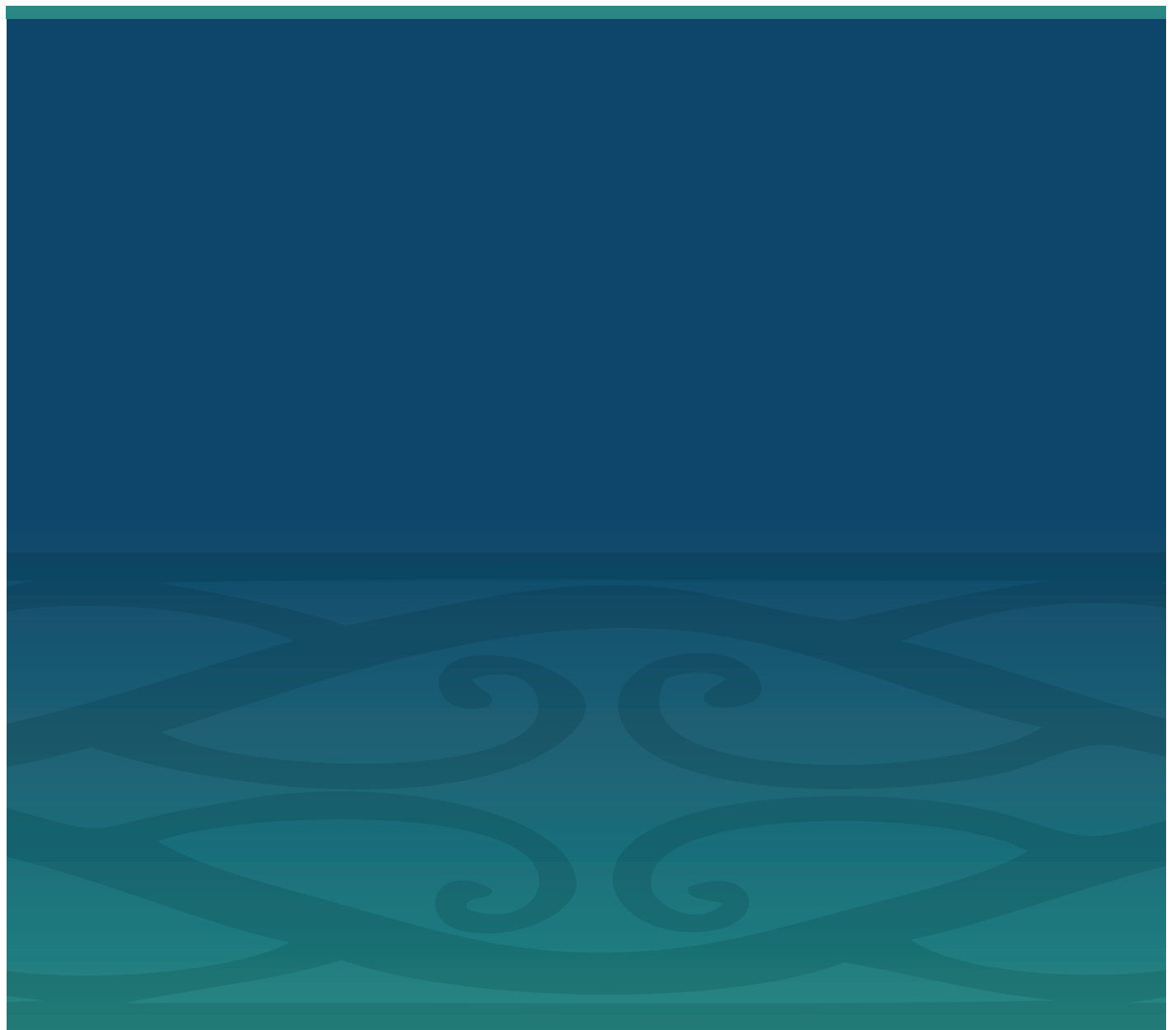




# Ngāti Mutunga O Wharekauri Iwi Trust Annual Report 2011



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## Ngāti Mutunga O Wharekauri Iwi Trust

### Chairperson's Report

On behalf of fellow Trustees I am pleased to present the 2010-2011 Annual Report of Ngāti Mutunga O Wharekauri Iwi Trust.

The review in 2009 highlighted that the level of the Trust's expenditure was unsustainable and changes were needed to provide the foundation for the introduction of beneficiary distribution strategies and for the reinvestment in assets required for growth.

The role of the Trust is wide and varied. A key aspect of the Trust's role is providing a base for Ngāti Mutunga O Wharekauri to hold and grow its collective assets, which will in turn provide income and opportunities to support the strengthening of Ngāti Mutunga O Wharekauri. The most significant achievement during this year was the discipline of the Trust Board to successfully achieve its target to reduce overheads. The Trust continues to closely monitor its costs, and where practical, will implement further initiatives to ensure the Trust continues to operate in an as efficient and effective manner as it can for its wider beneficiaries.

I am pleased to announce a very strong financial performance for the 2010-11 financial year with a group net Surplus of \$771,153. A combination of reduced Iwi Trust overheads and an increased AHC net income has led to a \$771,153 group net surplus, a \$466,075 (150%) improvement on last year and \$121,153 (19%) ahead of budget.

|  | 2010-11<br>\$    | Budget<br>\$     | Last Year<br>\$ |
|--|------------------|------------------|-----------------|
| <b>AHC Net Income</b>                          | <b>1,135,383</b> | <b>1,035,000</b> | <b>981,489</b>  |
| Less Iwi Trust Governance & Operating Expenses | 341,341          | 305,000          | 645,243         |
| Less Iwi Trust Distributions & Panui Expenses  | 22,889           | 80,000           | 31,168          |
| <b>Iwi Trust Expenses</b>                      | <b>364,230</b>   | <b>385,000</b>   | <b>676,411</b>  |
| <b>Iwi Trust Group Net Surplus</b>             | <b>771,153</b>   | <b>650,000</b>   | <b>305,078</b>  |

Our primary challenge is to now lift the level of distribution to beneficiaries and to recognize the cultural and customary obligations placed upon the Trust.

Wharekauri has lost a substantial amount of its fishing quota to off-island interests since the introduction of the Quota Management System. The Iwi Trust and AHC are committed to developing and implementing a quota acquisition strategy and this will continue to be one of the key annual objectives going forward. The current level of cash investments together with efforts to take a position further along the value chain to realise increased returns will provide a strong foundation to meet our acquisition strategy.

One of the highlights over this past year was the successful application by the Iwi Trust for funding from Housing New Zealand to build three three-bedroom houses and two one-bedroom kaumatua units on Iwi Trust land in Te One. This was the first Māori Demonstration Project to be approved under the Housing Innovation Fund set up for New Zealanders on low to medium incomes or with special housing needs which, for an iwi of our size, is something to be proud of. The level of funding agreed by Housing New Zealand is \$839,500, \$407,000 of which is a non-repayable grant and \$432,500 by way of a 10-year interest free loan. This amounts to half the total housing development

cost with the residual funding provided by the AHC by way of four sections at Te One (in-kind contribution) and cash via a mixture of equity and debt.

I am also pleased to report that the Whanaungatanga Fund was established during 2010-11 and is currently supporting four initiatives. The fund aims to enhance the wairua, mana and cultural wellbeing of the Iwi with its specific strategic goals being to:

- Build cultural knowledge and participation.
- To encourage and grow cultural practices; and
- To encourage and grow leadership within Ngāti Mutunga O Wharekauri.

Much of the focus for the past financial year has been about improving and enhancing the financial disciplines for the Trust. Over the 3-year period of the Strategic Direction this will provide a stronger financial platform for the AHC to grow its commercial assets and for the Trust to:

- Develop additional beneficiary distribution strategies; and
- Meet its cultural and customary obligations.

I wish to acknowledge Trustees, directors, and staff for their commitment and input during the year and to thank the Kaunihera Kaumatua for their patience while the Trust moves through this period of financial discipline which is resulting in a clearer understanding of the direction the Trust wishes to take in the future. Specific acknowledgement needs to be extended to both previous Chairs Phil Seymour and Paula Page.

The views and values of our beneficiaries are important to the Trust and I encourage beneficiaries to provide constructive input and feedback to help us build success.

Trudee Thomas

Chair

# Ngāti Mutunga o Wharekauri Iwi Trust ('Iwi Trust') Review

## 1. OVERVIEW

The primary focus for the Iwi Trust through the financial year ending 31 March 2011 was to meet its commitment, made in last year's Annual Report, to reduce its overheads. This was achieved with a huge decrease in Governance and Operating Expenses in excess of \$300,000 for the year. It required the introduction of significant fiscal disciplines to achieve this but it has now laid the foundation to reinvest a greater level of funds while positioning the Iwi Trust to allocate further funding to distribution strategies over the next 2-3 years.

The Whanaungatanga Fund was introduced during the year with four applications approved and \$9,500 allocated. The focus will move to encouraging increased applications and allocation of this funding.

The Iwi Trust is extremely pleased with the progress made on its housing objective to develop a plan to build affordable housing for its beneficiaries. The success of the application to Housing New Zealand under its Housing Innovation Fund has meant the housing development can now begin to be implemented. AHC will project manage the development with the assistance of a Trust Liaison Committee. Miles Construction has been engaged to develop the initial building plans for review and sign-off by the Trust Liaison Committee. It is anticipated that all requisite approvals, resource consents, material procurement, etc will be completed by October this year with the construction itself projected to be completed and the houses/units tenanted during the first quarter of the 2012-13 financial year.

The Iwi Trust would have liked to have made further progress on some of its annual objectives, particularly in terms of its engagement initiatives with beneficiaries, however it was constrained principally due to illnesses of the Trust Secretary and his whanau during the year. Insufficient resourcing was also identified as an issue that needs to be addressed.

## 2. FINANCIAL PERFORMANCE

The Iwi Trust expenditure reduced by \$312,181 or 46% year on year. Savings were achieved across all areas, the most notably:

- \$114,757 reduced meeting costs;
- \$62,431 reduced wages & salaries;
- \$36,440 reduced management fee;
- \$24,768 reduced advisory fees;
- \$16,817 reduced accountancy and audit costs.

### Financial Performance compared to Budget

The Statement of Investment Strategy and Policies set a short-term cap on the AHC annual dividend to the Iwi Trust of \$400,000. The budgeted and actual dividend of \$385,000 was 4% below this policy parameter.

The total Iwi Trust expenditure for the year was \$20,770 (5%) lower than budget however this was generated on the back of a \$57,111 under-spend for Distributions and Panui, the result of only part-progress being achieved against the Iwi Trust's Effective Engagement objective and lower than planned Whanaungatanga Fund applications. The Iwi Trust's governance and

operating expenses were above budget by \$36,341, predominantly due to the write off of a 10% income retention pertaining to a 2006 Ministry of Fisheries contract which was not completed due to unforeseen circumstances, and additional AGM costs than budgeted.

### 3. FINANCIAL POSITION

The following table summarises Iwi Trust's financial position as at 2010-11 year end.

|                                      | 2011<br>\$    | 2010<br>\$    | Variance<br>\$ |
|--------------------------------------|---------------|---------------|----------------|
| Working Capital                      | 27,359        | 30,333        | -2,974         |
| Non-Current Assets                   | 44,300        | 20,560        | 23,740         |
| <b>Iwi Trust Equity (Net Assets)</b> | <b>71,659</b> | <b>50,893</b> | <b>20,766</b>  |

With commercial assets held within AHC, the Iwi Trust balance sheet is naturally small with only a vehicle, some office equipment, and some working capital making up the Iwi Trust equity. There was only a minor change to Iwi Trust equity from last year which was predominantly due to capital expenditure incurred engaging with the liquidators of the Ngāti Mutunga o Wharekauri Trust. Any surplus funds will become available for distribution at such time as the liquidation is confirmed and any funds are paid out by the liquidator.

### 4. PERFORMANCE AGAINST ANNUAL OBJECTIVES

The following table summarises the Iwi Trust's key objectives for the 2010-11 financial year and its performance and progress against each of these.

| Sector                              | Annual Objective  | Progress Through 2010-11  |
|-------------------------------------|---|---|
| Representation – Mana               | Island Governance & Treaty Settlement: <ul style="list-style-type: none"> <li>Work to establish a unified and singular Wharekauri voice.</li> <li>Finalise mandate to conclude Iwi Treaty Settlement.</li> <li>Ensure formal involvement in review / development of island governance model.</li> </ul> | <i>Ongoing</i> – Moved to 2011-12.  |
|                                     | Efficient interface with on-island bodies who consult with the Iwi Trust, eg – DOC, CIC, HMT).  | <i>Ongoing</i> – Initiated regular hui with CIET, HMT, CIC and DOC.   |
| Asset Management – Tribal Footprint | Formalise a Statement of investment Policies with AHC.  | <i>Completed</i> – Statement of Investment Policies completed, approved and signed-off by Iwi Trust.  |
|                                     | Papakainga building support: <ul style="list-style-type: none"> <li>Develop a plan to build housing and incorporate the option to build a Marae within the concept.</li> </ul>  | <i>Completed</i> – Funding application made to Housing NZ's Housing Innovation Fund instead of the Papakainga Fund which was successfully completed with funding approved to a level of 50% of the total development cost. The concept provides |

|                                       |   |   |
|---------------------------------------|---|---|
|                                       |   | flexibility for future development of a marae.  |
| Whanaungatanga – Effective Engagement | Continue to improve quality and effectiveness of engagement with Iwi members.   | <i>Ongoing</i> – Continuing to develop and implement: <ul style="list-style-type: none"> <li>▪ more effective engagement with kaumatua;</li> <li>▪ Regular beneficiaries hui; and</li> <li>▪ Panui to Iwi members.</li> </ul> <p>There is still much progress to be made in this area</p> |
| Benefit Provision – Participation     | Implement Putea Whanaungatanga Fund.  | <i>Completed</i> – Whanaungatanga Fund implemented with four funding applications received and approved.  |
| Cultural Identity                     | <i>Enable better access for Iwi members to cultural education programmes.</i>   | <i>No progress</i>  |
|                                       | <i>Ngāti Mutunga O Wharekauri Marae:</i> <ul style="list-style-type: none"> <li>▪ <i>Consultation with Kaumatua and Iwi on the concept of a Marae.</i></li> </ul>                   | <i>Ongoing</i> – Initial discussions held at NZ hui however consultation with Wharekauri based Kaumatua and beneficiaries' is required. Moved to 2011-12.   |
|                                       | <i>Whakamaharatanga Marae:</i> <ul style="list-style-type: none"> <li>▪ <i>Offer assistance to Maori Committee to access funding and upgrade facilities and heating.</i></li> </ul> | <i>Ongoing</i>  |

In addition to the above annual objectives, the Iwi Trust continued to focus on increasing the number of registered beneficiaries. A registration form remains on the website for easier access and Trustees and Directors encouraged whanau to register

New registrations through 2010-11 were:

| Adult/Voting Beneficiaries |          |          |          | Total Adult | Under 18s | TOTAL |
|----------------------------|----------|----------|----------|-------------|-----------|-------|
| CI                         | South Is | North Is | Overseas |             |           |       |
| 4                          | 5        | 25       | 0        | 34          | 27        | 61    |

This increases the total number of registered Ngāti Mutunga O Wharekauri members to:

| Adult/Voting Beneficiaries |          |          |          | Total Adult | Under 18s | TOTAL |
|----------------------------|----------|----------|----------|-------------|-----------|-------|
| CI                         | South Is | North Is | Overseas |             |           |       |
| 164                        | 121      | 227      | 36       | 548         | 295       | 843   |

## 5. COMPLIANCE REPORT

### Amendments to Constitutions for the 2010-2011 financial year

Amendments were made to section 11.1 and 11.2 of the Trust Deed to change Trustees numbers from 9 to 7 by reducing the Wharekauri Trustee representation from 7 to 5.

To streamline voting processes amendments made to schedule 3 and 4 of the Trust Deed as follows:

#### *Schedule 3 – Election and Removal of Trustees*

- Section 2.9 allowing an independent electoral officer or organisation to be appointed by the Iwi Trust as Returning Officer

#### *Schedule 4 – Process for Approval of Special General Resolutions by Ballot of Beneficiaries*

- To change the secretary to the Returning Officer
- To require ballot forms be received at the address notified by the Returning Officer
- To allow an independent electoral officer or organisation to be appointed by the Iwi Trust as Returning Officer.

No amendments were made to the constitution of the Asset Holding Company.

### Proposed Amendments to Constitutions for the 2011-2012 financial year

Further amendments are required to the Election schedule of the Trust Deed which currently requires the involvement of a Secretary, the nominations for Trustees to be received at the Registered Office, and voting forms for the election to be received at the Registered Office. Amendments are required to Schedule 3, Election and Removal of Trustees:

- To change the secretary to the Returning Officer
- To require nomination forms to be received at an address notified by the Returning Officer
- To require voting forms to be received at an address notified by the Returning Officer

No amendments are proposed to the constitution of the Asset Holding Company

### Iwi Trust Group Annual Report

This Annual Report is to be available to all Iwi members by 11<sup>th</sup> July 2011, being 20 business days before the Annual General Meeting scheduled for 6<sup>th</sup> August 2011.

This Annual Report includes all information required pursuant to Section 13 of the Iwi Trust Deed for both the Iwi Trust and AHC.

### Benefit Distribution Policy

Prior to the start of the 2010-11 financial year the Trust Board approved the Pathway Forward /Strategic Direction, after consultation with Iwi members, which included:

- priorities for funding;
- policies in respect to the method of distribution of benefits
- policies on how Beneficiaries who live outside Wharekauri may reasonably access to the benefits of the Trust



A summary of this was distributed to Iwi members and is also available on the website. Three distribution policies were proposed and the Whanaungatanga Fund was implemented after support from beneficiaries. The two remaining distribution policies received less support and it was agreed these policies needed to be reviewed.

The Trust Deed requires a full review of the benefit distribution policy every two years with the next review due for 2012/13 financial year. The Iwi Trust will undertake this review in the current financial year and will discuss and obtain feedback on this upcoming review at the AGM.

#### Iwi Trust Annual Plan

The Annual Plan for the 2011-12 has been prepared and approved by the Trust Board. A copy of this was also distributed to Iwi members within the recent Panui and is also available on the website..

#### Policy Development

The Iwi Trust and its subsidiaries maintained and where required established appropriate and transparent policies and procedures for its Trustees, Directors, Employees, and advisors during its various recruitment, engagement, and appointment processes to support:

- Management systems;
- Administration policies;
- Financial accountability;
- Reporting systems; and
- A Code of Conduct.

#### 5 Year Commercial Plan

The Iwi Trust is required to establish a 5-year medium term plan of its commercial activities which shall include:

- Core commercial activities of the Trust, the AHC, and any other Corporate Entities;
- A Dividend policy in respect of the level of distribution or re-investment of income;
- A policy in respect of the acceptable Debt/equity ratios of its investments;
- A policy in respect of restrictions on alienation of assets.

The Trust Deed requires a full review of this 5-year plan every two years.

A Statement of Investment Strategy and Policy to support the 3 year Strategic Direction was established in June 2010 for the AHC and to ensure guidelines were in place for the AHC board. The Commercial Plan which will flow on from the SIPO in terms of timing.

# Ngāti Mutunga O Wharekauri Asset Holding Company Limited ('AHC') Review

## 1. OVERVIEW

The past year has been a good one for AHC. The hangover from the global financial crisis and the resulting recession is still evident with many New Zealand businesses reporting falling profits and tightening cashflows. So it is pleasing for AHC to report an operating profit before distributions of \$1.135m, an increase of \$154k (15.7%) against the 2009-10 financial year, resulting in a Return on Equity of 6.1% up from 5.4% the previous year. After accounting for distributions to the NMOW Iwi Trust, AHC's equity increased by \$750k (4.1%) through 2010-11.

Seafood remains the backbone of the AHC balance sheet and this year derived 90% of AHC's earnings before overheads with deepwater wetfish, paua and crayfish ACE combining to contribute around 90% of AHC's seafood revenue.

Wetfish continues to be a tough sector for the New Zealand seafood industry and this is reflected in softening ACE prices. In addition, there has been a 42% cut in orange roughy (area 3B) quota which has had a significant impact on the AHC deepwater revenue this year. Fortunately, through its established relationship with Sanford, AHC has been able to achieve ACE prices at the top end of market helping reduce the impact of the orange roughy cut.

The paua export market continued to firm through the year after being affected by the global recession and building inventory levels. Whilst still not fully recovered and continuing to be hampered by a strong NZ dollar against the US dollar, ACE prices lifted compared to last year. AHC's newly established relationship with Ocean Ranch (fully owned subsidiary of Aotearoa Fisheries Ltd) has proved fruitful both financially and in terms of securing increased ACE volumes for NMOW fishers to catch. Unfortunately the Wharekauri paua fishery has been under pressure for some time now and this year AHC supported the industry initiative to introduce a 20% quota shelve which reduced AHC's ACE from 15mt to 12mt.

Crayfish is again the star performer across the NZ seafood industry. China's rapidly increasing wealth and urbanisation continues to drive demand growth and with it export prices. Even with the NZ dollar at its current levels, the NZ dollar returns remain on an upward trend and this is reflected back down the value chain to increasing ACE prices. Notwithstanding the current market strength, a number of risks are emerging that the NZ industry needs to better understand and, where possible, implement strategies to mitigate whilst continuing to consider ways to position it's product more effectively in China. A Maori based crayfish collective, Koura Inc Limited, was established through the year to undertake a market research project for crayfish in China, principally focused on understanding these risks together with the many opportunities that exist. AHC has taken up a shareholding in this entity along with Aotearoa Fisheries Ltd, Ngai Tahu Seafood, PKW Inc, Wakatu Inc, HMT and ICP ACE Holdings (the Iwi Collective Partners of 12 iwi in the North Island). The Koura Inc Limited grouping collectively owns approximately 30% of NZ's crayfish quota and exports up to 40% of NZ's total supply. The market research project is expected to be completed during the latter half of 2011.

The year ahead for AHC will be focused on developing relationships with long term strategic partners that allow AHC to take a position further along the value chain and generate returns not just from its ACE but through to the market as well. A key criteria in any relationship for AHC is the protection of the NMOW fisher base and ensuring additional ACE volumes are made

available for these fishers to support their businesses. Having the ability to share in wider value chain returns will generate increased margins back to AHC which it will use to acquire further core quota species enabling it to better support the NMOW fisher businesses as well as improving the overall income to the wider NMOW beneficiaries.

AHC's relationship with Ocean Ranch is a good example of this and, more recently, AHC has entered into an arrangement with Port Nicholson Fisheries for its crayfish which includes a market profit share component as well as the standard ACE return. In addition, PNF are committed to making available additional ACE from their own holdings for the NMOW fishers to catch.

The blue cod initiative which was based on the 4 key Wharekauri blue cod quota owners – Aotearoa Fisheries Ltd, Chatham Islands Enterprise Trust, HMT and the AHC – coming together to develop a more productive business model that would allow all components of the value chain to share increased returns has been put on hold. This is a disappointing outcome for AHC as it would have almost certainly resulted in improved earnings back to both the NMOW fisher and AHC, again enabling AHC to invest in additional quota volumes. It is hoped the parties involved will be in a position to re-engage and continue to develop the model over the coming year.

## 2. FINANCIAL PERFORMANCE

The following table summarises AHC's financial performance for the 2010-11 financial year.

|                         | 2010-11<br>\$    | 2009-10<br>\$    | Variance<br>\$ |
|-------------------------|------------------|------------------|----------------|
| Seafood Income          | 1,155,393        | 1,111,687        | 43,706         |
| Investment Income       | 210,113          | 127,097          | 83,016         |
| Rental Income           | 14,133           | 13,000           | 1,133          |
| <b>AHC Gross Income</b> | <b>1,379,639</b> | <b>1,251,784</b> | <b>127,855</b> |
| Less AHC Overheads      | 225,045          | 249,451          | -24,406        |
| Less Depreciation       | 19,211           | 20,844           | -1,633         |
| <b>AHC Net Income</b>   | <b>1,135,383</b> | <b>981,489</b>   | <b>153,894</b> |

The AHC net income increased \$153,894 (15.7%) against last year. The key points in relation to this are set out below.

### Seafood Income

Earnings from seafood investments increased \$43,706 (4%) on last year.

- Wetfish returns were down due to the orange roughy quota cut, partially offset by a small increase in hoki quota and a marginally improved ACE return for blue cod.
- The quota shelve has meant the improved ACE prices achieved under the Ocean Ranch relationship resulted in only a marginal increase in the overall paua earnings.
- ACE returns for crayfish continue to improve.

- Blue cod, kina and crayfish ACE was sold directly to NMOW fishers to support their fishing operations. The ACE prices for these ACE stocks were set at a discount to prices that AHC would have otherwise achieved on the open market, particularly crayfish, with the combined discount assessed at approximately \$75k. However, on balance and given the economic importance of fishing to NMOW and Wharekauri, it was deemed a strategically prudent approach to take.
- Aotearoa Fisheries Limited paid its inaugural dividend to its iwi income shareholders. AHC own 167 shares or 0.13% of the income shares and received a \$10k dividend.
- Two one-off income transactions occurred during the financial year, NMOW's share of the Maori Aquaculture Settlement with the Crown and the sale of the AHC's ETS credits.

#### Cash Investments

Earnings from cash investments increased \$83,016 (65%) resulting from:

- Increased interest income as a result of the transfer of surplus cashflow to the AHC term deposit portfolio. The term deposit portfolio increasing from \$3.9m last year to \$4.7m at the end of the 2010-11 financial year.
- More prudent management of cash investments and allocation of increased proportion of funds from call accounts to higher interest earning term deposits.

#### Property Investments

Earnings from property investments increased \$1,133 (9%) from the additional rental income received from both the Iwi Trust office and Sandstone property.

#### Overheads

AHC overheads reduced by \$24,406 (10%) principally the result of decreased direct management and administration costs.

#### Depreciation

Depreciation against AHC's fixed assets decreased by \$1,633 on last year based on a diminishing value depreciation calculation.

#### Financial Performance compared to Budget

The 2010-11 Annual Plan budgeted an AHC net surplus for the year of \$1,035,000. The actual net surplus for the year was \$1,135,383 which was an improvement on budget of \$100,383. The key drivers for this improvement included the unbudgeted one off receipts from ETS credits and Maori Aquaculture settlement and enhanced ACE returns from crayfish and paua.

### 3. FINANCIAL POSITION

The following table summarises AHC's financial position as at 2010-11 year end.

|                                | 2011<br>\$        | 2010<br>\$        | Variance<br>\$ |
|--------------------------------|-------------------|-------------------|----------------|
| Working Capital                | 34,323            | 63,640            | -29,317        |
| Seafood Quota & Investments    | 13,111,152        | 13,105,318        | 5,834          |
| Cash Investments               | 4,649,495         | 3,778,227         | 871,268        |
| Canterbury Mortgage Trust      | 66,036            | 151,720           | -85,684        |
| Property, Plant & Equipment    | 575,231           | 586,944           | -11,713        |
| AFL Shares                     | 414,160           | 414,160           | 0              |
| <b>AHC Equity (Net Assets)</b> | <b>18,850,397</b> | <b>18,100,009</b> | <b>750,388</b> |

AHC equity increased \$750k (4.1%) over the 2010-11 financial year, being the group net surplus after NMOW Iwi Trust distributions. Other points to note:

- A further \$85k of the Canterbury Mortgage Trust balance was repaid during the year taking the total repayments to 78.5% of the original capital leaving \$66k outstanding. AHC wrote the Canterbury Mortgage Trust investment down by 15% in 2009 and remains confident that no further write-downs will be required.
- Both the group net surplus of \$768k and the \$85k repaid by Canterbury Mortgage Trust, a total of \$871k, were invested into the Cash Investment (term deposit) portfolio. These funds now total \$4.65m and are to be utilised for future investments in line with the AHC investment strategy. AHC will be proactively seeking investments in Seafood and other industries that drive growth in the Wharekauri economy if attractive opportunities arise that will produce an appropriate return on investment. Given these are generally opportunistic in nature and funds therefore required at relatively short notice, AHC opt to hold the funds on 3-6 month term deposits.
- 70% of the AHC assets are held in Seafood Quota. The quota is held at cost in the financial statements however an independent broker valued the quota at a market valuation of \$15.2m as at 31 March 2011. This is approximately \$2.0m more than the cost of the quota but \$0.5m less than at the same time last year principally due to the orange roughy quota cut although it is off-set by material increases in crayfish and blue cod quota. The quota at cost is broken down as follows:

| Species       | Settlement Quota      |              |                     | Non-Settlement Quota  |              |                  |
|---------------|-----------------------|--------------|---------------------|-----------------------|--------------|------------------|
|               | Quota<br>(No. Shares) | ACE<br>(Kgs) | Cost<br>(\$)        | Quota<br>(No. Shares) | ACE<br>(Kgs) | Cost<br>(\$)     |
| Blue Cod      | 4,700,391             | 35,692       | \$155,394           |                       |              |                  |
| Kina          | 10,000,000            | 22,500       | \$92,931            | 15,662,929            | 35,242       | \$592,617        |
| Paua          | 4,599,701             | 15,020       | \$4,111,657         |                       |              |                  |
| Crayfish      | 5,000,000             | 18,000       | \$2,075,855         |                       |              |                  |
| Other Species | 321,995,985           | 1,165,886    | \$6,076,664         |                       |              |                  |
| <b>Total</b>  |                       |              | <b>\$12,512,501</b> |                       |              | <b>\$592,817</b> |

#### 4. FINANCIAL PERFORMANCE METRICS AND BENCHMARKING

##### Financial Performance Metrics

The key AHC financial returns and metrics are highlighted in the table below with comparisons shown against last year:

|   | 2010-11<br>\$ | 2009-10<br>\$ | Variance<br>\$ |
|---|---------------|---------------|----------------|
| ACE Trading Return on Investment            | 8.2%          | 8.5%          | -0.3%          |
| Cash Investments Return on Investment       | 4.9%          | 3.3%          | 1.6%           |
| Property Return on Investment               | 2.4%          | 2.1%          | 0.3%           |
| <b>Total Return on AHC Equity</b>           | <b>6.1%</b>   | <b>5.4%</b>   | <b>0.7%</b>    |
| <b>Increase in AHC Equity</b>               | <b>4.1%</b>   | <b>1.7%</b>   | <b>2.4%</b>    |
| <b>Trust Distribution to AHC Net Income</b> | <b>33.9%</b>  | <b>57.3%</b>  | <b>-23.4%</b>  |

Performance has improved across all key financial metrics through 2010-11. Note, AHC's quota is held on the Balance Sheet at cost and this value has remained unchanged from 2009-10 even though there have been significant quota cuts for orange roughy and paua. Hence, the lower ACE revenue generated through 2010-11 as a result of these quota cuts meant the ACE Trading return fell below that of last year. However, if a market quota valuation approach is taken (which accounts for the value impact of quota reductions), AHC's ACE Trading return is 0.3% higher than last year.

The significant reduction in Trust overheads during the year has enabled significantly greater reinvestment in AHC resulting in a more than doubled % increase in AHC equity to last year and a Trust distribution % that is almost halved.

##### Benchmarking

##### (i) ACE Trading

The table below compares AHC's ACE Trading revenue to two industry benchmarks:

- The 'Blue Book' produced by FishServe which provides the average industry ACE trade values for all fishstocks across the applicable fishing year; and
- An independent quota broker's assessed ACE values based on the broker's knowledge of the market and what arms-length buyers were willing to pay for the ACE.

For a variety of reasons (eg – inter-company ACE trades, ACE 'swaps', deemed value drivers, etc), the Blue Book values can be distorted. The broker values are therefore considered to be a more accurate reflection of true market ACE values.

|             | AHC<br>Result<br>(\$'000s) | Blue Bk<br>Value<br>(\$'000s) | Broker<br>Value<br>(\$'000s) | Variance<br>AHC to Blue Bk<br>(\$'000s) (%) |       | Variance<br>AHC to Broker<br>(\$'000s) (%) |       |
|-------------|----------------------------|-------------------------------|------------------------------|---|-------|--|-------|
| ACE Trading | \$1,100                    | \$1,118                       | \$986                        | -\$18                                       | -1.6% | \$114                                      | 11.5% |

AHC's ACE Trading performance was well ahead of broker assessed values and on par with the Blue Book. AHC generally significantly out performed both benchmarks for all ACE classes except blue cod and crayfish. An AHC focus in the current financial year is to obtain

premium Cray and Blue Cod returns while also continuing to enable access to this ACE for Ngāti Mutunga fishers at fair and sustainable prices.

(ii) Cash Investments

The table below compares AHC's Cash Investment performance to the weighted average 6-month Term Deposit rates through the period April 2010 to March 2011 as supplied by the Reserve Bank of New Zealand. Given most of the AHC cash investments are in Term Deposits of between 3 and 6 months, the 6 month RBNZ interest rate index was deemed the most appropriate benchmark.

|                         | AHC Result   | RBNZ         | Variance<br>AHC to RBNZ |              |
|-------------------------|--------------|--------------|-------------------------|--------------|
|                         | (\$'000s)    | (\$'000s)    | (\$'000s)               | (%)          |
| <b>Cash Investments</b> | <b>\$211</b> | <b>\$189</b> | <b>\$22</b>             | <b>11.6%</b> |

AHC's premium return was derived from its decision to align with one bank (ANZ) and its ability to negotiate favourable interest rates on the back of this relationship.

(iii) Property

Given AHC's minimal property income and the high proportion of non-income generating land (ie – those sections to be used for the housing development), no benchmark assessment can be meaningfully completed.

## 5. PERFORMANCE AGAINST ANNUAL OBJECTIVES

The following table summarises the key objectives for AHC for the 2010-11 financial year and AHC's performance and progress against each of these.

| Annual Objective   | Progress Update  |
|--|--|
| Wharekauri industry collaboration in blue cod.   | <i>On Hold</i> – Parties agreed to delay for one season.   |
| Investigate opportunities for crayfish including moving up the value chain in collaboration with other Island quota owners where possible.                           | <i>Progressing</i> – Completed agreement with Port Nicholson Fisheries which includes the opportunity for AHC to share in market returns as well as ACE returns.   |
| Review fisheries management accountabilities to clarify relationships/responsibilities between AHC, the Iwi Trust, the Iwi Trust Board, Pa Tangaroa, TOKM, and CSOs. | <i>Completed</i> - Approved by Iwi Trust Board. There will be ongoing discussions with Pa Tangaroa and other parties to continually enhance collaboration.   |
| Acquire quota in high value inshore species subject to the market providing attractive opportunities.  | <i>Progressing</i> – Continually reviewing broker updates and endeavouring to progress crayfish opportunities. Funds available through the cash investment portfolio to take up acquisition opportunities as they arise. |
| Continue close monitoring of Canterbury Mortgage Trust.  | <i>Progressing</i> - With 78.5% now received and 15% already written down, the risk significantly reduced.   |

|  |  |
|--|--|
| Establish in-house treasury management and implement an optimal cash management strategy.  | <i>Completed</i> – Established as a commercial client with ANZ with relationship manager.  |
| Expanding networks, resource and reach to ensure AHC builds its position as key investment body and force in Wharekauri.   | <i>Completed</i> – Regular meetings being held.  |
| Undertake desktop review of non-seafood Wharekauri investment opportunities, and identify two areas of initial focus.  | <i>No Progress</i> – Will move to 2011-12.   |
| Protect any future tourism opportunities resulting from DOC concessions.   | <i>Progressing</i> – There will be additional work done on this in 2011-12.  |
| Assess feasibility for development of housing on existing Iwi Trust land   | <i>Completed</i> – Successful on Housing NZ application for funding which ensures feasibility for a 3 x 3 bedroom house and 2 x 1 bedroom kaumatua flat development. |
| Work alongside the Iwi Trust Board to develop closer relationships with CIET, CIC and HMT with view to putting collective island weight behind infrastructure solution negotiations. | <i>Progressing</i> – Providing support to Iwi Trust as required.   |

## 6. COMPLIANCE DECLARATION

### Quota

There have been no sales or exchange of quota. No sales or exchanges were allowed under the Maori Fisheries Act 2004 until a period of two years from recognition (28 September 2005) had passed. These restrictions ceased to apply from 29 September 2007.

No Settlement Quota interests have been registered against the quota shares or income shares, nor has there been any registered interest by way of caveat or mortgage raised against the settlement quota shares or income shares.

The Directors have overseen the governance of the commercial fisheries activities of AHC. There have been general discussions with other Mandated Iwi Organisations regarding opportunities to work together in a manner that benefits all parties.

### Annual Plan

An AHC Annual Plan for the 2011-12 has been prepared and approved by the AHC Board and ratified by the Trust Board. A copy of this was distributed to Iwi members within the recent panui and is also available on the website.



# **Consolidated Group Financial Statements**

- **Consolidated Statement of Financial Performance**
- **Consolidated Statement of Movements in Equity**
- **Consolidated Statement of Financial Position**
- **Notes to the Consolidated Financial Statements**

**Ngati Mutunga o Wharekauri Iwi Trust**  
**Consolidated Statement of Financial Performance**  
**For the Year Ended 31 March 2011**

|                                     | Note  | Group<br>2011<br>\$ | Trust<br>2011<br>\$ | AHC<br>2011<br>\$ | Group<br>2010<br>\$ | Trust<br>2010<br>\$ |
|-------------------------------------|-------|---------------------|---------------------|-------------------|---------------------|---------------------|
| <b>Revenue</b>                      |       |                     |                     |                   |                     |                     |
| Revenue from Seafood                | 13(a) | 1,283,214           | -                   | 1,283,214         | 1,332,711           | -                   |
| Less Direct Seafood Expenses        | 13(b) | 127,821             | -                   | 127,821           | 221,024             | -                   |
| Seafood Earnings                    |       | 1,155,393           | -                   | 1,155,393         | 1,111,687           | -                   |
| Revenue from Investment             | 13(a) | 210,898             | 384,996             | 210,898           | 127,097             | 562,790             |
| Less Investment Fees                |       | 785                 | -                   | 785               | -                   | -                   |
| Investment Earnings                 |       | 210,113             | 384,996             | 210,113           | 127,097             | 562,790             |
| Property Earnings                   |       | 6,933               | -                   | 14,133            | 5,800               | -                   |
| Earnings from Commercial Activities |       | 1,372,439           | 384,996             | 1,379,639         | 1,244,584           | 562,790             |
| Less Commercial Expenses            | 13(b) | 225,045             | -                   | 225,045           | 249,451             | -                   |
| Net Asset Holding Company Income    |       | 1,147,394           | 384,996             | 1,154,594         | 995,133             | 562,790             |
| <b>Less Iwi Trust Expenses</b>      |       |                     |                     |                   |                     |                     |
| Iwi Trust Governance Expenses       | 13(b) | 145,534             | 145,534             | -                 | 299,808             | 299,808             |
| Iwi Trust Operating Expenses        | 13(b) | 184,271             | 191,471             | -                 | 331,152             | 338,352             |
| Iwi Trust Distributions and Panui   |       | 22,889              | 22,889              | -                 | 31,168              | 31,168              |
| Total Iwi Trust Expenses            |       | 352,694             | 359,894             | -                 | 662,128             | 669,328             |
| <b>Less Non Cash Items</b>          |       |                     |                     |                   |                     |                     |
| Depreciation                        |       | 23,547              | 4,336               | 19,211            | 27,927              | 7,083               |
| Total Non Cash Items                |       | 23,547              | 4,336               | 19,211            | 27,927              | 7,083               |
| Total Expenses                      |       | 376,241             | 364,230             | 19,211            | 690,055             | 676,411             |
| TOTAL NET SURPLUS / (DEFICIT)       |       | 771,153             | 20,766              | 1,135,383         | 305,079             | (113,621)           |

**Ngati Mutunga o Wharekauri Iwi Trust**  
**Consolidated Statement of Movements in Equity**  
**For the Year Ended 31 March 2011**

|                                       | Note | Group<br>2011<br>\$ | Trust<br>2011<br>\$ | AHC<br>2011<br>\$ | Group<br>2010<br>\$ | Trust<br>2010<br>\$ |
|---------------------------------------|------|---------------------|---------------------|-------------------|---------------------|---------------------|
| Opening Equity                        |      | 18,150,903          | 50,893              | 18,100,010        | 17,845,824          | 2,248,738           |
| Net Surplus / (Deficit) for the year  |      | 771,153             | 20,766              | 1,135,383         | 305,079             | (113,621)           |
| Total Recognised Revenue and Expenses |      | 18,922,056          | 71,659              | 19,235,393        | 18,150,903          | 2,135,117           |
| Movement in Trust Capital             | 2    | -                   | -                   | -                 | -                   | (2,084,224)         |
| Dividends Paid                        |      | -                   | -                   | (384,996)         | -                   | -                   |
| CLOSING EQUITY                        |      | 18,922,056          | 71,659              | 18,850,397        | 18,150,903          | 50,893              |

**Ngati Mutunga o Wharekauri Iwi Trust**  
**Consolidated Statement of Financial Position**  
**As at 31 March 2011**

|                                     | Note | Group<br>2011<br>\$ | Trust<br>2011<br>\$ | AHC<br>2011<br>\$ | Group<br>2010<br>\$ | Trust<br>2010<br>\$ |
|-------------------------------------|------|---------------------|---------------------|-------------------|---------------------|---------------------|
| <b>Current Assets</b>               |      |                     |                     |                   |                     |                     |
| ANZ Bank Current Accounts           |      | 59,053              | 47,104              | 11,949            | 30,402              | 13,303              |
| Accounts Receivable                 |      | 54,268              | 6,527               | 47,741            | 161,844             | 20,275              |
| Group Inter Entity Accounts         |      | -                   | 9,936               | (9,936)           | -                   | 60,000              |
| Investment Accounts                 | 3    | 4,715,531           | -                   | 4,715,531         | 3,929,947           | -                   |
| <b>Total Current Assets</b>         |      | <b>4,828,852</b>    | <b>63,567</b>       | <b>4,765,285</b>  | <b>4,122,193</b>    | <b>93,578</b>       |
| <b>Non Current Assets</b>           |      |                     |                     |                   |                     |                     |
| Property, Plant & Equipment         | 4    | 591,454             | 16,223              | 575,231           | 607,504             | 20,560              |
| Term Receivable                     |      | 28,077              | 28,077              | -                 |                     |                     |
| Seafood Quota                       | 5    | 13,111,152          | -                   | 13,111,152        | 13,105,318          | -                   |
| Shares - AFL                        | 6    | 414,160             | -                   | 414,160           | 414,160             | -                   |
| <b>Total Non Current Assets</b>     |      | <b>14,144,843</b>   | <b>44,300</b>       | <b>14,100,543</b> | <b>14,126,982</b>   | <b>20,560</b>       |
| <b>TOTAL ASSETS</b>                 |      | <b>18,973,695</b>   | <b>107,867</b>      | <b>18,865,828</b> | <b>18,249,175</b>   | <b>114,138</b>      |
| <b>Current Liabilities</b>          |      |                     |                     |                   |                     |                     |
| Accounts Payable                    |      | 51,639              | 36,208              | 15,431            | 98,273              | 63,245              |
| <b>Total Current Liabilities</b>    |      | <b>51,639</b>       | <b>36,208</b>       | <b>15,431</b>     | <b>98,273</b>       | <b>63,245</b>       |
| <b>Equity</b>                       |      |                     |                     |                   |                     |                     |
| Trust Capital                       | 2    | 14,826,207          | (248,849)           | 15,075,056        | 14,826,207          | (248,849)           |
| Accumulated Surplus                 | 2    | 4,095,849           | 320,508             | 3,775,341         | 3,324,695           | 299,742             |
| <b>Total Equity</b>                 |      | <b>18,922,056</b>   | <b>71,659</b>       | <b>18,850,397</b> | <b>18,150,902</b>   | <b>50,893</b>       |
| <b>TOTAL LIABILITIES AND EQUITY</b> |      | <b>18,973,695</b>   | <b>107,867</b>      | <b>18,865,828</b> | <b>18,249,175</b>   | <b>114,138</b>      |

For and on behalf of the Board who authorised these financial statements for issue on 6 July 2011:

  
Trustee

  
Trustee

**Ngati Mutunga o Wharekauri Iwi Trust**  
**Notes to the Consolidated Financial Statements**  
**For the Year Ended 31 March 2011**

**1. STATEMENT OF ACCOUNTING POLICIES**

**Reporting Entity**

The financial statements presented here are for reporting entity Ngati Mutunga o Wharekauri Iwi Trust (the "Trust"). The Trust was established by Deed dated 28 September 2004 for the purpose of receiving and managing fishery and other settlement assets for the benefit of Ngati Mutunga and to relieve poverty or need of Ngati Mutunga.

The financial statements presented represent the results from operations of the Trust and the subsidiary companies that it wholly owns. Trust figures are for the Parent only. AHC figures are for the subsidiary, Group figures represent:

- Ngati Mutunga o Wharekauri Iwi Trust
- Ngati Mutunga o Wharekauri Asset Holding Company Limited

Group figure comparatives for 2010 represent:

- Wharekauri Quota Holding Limited
- Motuhara Fisheries Limited
- Ngati Mutunga o Wharekauri Iwi Trust
- Ngati Mutunga o Wharekauri Asset Holding Company Limited

**Reporting Basis**

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

**Measurement Base**

The attached financial statements have been prepared in accordance with the general accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis.

**Differential Reporting**

The Trust is a qualifying entity within the Differential Reporting Framework established by the New Zealand Institute of Chartered Accountants. The Trust is not publicly accountable. The Trust qualifies on the size criteria. The Trust has taken advantage of all differential reporting exemptions except where a note or policy states otherwise.

**Property, Plant and Equipment**

Property, Plant and Equipment is valued at cost price less accumulated depreciation to date. Rates of depreciation used are set by the Inland Revenue Department and shown in the consolidated Schedule of Property, Plant and Equipment.

**Taxation**

The Trust has been granted Charitable status by the Inland Revenue Department and is therefore exempt from income tax.

**Goods and Services Tax**

The Statement of Financial Performance has been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST, with the exception of Receivables and Payables, which include GST invoiced.

**Accounts Receivable**

Accounts Receivable are stated at their expected realisable value.

**Basis of Consolidation**

The group financial statements have been prepared using the purchase method of consolidation and include the financial statements of the parent and subsidiary companies. All significant intercompany profits, transactions and balances have been eliminated in preparing these financial statements.

**Ngati Mutunga o Wharekauri Iwi Trust**  
**Notes to the Consolidated Financial Statements continued**  
**For the Year Ended 31 March 2011**

**Investments**

Investments are valued at their cost price less any impairment recognised by the Directors. Advances between members of the group are shown in the parents figures at their estimated amount and eliminated upon consolidation.

**Quota**

Quota shares owned are shown in the Statement of Financial Position at cost and are subject to annual impairment reviews.

**Changes in Accounting Policy**

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

**Foreign Currencies**

Transactions denominated in foreign currencies are converted to New Zealand dollars at the exchange rate in effect at the date the transactions are settled. Balances at year end are translated at closing rates.

|  | Group<br>2011<br>\$ | Trust<br>2011<br>\$ | AHC<br>2011<br>\$ | Group<br>2010<br>\$ | Trust<br>2010<br>\$ |
|--|---------------------|---------------------|-------------------|---------------------|---------------------|
| <b>2. Retained Earnings</b>                      |                     |                     |                   |                     |                     |
| <b>Accumulated Surplus</b>                       |                     |                     |                   |                     |                     |
| Opening Balance                                  | 3,324,696           | 299,742             | 3,024,954         | 3,019,617           | 413,363             |
| Net Surplus / (Deficit)                          | 771,153             | 20,766              | 1,135,383         | 305,079             | (113,621)           |
| Dividends Paid                                   |                     |                     | (384,996)         |                     |                     |
| <b>Closing Balance</b>                           | <b>4,095,849</b>    | <b>320,508</b>      | <b>3,775,341</b>  | <b>3,324,696</b>    | <b>299,742</b>      |
| <b>Trust Capital</b>                             |                     |                     |                   |                     |                     |
| Opening Balance                                  | 14,826,207          | (248,849)           | 15,075,056        | 14,826,207          | 1,835,375           |
| Investments Transferred to Asset Holding Company | -                   | -                   | -                 | -                   | (2,084,224)         |
| <b>Closing Balance</b>                           | <b>14,826,207</b>   | <b>(248,849)</b>    | <b>15,075,056</b> | <b>14,826,207</b>   | <b>(248,849)</b>    |

**Ngati Mutunga o Wharekauri Iwi Trust**  
**Notes to the Consolidated Financial Statements continued**  
**For the Year Ended 31 March 2011**

**3. Investment Accounts**

|                             |                  |          |                  |                  |          |
|-----------------------------|------------------|----------|------------------|------------------|----------|
| UDC                         | 2,784,865        | -        | 2,784,865        | 960,044          | -        |
| Canterbury Mortgage Trust * | 66,036           | -        | 66,036           | 151,720          | -        |
| BNZ Term Deposit            | -                | -        | -                | 887,732          | -        |
| ASB Term Deposit            | 1,771,961        | -        | 1,771,961        | 968,127          | -        |
| ANZ - Call                  | 92,670           | -        | 92,670           | 962,324          | -        |
|                             | <b>4,715,531</b> | <b>-</b> | <b>4,715,531</b> | <b>3,929,947</b> | <b>-</b> |

\* On the 21st of July 2008 Canterbury Mortgage Trust announced it had frozen all investments until at least March 2009. The trustees wrote the investments down by 15% in 2009 to more accurately reflect the expected carrying value of the capital that may be crystallised.

Canterbury Mortgage Trust have now repaid 78.5% of the original capital leaving a book value of \$66,036 at year end. Based on the information available the Trustees do not believe any further impairment is required.

**4. Property, Plant and Equipment**

|   | Group<br>2011<br>\$ | Trust<br>2011<br>\$ | AHC<br>2011<br>\$ | Group<br>2010<br>\$ | Trust<br>2010<br>\$ |
|---|---------------------|---------------------|-------------------|---------------------|---------------------|
| <b>Motor Vehicles</b>                         |                     |                     |                   |                     |                     |
| Opening Book Value                            | 4,665               | 4,665               | -                 | 6,665               | 6,665               |
| Depreciation                                  | (1,400)             | (1,400)             | -                 | (2,000)             | (2,000)             |
| Closing Book Value                            | 3,265               | 3,265               | -                 | 4,665               | 4,665               |
| <br>Cost                                      | 13,133              | 13,133              | -                 | 13,133              | 13,133              |
| Accumulated Depreciation                      | (9,868)             | (9,868)             | -                 | (8,468)             | (8,468)             |
| Closing Book Value                            | 3,265               | 3,265               | -                 | 4,665               | 4,665               |
| <br><b>Office Equipment and Software</b>      |                     |                     |                   |                     |                     |
| Opening Book Value                            | 15,894              | 15,894              | -                 | 20,978              | 20,978              |
| Depreciation                                  | (2,936)             | (2,936)             | -                 | (5,084)             | (5,084)             |
| Closing Book Value                            | 12,958              | 12,958              | -                 | 15,894              | 15,894              |
| <br>Cost                                      | 52,166              | 52,166              | -                 | 52,166              | 52,166              |
| Accumulated Depreciation                      | (39,208)            | (39,208)            | -                 | (36,272)            | (36,272)            |
| Closing Book Value                            | 12,958              | 12,958              | -                 | 15,894              | 15,894              |
| <br><b>Buildings</b>                          |                     |                     |                   |                     |                     |
| Opening Book Value                            | 416,566             | -                   | 416,566           | 432,462             | -                   |
| Additions                                     | 7,500               | -                   | 7,500             | 4,950               | -                   |
| Depreciation                                  | (19,211)            | -                   | (19,211)          | (20,844)            | -                   |
| Closing Book Value                            | 404,855             | -                   | 404,855           | 416,568             | -                   |
| <br>Cost                                      | 462,687             | -                   | 462,687           | 455,187             | -                   |
| Accumulated Depreciation                      | (57,832)            | -                   | (57,832)          | (38,619)            | -                   |
| Closing Book Value                            | 404,855             | -                   | 404,855           | 416,568             | -                   |
| <br><b>Land</b>                               |                     |                     |                   |                     |                     |
| Opening Book Value                            | 170,376             | -                   | 170,376           | 170,376             | -                   |
| Depreciation                                  | -                   | -                   | -                 | -                   | -                   |
| Closing Book Value                            | 170,376             | -                   | 170,376           | 170,376             | -                   |
| <br>Cost                                      | 170,376             | -                   | 170,376           | 170,376             | -                   |
| Accumulated Depreciation                      | -                   | -                   | -                 | -                   | -                   |
| Closing Book Value                            | 170,376             | -                   | 170,376           | 170,376             | -                   |
| <br><b>Total Property Plant and Equipment</b> | <b>591,454</b>      | <b>16,224</b>       | <b>575,231</b>    | <b>607,502</b>      | <b>20,559</b>       |



**Ngati Mutunga o Wharekauri Iwi Trust**  
**Notes to the Consolidated Financial Statements continued**  
**For the Year Ended 31 March 2011**

**5. Seafood Quota**

The cost value of \$13,111,152 is recorded within these accounts in accordance with the stated accounting policy.

As determined by independent broker valuation the market value of quota as at 31 March 2011 is \$15,167,744 (2010: \$15,626,935). Overall the market value of Ngati Mutunga Quota shares is down by \$459,191. The Quota is made up as follows:

|                      |                   |
|----------------------|-------------------|
| Settlement Quota     | 14,973,913        |
| Non-Settlement Quota | 193,831           |
|                      | <u>15,167,744</u> |

**6. Asset Impairment**

There was no impairment of assets during the year.

The Trustees have reviewed the carrying value of AFL shares taking account of the 2009 independent valuation of AFL and believe that no impairment is required.

**7. Capital Commitments**

The Trustees have not entered into any agreements to commit material amounts of Trust capital to any purpose which is not reflected or disclosed in these financial statements (2010: Nil).

**8. Contingent Assets or Liabilities**

The Trustees are aware of the following contingent assets (Contingent assets as at 31 March 2010: \$460,000):

- Ngāti Mutunga o Wharekauri Trust aim is to receive the funds resulting from pending liquidation of Ngati Mutunga o Wharekauri (Estimated at \$420,000).

The Trustees are not aware of any contingent liabilities existing as at 31 March 2011 (2010: Nil).

**9. Related Party Transactions**

During the year, Ngati Mutunga o Wharekauri Iwi Trust and Ngati Mutunga o Wharekauri Asset Holding Company Ltd paid Trustees and Directors fees and/or wages to beneficiaries of Ngati Mutunga o Wharekauri Iwi Trust.

During the year, Ngati Mutunga o Wharekauri Iwi Trust and Ngati Mutunga o Wharekauri Asset Holding Company Ltd entered into transactions with related parties.

These transactions were quota sales and grants paid and were completed on the same basis as external party transactions.

Given the size of the Chatham Islands the majority of Trustees are related parties in that fishing quota is sold to relatives and related entities of most Trustees.

Importantly, processes have been put in place to ensure that related party transactions are carried out on an arms length basis. The processes in place ensure that market prices are paid for quota sold and that quantum of ACE allocated is fair.

During the year, Ngati Mutunga o Wharekauri Iwi Trust paid grants totaling \$9,500. These grants were paid from the distribution fund, Te Putea Whanaungatanga. Some relatives and related entities of Trustees benefited from the receipt of these grants.

Application and approval of these grants is carried out on an arms length basis.

**10. Events Subsequent to Balance Date**

There are no significant events subsequent to balance date which would have a material effect on the financial position or performance reflected in the financial statements.

**11. Fishing Operations**

The Trust undertook paua fishing operations prior to obtaining Mandated Iwi Organisation (MIO) status with Te Ohu Kai Moana. There have been no fishing operations undertaken by the Trust after recognition of MIO status which occurred 28 September 2005.

**Ngati Mutunga o Wharekauri Iwi Trust**  
**Notes to the Consolidated Financial Statements continued**  
**For the Year Ended 31 March 2011**

|  | Group<br>2011<br>\$ | Trust<br>2011<br>\$ | AHC<br>2011<br>\$ | Group<br>2010<br>\$ | Trust<br>2010<br>\$ |
|--|---------------------|---------------------|-------------------|---------------------|---------------------|
| <b>12. Trustee's Remuneration</b>        |                     |                     |                   |                     |                     |
| Steve Tuuta                              | -                   | -                   | -                 | 7,493               | 7,493               |
| Jack Daymond                             | 9,984               | 9,984               | -                 | 14,990              | 9,990               |
| Bernice Thomas (Registrar)               | 8,844               | 8,844               | -                 | 8,850               | 8,850               |
| Jeanette Page                            | -                   | -                   | -                 | 5,827               | 5,827               |
| Deborah Goomes (Deputy Chairperson)      | 13,743              | 13,743              | -                 | 12,498              | 12,498              |
| Kevin Thomas                             | -                   | -                   | -                 | 4,165               | 1,665               |
| Robin Page (Trustee & Director)          | 20,419              | 9,984               | 10,435            | 13,490              | 9,990               |
| Paula Page (Former Chairperson)          | 10,998              | 10,998              | -                 | 22,000              | 22,000              |
| Allan Harvey                             | 9,984               | 9,984               | -                 | 8,325               | 8,325               |
| Jamie Tuuta (Trustee & Director)         | 23,634              | 9,984               | 13,650            | 2,498               | 2,498               |
| Mark-Shane Tuuta                         | 5,804               | 5,804               | -                 | -                   | -                   |
| Trudee Thomas (Current Chairperson)      | 7,995               | 7,995               | -                 | -                   | -                   |
| <b>Total Trustee's Remuneration</b>      | <b>111,405</b>      | <b>87,320</b>       | <b>24,085</b>     | <b>100,136</b>      | <b>89,136</b>       |
| <b>13. Income and Expenses</b>           |                     |                     |                   |                     |                     |
| <b>a) Revenue</b>                        | <b>\$</b>           | <b>\$</b>           | <b>\$</b>         | <b>\$</b>           | <b>\$</b>           |
| <b>Revenue from Seafood</b>              |                     |                     |                   |                     |                     |
| ACE Revenue                              | 1,202,971           | -                   | 1,202,971         | 1,332,711           | -                   |
| AFL Dividend                             | 10,084              | -                   | 10,084            | -                   | -                   |
| Aquaculture Settlement                   | 38,222              | -                   | 38,222            | -                   | -                   |
| Other                                    | 31,938              | -                   | 31,938            | -                   | -                   |
|  | <b>1,283,215</b>    | <b>-</b>            | <b>1,283,215</b>  | <b>1,332,711</b>    | <b>-</b>            |
| <b>Revenue from Investment</b>           |                     |                     |                   |                     |                     |
| Dividend Received from Group Entities    | -                   | 384,996             | -                 | -                   | 490,090             |
| Interest Received                        | 210,898             | -                   | 210,898           | 126,897             | 72,500              |
| Other                                    | -                   | -                   | -                 | 200                 | 200                 |
|  | <b>210,898</b>      | <b>384,996</b>      | <b>210,898</b>    | <b>127,097</b>      | <b>562,790</b>      |
| <b>b) Expenses</b>                       |                     |                     |                   |                     |                     |
| <b>Direct Seafood Expenses</b>           |                     |                     |                   |                     |                     |
| Quota Holder Levy                        | 101,669             | -                   | 101,669           | 98,000              | -                   |
| SeaFic Commodity Levy                    | 19,758              | -                   | 19,758            | 23,298              | -                   |
| Paua Sharefisher Costs                   | -                   | -                   | -                 | 83,500              | -                   |
| Other                                    | 6,395               | -                   | 6,395             | 16,226              | -                   |
|  | <b>127,822</b>      | <b>-</b>            | <b>127,822</b>    | <b>221,024</b>      | <b>-</b>            |
| <b>Commercial Expenses</b>               |                     |                     |                   |                     |                     |
| Accounting Fees                          | 13,200              | -                   | 13,200            | 17,500              | -                   |
| Audit Fees                               | 3,000               | -                   | 3,000             | 10,000              | -                   |
| Directors Fees                           | 44,585              | -                   | 44,585            | 59,400              | -                   |
| Asset Management Fees                    | 120,000             | -                   | 120,000           | 99,014              | -                   |
| Wages and Salaries                       | -                   | -                   | -                 | 45,000              | -                   |
| Legal, Advisory and Project Fees         | 17,719              | -                   | 17,719            | -                   | -                   |
| Travel and Accommodation                 | 16,701              | -                   | 16,701            | -                   | -                   |
| Other Commercial Expenses                | 9,840               | -                   | 9,840             | 18,537              | -                   |
|  | <b>225,045</b>      | <b>-</b>            | <b>225,045</b>    | <b>249,451</b>      | <b>-</b>            |
| <b>Iwi Trust Governance Expenses</b>     |                     |                     |                   |                     |                     |
| Travel and Accommodation - Trustees      | 24,415              | 24,415              | -                 | 38,348              | 38,348              |
| Trustee Fees                             | 87,320              | 87,320              | -                 | 89,136              | 89,136              |
| Advisory                                 | 5,002               | 5,002               | -                 | 49,699              | 49,699              |
| Meeting Costs                            | 5,657               | 5,657               | -                 | 120,414             | 120,414             |
| Other                                    | 23,141              | 23,141              | -                 | 2,211               | 2,211               |
|  | <b>145,534</b>      | <b>145,534</b>      | <b>-</b>          | <b>299,808</b>      | <b>299,808</b>      |
| <b>Iwi Trust Operating Expenses</b>      |                     |                     |                   |                     |                     |
| Wages and Salaries                       | 25,562              | 25,562              | -                 | 87,993              | 87,993              |
| Accounting Fees                          | 30,083              | 30,083              | -                 | 40,990              | 40,990              |
| Audit Fees                               | 7,250               | 7,250               | -                 | 13,160              | 13,160              |
| Management Fee                           | 60,500              | 60,500              | -                 | 96,940              | 96,940              |
| Legal, Advisory and Project Fees         | 19,929              | 19,929              | -                 | -                   | -                   |
| Travel Other                             | 6,576               | 6,576               | -                 | -                   | -                   |
| Ministry of Fisheries Contract Retention | 15,524              | 15,524              | -                 | -                   | -                   |
| Other                                    | 18,847              | 26,047              | -                 | 92,069              | 99,269              |
|  | <b>184,271</b>      | <b>191,471</b>      | <b>-</b>          | <b>331,152</b>      | <b>338,352</b>      |



**Ngati Mutunga o Wharekauri Iwi Trust**  
**Notes to the Consolidated Financial Statements continued**  
**For the Year Ended 31 March 2011**

**14. Dividends Policy**

It is the policy of the Trust to rollover any unused dividends received from its subsidiary (budgeted) in a year to future years and that they can be applied to beneficiary distributions at the discretion of the Trustees.

|  | Group<br>2011<br>\$ | Trust<br>2011<br>\$ | AHC<br>2011<br>\$ | Group<br>2010<br>\$ | Trust<br>2010<br>\$ |
|--|---------------------|---------------------|-------------------|---------------------|---------------------|
| Dividends Budgeted to Fund Operating Expenditure | -                   | (384,996)           | 384,996           | -                   | (562,790)           |
| Less Dividends Paid / (Received)                 | -                   | (384,996)           | 384,996           | -                   | (562,790)           |
| Surplus as a Result of Unpaid Dividends          |                     | -                   |                   |                     |                     |
| Plus Parent Net Operating Surplus                |                     | 20,766              |                   |                     |                     |
| Beneficiary Distribution Reserve Account         |                     | 20,766              |                   |                     |                     |
| Held by the Trust as follows:                    |                     |                     |                   |                     |                     |
| Investment in Old Entity Liquidation             |                     | 20,766              |                   |                     |                     |
|  |                     | 20,766              |                   |                     |                     |

Note that funds paid to fund the liquidation of the old entity will become available for distribution only at such time as the liquidation is confirmed and the funds are repaid by the liquidator. Should these funds not be repaid as a result of the liquidation the capitalised amount will be written off to expenses, resulting in the Beneficiary Distribution Account reducing by the written off amount.

**15. Ministry of Fisheries Contract Retention**

The Trust entered into a research contract with the Ministry of Fisheries in 2006. The Trust invoiced the Ministry upon milestone completion and received 90% of the invoiced remuneration. As the contract was not completed, due to unforeseen circumstances, the 10% retention was never paid by the Ministry of Fisheries and hence it has been written off.

**INDEPENDENT AUDITOR'S REPORT  
TO THE TRUSTEES OF  
NGATI MUTUNGA O WHAREKAURI IWI TRUST**

**Report on the Financial Statements**

We have audited the financial statements of Ngati Mutunga o Wharekauri Iwi Trust on pages 18 to 25, which comprise the statement of financial position as at 31 March 2011, and the statement of changes in equity, statement of financial performance for the year then ended, and a summary of significant accounting policies and other explanatory information.

**Board of Trustees Responsibility for the Financial Statements**

The Board of Trustees are responsible for the preparation and fair presentation of these financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Ngati Mutunga o Wharekauri Iwi Trust.

### Opinion

In our opinion, the financial statements on pages 18 to 25, present fairly, in all material respects, the financial position of Ngati Mutunga o Wharekauri Iwi Trust as at 31 March 2011, and its financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand.



BDO Christchurch

6 July 2011

30 Sir William Pickering Drive  
PO Box 246  
Christchurch 8140  
New Zealand

Ngāti Mutunga O Wharekauri Iwi Trust  
Directory  
For the Year Ended 31 March 2011

**Nature of Business**

To provide relief of 'poverty' and 'need' of all Ngāti Mutunga O Wharekauri

**Beneficiaries**

Persons defined as Ngāti Mutunga O Wharekauri in the Trust Deed

**Date Established**

28 September 2004

**Address**

PO Box 50  
Waitangi  
Wharekauri / Chatham Islands

**Trustees (at 31 March 2011)**

Trudee Thomas – Chairperson  
Deborah Goomes  
Alan Harvey  
Jack Daymond  
Robin Page  
Jamie Tuuta  
Mark-Shane Tuuta-Rurehe

**AHC Directors**

Jamie Tuuta - Chairperson  
Joseph Thomas  
Tom McClurg  
Robin Page  
Andrew Harrison

**Accountant**

DJCA  
PO Box 25-318  
Christchurch 8144

**Auditor**

BDO Spicers  
PO Box 246  
Christchurch 8140

**Solicitor**

Wynn Williams  
PO Box 4341  
Christchurch 8140

**Bankers**

ANZ  
Wharekauri / Chatham Islands