221
	16	178,114	180,712
Finance Costs			
Interest Paid		89,907	454,266
Loan Application Fees		-	79,315
		89,907	533,581
Depreciation Charges			
Depreciation		144,695	166,555
		144,695	166,555



These financial statements should be read in conjunction with the notes to the financial statements and Independent Auditor's Report

NOTES

