



KAWEKA GWAVAS FORESTRY COMPANY LIMITED

# ANNUAL REPORT 2021



Value Recovery

# Kaweka Gwava Forestry Company Limited

Ko ngā mātāpono o te Kamupene Principles of the Company

## **Ko te Kawa tuatahi**

## **Mana Kore**

**“Kore te whiwhia, kore te rawea”**

We start the relationship from the nothingness but with the thought that there is a willingness to grow the relationship. We all start with equal mana

## **Ko te Kawa tuarua**

## **Mana Matua**

**“Ko te amorangi ki mua ko te hāpai o ki muri”**

We are guided by Ranginui, Papatuanuku and their tama ariki. There must be an orderliness in our world based on mutual respect of Values, Mores, Lore and Law.

## **Ko te Kawa tuatoru**

## **Mana Atua**

**“Mā wai rā e taurima te taiao”**

We have a responsibility to look after our environment and to ensure it is left in a better state. This principle is about Manaaki whenua, wai aroha, hā oranga.

## **Ko te Kawa tuawha**

## **Mana tangata**

**“Pokohiwi ki te pokohiwi, kanohi ki te kanohi”**

An opportunity to work together and understand each other. This principle is about unity, honesty, and integrity.

## **Ko te Kawa tuarima**

## **Mana pūtea**

**“He rourou ma koutou, he rourou ma tatou”**

Financial and economic growth; there must be benefits to the community, to mankind we need to look after ourselves now and in the future.

# KAWEKA GWAVAS FORESTRY COMPANY LIMITED

## Annual Meeting

**Date :** 9.00am Saturday 25th September 2021

**Venue :** Heretaunga Tamatea Settlement Trust Premises  
960 Omahu Road Hastings

9.00 am Powhiri/Whakatau  
10.30 Refreshments

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### 9.am AGENDA

1. Karakia
2. Apologies
3. Minutes of Annual Meeting 26 September 2020
4. Chairs Report
5. Board update
- 6.. 2021 Financials and Report on 2020 Annual Plan
  - Summary Financial Reports
  - Report on 2020 Annual Pan
  - Distribution
7. General Business
  - Draft Annual Plan 2021 incl. strategic options for the forests
  - Update from PanPac
8. Karakia

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Note : Full copies of the audited financial statements for the year ended 31 March 2021 are available on request.

Contact : Gordon Lash  
g.lash@xtra.co.nz

**Meeting is subject to any Government Covid rules**

# MINUTES OF GENERAL MEETING

**Minutes of a Annual Meeting of  
Kaweka Gwavas Forestry Company Limited  
26 September  
2020 commencing 10.00 am.  
at Heretaunga Tamatea Settlement Trust premises 960  
Omahu Road Hastings, Whakatau**

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Board members and invited guests were welcomed .

## **Karakia**

Cordry Huata

## **Present ::**

L Graham ( Board chair)  
B McArthur( Board member )  
C Huata (Board member  
G R Lash ( minute secretary)  
S Wright, R Oleary( Pan Pac)  
H Hallam ( Accountant )  
Shareholders:  
Various shareholders per attendance register .

## **Apologies**

Apologies were recorded and noted from various people-  
S Gordon, P Pinckney, F Hyett , S Hughes , T Sandall , J M Carroll , P Prentice, T Mulligan ,  
R Cooper . Sustained

Minutes of inaugural meeting 28 September 2019

Taken as read and confirmed. Sustained

## **Chair's report**

Liz Graham commented on her report . Key points :

- A busy year
- Forest visit 4 October 2019.
- Successful firewood initiative .With thanks to B Wilson , H Heke and those involved . She would like to see the gift from PanPac an annual event.

## **Board update**

Brigid read and referred to the very good update presentation she had prepared.

Issues to arise were –

- Forest visit.
- Beekeeping.
- NZ units now registered to company.
- Firewood.
- Periodic review 2021
- Knowledge, training and employment prospects  
Sean Wright( forests manager)spoke from a Pan Pac perspective
- Conservation- involving pest control . Whio an issue raised that needs looking into.

PanPac are working with DOC – unfenced sanctuary. Wetlands habitat being managed.

Sean and Reece Oleary( Environmental officer ) then spoke about the growing conservation effort . PanPac would like to see more iwi interested in forestry and drew attention to the PanPac Environmental Trust

Mike Mohe spoke on kiwi chicks breed at a DOC nursery for release into Gwavas.

## **Annual report and financials and annual plan**

### **RESOLUTION 1**

That annual report including financials for year ended 31 March 2020 and accompanying annual plan 2019 be adopted .

Koko/Tomoana

Carried

### **General**

Charmaine raised the matter of nitrogen leaching from pine needles into rivers and the water monitoring results that Pan Pac have, be supplied. Sean Wright stated that most nitrogen is lost to the air before being leached . Concerning alternative tree crops Pan Pac still use Pinus Radiata for its versatility and speed of growth. . There are stands of trial trees in the forests following NZFS plantings some years ago.

Ngahiwi spoke of the Crown being out of the company in the future and that the bank investments would follow. There was a need for more collaboration across settlement entities

B Morris spoke of pa sites and the need for their protection.

Zoom questions – matters raised

- Stumpage options?
- Sustainable management – what research is being done by HTST?

### **Closure**

- The meeting closed at 11 am .

### **Karakia**

Signed .....Chair

# CHAIRPERSON'S REPORT 2021



## REPORT FROM THE CHAIR

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### Preamble

The Kaweka and Gwavas Crown Forest Licensed Lands are entirely within the Heretaunga, Tamatea and Ahuriri Hapū areas of interest. The Kaweka Gwavas Forestry Company Limited was formed on 5th July 2018 after the Treaty of Waitangi Settlement on the “large natural group” known as He Toa Takitini – the Heretaunga Tamatea claim. The Company has been established by the Crown and the Heretaunga Tamatea PSGE to act as the corporate trustee of a trust holding the Kaweka Forest and Gwavas Forest (and related property) for the benefit of the Beneficiaries on the terms and conditions set out in the Kaweka Gwavas Forestry Trust Deed. The agreement was that the two parties form a joint company to collectively own and manage the Crown Forest land. Heretaunga Tamatea to have a 66.66% shareholding and Ahuriri Hapū to hold the balance of 33.34% shareholding. Further to that initial decision, Ngāti Hinemanu and Ngāti Paki have lodged a claim in these forests and whilst this is being investigated, Heretaunga Tamatea Settlement Trust have set aside 10% of their shares to be given over should their claim be successful. An agreement of an 8-year period to lodge and prove this claim has been decided.

The Crown has appointed senior corporate/commercial lawyer, Brigid McArthur, to act for the interests of both groups; Mai Ahuriri, Ngāti Hinemanu and Ngāti Paki. Heretaunga Tamatea Settlement Trust appointed their chair and deputy chair: Elizabeth Graham, a Tamatea representative; and Cordry Huata a representative for Heretaunga.

Covid-19 threw the world as we knew it into a spin and of course we felt that impact. Our Iwi, Ngāti Kahungunu and its respective Taiwhenua immediately drew up an action plan and one result from that was Pan Pac delivering 3 truck loads of logs to be split, chopped and delivered to the vulnerable in our respective communities. From this small action, we have come to an agreement with Pan Pac that we receive delivery of at least the same amount of logs each year forthwith. We are in the process of drawing up a plan about how we can best roll this out so that there is a fair distribution between the beneficiaries. From 2022 we hope to have a better system in place to ensure the firewood is available before the winter sets in.

We were fortunate to be able to engage the services of registered valuer, Blue Hancock, to undertake the review of our leases. This was done very successfully and you will read more on this in this Annual Report.

Honey and bee-keeping have been high on our agenda this past year and you will be fully updated in this report with regard to the current status and next steps.

Last year we were in a position to pass a healthy dividend to Heretaunga Tamatea Settlement and we are in a position to do better this year.

I have touched on just some of the work that has passed across our table this past year since our last report to you. We remain grateful for the opportunity to serve you all to the best of our ability and we wish Mana Ahuriri all the best as they head into the last leg of their Settlement. Mauri ora!



Elizabeth H Graham



**ROBOT LOGGING**

Nobody on the ground ,no chainsaws ,high production mechanised logging M Welch crew doing 450 ton a day (16 truckloads a day) gwavas forest beneath the Ruahine ranges.

# BOARD UPDATE

## **KAWEKA GWAVAS FORESTRY COMPANY LIMITED ANNUAL MEETING SEPTEMBER 2021 BOARD UPDATE**

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2021 has been a year of consolidation for the Board, with our focus being largely on the scheduled periodic review of our forestry rentals and continuing with some discrete initiatives best described as “low hanging fruit”.

Our focus has been on ensuring we are on top of Company operations and risk management so that we can embark on 2022 with more of a view to the future, and in particular what our forest licensing arrangements could look like and what training and employment opportunities need to be developed.

The Board met a total of 9 times, either by Zoom or in person. We find the engagement and free exchange of ideas is better *kanohi ki te kanohi*, even if it is more time-consuming. *Mai Ahuriri* representatives continue to be actively involved in our hui and we find this very useful.

We describe below the key work streams and initiatives for 2020.

### **2021 Periodic Review of Forestry Rentals**

The Kaweka and Gwavas Forestry Licences each provide for adjustment to the annual rental payable by PanPac. The Licences contain two different types of review:

- first, every three years there is what is called a periodic review, which is an opportunity for each of the parties to do their research on where the market for forestry land values has moved to, and come together and agree on the appropriate market-based rental (the Licence fee) for the next three years;
- secondly, every nine years there is a general review, where either can propose that the whole basis for setting the annual licence fee is reviewed (for example, by moving from a market-based mechanism to something else, say an inflation-adjusted escalation mechanism).

2020 was a periodic review year. Working to a process tightly prescribed by our Licence Agreements, the Company and PanPac each appointed a valuer. We were fortunate to secure the services of Blue Hancock of Colliers and, with the benefit of his expert market valuation of the Kaweka and Gwavas Forests we proposed to PanPac our assessment of the revised Licence fees payable. PanPac came back not far off our figures and we agreed to split the difference.

The resulting movements in Licence fees effective from 31 October 2020 were:



- For Kaweka Forest, the 2017 Licence fee of \$300,000 (plus GST) moved to \$447,595 (plus GST); and
- For Gwavas Forest, the 2017 Licence fee of \$393,150 (plus GST) moved to \$614,020 (plus GST).

The total of the new fees payable is \$1,061,615 (plus GST), an increase of 53%. We attribute this substantial increase to a combination of upward movement in forestry land values and the prior Licence fees having been somewhat conservative.

We acknowledge the very good work done by our valuer Blue Hancock of Colliers and the ease with which Pan Pac entered into negotiations.

#### 2020 Distribution

Once the annual Licence fee was paid and the Board had had an opportunity to review the Company's overall cash position and forecast expenditure, we resolved to declare an annual distribution to the Beneficiaries, being Heretaunga Tamatea Settlement Trust and the Crown. The total distribution was set at \$1,100,000 and this was paid on 22 December 2020 proportionately to shareholdings as follows:

- Distribution to HTST (56.66%): \$623,260
- Distribution to the Crown A account (33.34%): \$366,740\*
- Distribution to the Crown B account (10%): \$110,000\*\*.

\* on term deposit for the benefit of Mana Ahuriri

\*\* on term deposit for the benefit of the Other Claimants

#### **Further Extension of Licence Termination Date**

We are very conscious that one of the major tasks ahead for the Board is to engage with the ultimate owners as to the future of the PanPac Licences and what we do with the Kaweka and Gwavas Forest lands. This is probably the most significant decision facing the Company and its owners but not one we have wanted to tackle before we are ready. The Board intends to start investigating the options and engaging meaningfully on this issue with the ultimate owners during the remainder of 2021 and over the course of 2022 (and potentially beyond). The decisions made will affect how we deal with the Kaweka and Gwavas Forest lands across present and future generations.

When we took over from the Crown, one of the first things we did was to push out the date on which the Crown's termination of the Licences takes effect, which would have meant the Licences would go immediately into a 35 year run-off mode and the Company would become irretrievably committed to a course of resuming control over land parcels as they are harvested by PanPac. Resuming control means committing to owning and working the Forest lands ourselves (whether for forestry or other purposes). This would in principle have a range of benefits but would also tie up capital and see us take on a good deal of risk in a business venture for which we lack expertise.

Until firm decisions have been made on what we do with the Forest lands, it has made sense to the Board to extend again that deferral, and this we have done for a further two years until 29 September 2023. In the meantime, we see PanPac as a good operator and we have

enjoyed a significant uplift in the assured rental income we derive from the Licences.

The Board has no doubt that there are multiple ways in which we can shape the forestry arrangements to suit us better, and over the next few years we intend to take professional advice, consult with you, engage with neighbouring iwi groups (particularly those who also have PanPac on their lands) and bring quite a holistic view to what “best” for us means.

### **Potential for Transactions around our NZUs**

In 2020 we had advice from the Crown that it was not open to us to do any sort of transaction with our NZUs (of which we currently hold 245,112 worth approximately \$9,080,244 as at 31 March 2021).

We have had further discussions around this, particularly knowing that Heretaunga Tamatea Settlement Trust may be keen to access its share of the NZUs, and we are now revisiting that advice and considering whether a distribution of HTST’s share of NZUs is possible.

### **PanPac Health and Safety**

This year we have drilled down to understand more about PanPac’s approach to health and safety of those working for it and its contractors. We reviewed reports on recent incidents or near misses and talked to PanPac about its approach.

Whilst there is always room to improve, our conclusion to date is that PanPac takes health and safety seriously and is sufficiently audited by third parties it deals with in different aspects of its business that we would derive no further value through our own commissioned H&S audit.

An area we would like to explore further with PanPac is the measures it takes, or could take, in terms of nurturing well-being more generally including the resilience and mental health of workers.

### **Training and Employment Opportunities for the Owners**

As the Company’s sole purpose by its Trust Deed is to manage the Forest lands, although we are very conscious of steps we could be taking around training and scholarships and employment initiatives, we do not believe it is the role of this Company to do so. Instead, these are matters that need to be pursued by Heretaunga Tamatea Settlement Trust and Mana Ahuriri.

That said, they are matters discussed around our Board table and we intend to support the owners in them. We do see the presence of PanPac, as a fourth corner of the square so to speak, as affording opportunities to leverage off the Company’s relationship with it to offer also training and employment opportunities for the owners. Potentially this is something that is tied in with any new Licence arrangements, but it could also be stand-alone.

We are pleased to say we have PanPac’s assurance that it too is keen to explore what opportunities there are here, given the difficulties in recruiting skilled local staff. PanPac understands that our aim is to see more of our people in the more skilled and well paid echelons of its staff.

### **Other Income-Producing Initiatives**

As we said at the outset of this Update, over the course of the year we have “picked some low hanging fruit” and have underway a number of other income-generating initiatives of a lesser order:

*Access for neighbour's woodlot:*

PanPac brought to our attention the opportunity to provide access for a neighbouring woodlot to Gwavas Forest to take out his harvested logs (approximately 40,000 tonnes over the next 6 to 12 months) by using existing Gwavas roads. We negotiated a royalty of \$2/tonne, which we understand is at or above market, plus any repairs to roads is at the woodlot owner's expense.

PanPac will be in operational control and the owner's logs will be carted by Pan Pac's contracted cartage fleet and will be weighed at approved calibrated weigh bridges.

*Quarrying of aggregate in Kaweka Forest:*

PanPac is entitled under the Licences to quarry on both the Kaweka and Gwavas Forest lands for aggregate that it uses on roads within the Forests. This is a right that runs with the Licences.

PanPac has over the course of the last 12 months or so sought isolated permissions to take aggregate out of the Forests for use in specific other neighbouring forests that it operates. We have been agreeing to these as isolated instances, with PanPac paying us \$6.00 per tonne, with trucks weighed at calibrated weighbridges and dockets produced with the invoices. In the last 12 months we have made a total of \$8,640(excluding GST) from PanPac's quarrying.

In 2020 PanPac asked us to institute a more permanent arrangement to take metal out of the Forests. After due consideration, notwithstanding the extra revenue that could be derived at a time when aggregate is in short supply around New Zealand, we declined the request on the basis that the resource is non-renewable and this amounts to removing part of the Forest lands that have just been returned. We do not think it is our role to allow that to happen, particularly given clear inter-generational issues.

*Honey operations:*

The honey operations have been disappointing and to a degree frustrating for both us and PanPac.

It is true that honey production has been down over the last couple of years and that there is a glut on the market. However, it is fair to say the expectations we entertained of a worthwhile extra revenue flow have barely been realised. Whether we would have had a different outcome had we selected a larger more commercial operator is moot.

Whilst Gwavas has produced modest honey revenues (\$15,455 in total for the last 12 months), we are yet to see anything tangible out of Kaweka. The Kaweka operator maintains he is using all reasonable endeavours to sell the honey produced from the hives in that Forest, but tells us the overseas markets are challenging.

We continue to apply pressure but it may be that we need to find a more viable solution for apiary operations in both Forests. Both arrangements are up for renewal or termination shortly. We would welcome any approaches from amongst the owners if there is a prospect we could facilitate establishment of our own honey operations rather than rely on an outsider.

### **Establishment of Hunting Club**

In November 2020 a hui of those interested in forming a hunting club was called at Mangaroa Marae. A dozen hunters attended that meeting and approximately 30 hunters had separately indicated they wanted to join a mana whenua hunting club to hunt in the Kaweka and Gwavas forests. At the meeting the following resolutions were motioned, seconded and passed unanimously:

1. "to establish a mana whenua hunting club"
2. "to establish a working committee to put in place a kaupapa here for the Heretaunga-Tamatea-Ahuriri Hunting Club " and
3. "to set up a Heretaunga-Tamatea- Ahuriri Hunters Club page to communicate with the hunters"

At the present time PanPac has given the Hawkes Bay Hunting Club an exclusive right to hunt within the Kaweka –Gwavas forests. The directors of Kaweka Gwavas Forestry Company Limited have signalled to PanPac that our beneficiaries want the right to hunt, gather rongoa and interact with our forest assets. We the directors indicated to PanPac management that a Hunting Club of beneficiaries of the said forests from Heretaunga-Tamatea Settlement Trust and Mana Ahuriri Incorporated will establish a hunting club who will operate in the Kaweka-Gwavas Forests catchments in 2022.

A draft Kaupapa here (Charter) has been developed and is to be circulated to all hunters. A second meeting is planned this November to complete the Kaupapa here.

The rights given by PanPac to the Hawkes Bay Hunting Club will be revoked. Instead, members of that club will be able to join the Heretaunga-Tamatea-Ahuriri Hunting Club provided they agree to abide by its Charter and rules.

The plan is to require the first catch of any member's hunt to be given to that member's nominated marae.

The directors of Kaweka Gwavas Forestry Company Limited will need to be satisfied that the Heretaunga-Tamatea-Ahuriri Hunting Club complies with health and safety laws, on an on-going basis.

The arrangements are also subject to approval by PanPac as owner of the of the working forests on the land.

### **Firewood Distribution**

During the year PanPac delivered 3 loads of logs suitable for firewood. Owing to manpower and health and safety constraints this has not been able to be distributed.

A proposal before the Board, if adopted, should see this wood processed and distributed in the coming year. On the basis of a further 3 loads this should equate with 6 loads in total to distribute with an average of 2 cord per whanau.



# Summary of Financial Statements 2021



## Kaweka Gwavas Forestry Trust

### Summary of Financial Statements

#### Summary Statement of Financial Performance

For the year ended 31 March 2021

	2021	2020
	\$	\$
<b>Revenue</b>		
Interest Received	147,219	247,712
Lease Income - Forest	843,684	693,150
Lease Income - Beehives	15,455	47,178
Metal Royalties	8,640	2,040
<b>Total Revenue</b>	<b>1,014,998</b>	<b>990,080</b>
<b>Less Expenses</b>		
Administration Expenses	106,185	111,770
<b>Total Expenses</b>	<b>106,185</b>	<b>111,770</b>
<b>Net Profit</b>	<b>908,813</b>	<b>878,310</b>
<b>Allocated pursuant to Deed of Trust as follows:</b>		
Beneficiary Income Distributions	908,813	878,310
	<b>908,813</b>	<b>878,310</b>

#### Summary Statement of Changes in Trust Funds

For the year ended 31 March 2021

	2021	2020
	\$	\$
<b>Revenues and Expenses</b>		
Net Profit	908,813	878,310
Movement in Asset Revaluation Reserve	3,190,356	(208,600)
<b>Total Recognised Revenues and Expenses</b>	<b>4,099,169</b>	<b>669,710</b>
<b>Contributions and Distributions</b>		
Total Contributions		6,098,488
Total Distributions	(908,813)	(878,310)
Trust Funds at the Beginning of the Year	19,989,888	14,100,000
<b>Trust Funds at the End of the Year</b>	<b>23,180,244</b>	<b>19,989,888</b>

#### Summary of Beneficiary Advance Accounts

For the year ended 31 March 2021

	2021	2020
	\$	\$
Heretaunga Tamatea Settlement Trust	(192,814)	(1,073)
Crown Beneficial Interest A	6,191,560	5,824,394
Crown Beneficial Interest B	1,857,097	1,746,969
<b>Total of Beneficiaries' Advance Accounts</b>	<b>7,855,843</b>	<b>7,570,290</b>



# Summary of Financial Statements 2021



## Summary of Financial Position

As at 31 March 2021

	Note	2021 \$	2020 \$
<b>Current Assets</b>			
Cash & Bank Balances		560,860	538,114
Current Investments	4	7,991,398	7,435,266
Other Current Assets		95,458	110,752
<b>Total Current Assets</b>		<b>8,647,716</b>	<b>8,084,132</b>
<b>Non-Current Assets</b>			
Property, Plant & Equipment		14,100,000	14,100,000
Term Investments - Emissions Trading Units		9,080,244	5,889,888
<b>Total Non-Current Assets</b>		<b>23,180,244</b>	<b>19,989,888</b>
<b>Total Assets</b>		<b>31,827,960</b>	<b>28,074,020</b>
<b>Current Liabilities</b>			
Trade & Other Payables & Income Received in Advance		791,873	513,842
Beneficiaries' Advance Accounts		7,855,843	7,570,290
<b>Total Liabilities</b>		<b>8,647,716</b>	<b>8,084,132</b>
<b>Net Assets</b>		<b>23,180,244</b>	<b>19,989,888</b>
<b>Trust Funds</b>			
Trust Capital		20,198,488	20,198,488
Reserves		2,981,756	(208,600)
<b>Total Trust Funds</b>		<b>23,180,244</b>	<b>19,989,888</b>

## Summary Statement of Cash Flows

For the year ended 31 March 2021

	2021 \$	2020 \$
Net Cash Flows from or used in Operating Activities	1,202,138	735,906
Net Cash Flows from or used in Investing Activities	(556,132)	(559,382)
Net Cash Flows from or used in Financial Activities	(623,260)	(509,940)
Net Increase / (Decrease) in Cash Held	22,745	(333,416)
Cash at the Beginning of the Year	538,114	871,531
<b>Cash at the End of the Year</b>	<b>560,860</b>	<b>538,114</b>



# Summary of Financial Statements 2021



## Notes to the Financial Statements

### 1. Statement of Accounting Policies

#### Reporting Entity

Kaweke Gwavas Forestry Trust is a Discretionary Trust, established by a trust deed dated 22 August 2018.

These financial statements have not been prepared for external use. They are prepared for tax purposes only and should not be relied on for any other purpose. They are therefore defined as special purpose reports.

#### Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with taxation principles contained in the Income Tax Act 2007 and disclosure requirements contained in the Tax Administration (Financial Statements) Order 2014.

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

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

#### Summary Financial Statements

The summary is extracted from the full financial statements authorised for issue by the trustees on 31st of August 2021. Once issued the Trustees do not have the power to amend these statements. The full financial statements of the Trust have been audited by Baker Tilly Staples Rodway Audit Limited who issued an unmodified audit opinion. These summary financial statements do not include all disclosures provided in the full financial statements and cannot be expected to provide as complete an understanding as provided by the full financial statements. A copy of the full financial statements may be obtained by contacting Gordon Lash (email g.lash@xtra.co.nz).

Baker Tilly Staples Rodway Limited have audited these summary financial statements and found them to be consistent with the full financial statements.

### 2. Total Trust Capital

In accordance with the Trust Deed, the forestry assets settled onto the Trust are beneficially held for:

Heretaunga Tamatea Settlement Trust initial beneficial interest	56.66%
Crown A initial beneficial interest	33.34%
Crown B initial beneficial interest	10.00%

### 3. Related Parties

	Meetings Attended	Directors Fees \$	Directors Services \$
<b>Related Parties 2021</b>			
E H Graham	9	9,375	-
C T Huata	9	9,375	-
B L McArthur / Greenwood Roche	9	9,375	4,691
<b>Total Related Parties</b>		<b>28,125</b>	<b>4,691</b>

Brigid McArthur is a director of the trustee company and a partner of Greenwood Roche. There were 9 meetings during the year, fees paid to the directors are \$1,500 for a full board meeting and \$750 for a short Zoom meeting.

There were no other significant transactions or transactions that were on terms and conditions that are likely to be different from the terms and conditions of transactions in similar circumstances, involving related parties during the financial year.

### 4. Current Investments

	2021 \$	2020 \$
BNZ Term Deposit - Crown A	6,147,513	5,719,699
BNZ Term Deposit - Crown B	1,843,885	1,715,567
<b>Total Current Investments</b>	<b>7,991,398</b>	<b>7,435,266</b>



# Summary of Financial Statements 2021

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## REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARY FINANCIAL STATEMENTS

### To the Trustees of Kaweka Gwavas Forestry Trust

#### Opinion

The summary financial statements which comprise the summary statement of financial position as at 31 March 2021, the summary statement of financial performance, summary statement of changes in trust funds, and summary statement of cash flows for the period then ended, and related notes, are derived from the audited financial statements of Kaweka Gwavas Forestry Trust for the period ended 31 March 2021.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with FRS-43: *Summary Financial Statements* issued by the New Zealand Accounting Standards Board.

Our report is made solely to the Trustees of Kaweka Gwavas Forestry Trust, in accordance with clause 21 of the Trust Deed. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees of Kaweka Gwavas Forestry Trust, for our audit work, for our report or for the opinions we have formed.

#### Summary Financial Statements

The summary financial statements do not contain all the disclosures required by the Tax Administration (Financial Statements) Order 2014. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements.

#### The Audited Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 31 August 2021.

#### Other Information

The Trustees are responsible for the other information. The other information comprises the information included in the Trust's annual report for the period ended 31 March 2021 (but does not include the summary financial statements and our auditor's report thereon).

Our opinion on the summary financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

Baker Tilly Staples Rodway Audit Limited, incorporating the audit practices of Christchurch, Hawkes Bay, Taranaki, Tauranga, Waikato and Wellington

Baker Tilly Staples Rodway Audit Limited is a member of the global network of Baker Tilly International Limited, the members of which are separate and independent legal entities

# Summary of Financial Statements 2021



In connection with our audit of the summary financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the summary financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Responsibilities of the Trustees for the Summary Financial Statements**

The Trustees are responsible on behalf of the Trust for the preparation of the summary financial statements in accordance with FRS-43: *Summary Financial Statements*.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (New Zealand) (ISA(NZ)) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

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

A handwritten signature in black ink that reads "Baker Tilly Staples Rodway". The signature is written in a cursive, flowing style.

**BAKER TILLY STAPLES RODWAY AUDIT LIMITED**

**Hastings, New Zealand**

31 August 2021

# REPORT ON 2020 ANNUAL PLAN

## **KAWEKA GWAVAS FORESTRY COMPANY LIMITED as Trustee of the Kaweka and Gwavas Forest Trust**

### **Annual Plan 2020 adopted 8 October 2020**

#### **Objectives**

- 1. Implement Shareholders Agreement and Trust Deed**
- 2. Nurture relationships**
- 3. Protect and enhance assets**
- 4. Specific Goals**

#### **Strategies**

- To effectively and efficiently administer the company to implement the requirements of legislation and meet operational needs (Run the company)
- To develop and promote the principles governing our relationship with stakeholders
- Manage the assets

	<b>Action</b>	<b>Leader When</b>
<b>1.1</b>	Review Strategic Plan	In place
<b>1.2</b>	Understand ETS objectives	Achieved
<b>1.3</b>	Understand CFL obligations and timings	Achieved
<b>1.4</b>	Organise resourcing for Company's needs, as required, Appoint valuer and forestry advisor.	Achieved
<b>1.5</b>	Prepare and revise cash flow budget after lease review	Achieved
<b>2.1</b>	Understand our different stakeholders' needs and aspirations	Achieved and on-going
<b>2.2</b>	Develop the principles of our relationships	Achieved
<b>2.3</b>	Prepare and action an annual plan to engage with stakeholders, keeping them informed regularly	Achieved
<b>2.4</b>	Ensure the right lines of communication are maintained with other claimants as well as with the Crown via OTS.	Achieved and on-going

<b>3.1</b>	Receive forests estate plan and understand harvesting, return areas, resource consent requirements and timing around periodic and general reviews	In progress
<b>3.2</b>	Draft forest management plan as necessary	In progress
<b>3.3</b>	Determine way forward on Licence extensions	Licences extended for a further 2 years
<b>3.4</b>	Develop investment plan and monitor	In progress
<b>4.1</b>	Set up Kaweka Gwavas Hunt Club	In progress
<b>4.2</b>	Facilitate annual firewood initiative.	Logs deliveries and to process current year
<b>4.3</b>	Review quarry independent assessments and consider opportunities.	Review of PanPac assessments done. Decision made to cease further extractions
<b>4.4</b>	Complete periodic review	Periodic review completed
<b>4.5</b>	Calculate and pay distribution to shareholders.	Distribution made Dec. 2020
<b>4.6</b>	Review beekeeper and honey contracts.	Contracts review in progress
<b>4.7</b>	Investigate purchase of Gwavas house and training opportunities.	In progress



Kohinga Fire Dam

## APPENDIX A

### STATEMENT OF INVESTMENT POLICY AND OBJECTIVES

**adopted on 14 March 2019 and reviewed  
8 September 2020 and 27 August 2021  
without amendment**

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#### Background

- 1 The Company's Shareholders' Agreement and Trust Deed dated 26 August 2018 (the Trust Deed) at clause 4.3 requires the Company:
  - to invest the Trust Fund in accordance with a statement of investment policy and objectives (SIPO); and
  - to develop, and review annually, the SIPO.
- 2 Reflecting board discussions, this document is the first SIPO adopted by the Company on the date appearing above. The board will review this SIPO annually to ensure it remains fit for purpose and aligned with the Company's strategic and annual plans and, if necessary, update it.
- 3 The Trust Fund comprises the property for the time being held by the Company under the Trust and includes, for the time being following Settlement, the Settlement Assets. These in turn are:
  - the Kaweka Forest Land; and
  - the Gwavas Forest Land; and
  - the Accumulated Rentals relating to the Kaweka Forest Land and the Gwavas Forest Land.
- 4 The Company has distributed to Heretaunga Tamatea Settlement Trust its 56.66% share of Accumulated Rentals. The Crown now holds 33.34% of Accumulated Rentals as holder of the Crown Beneficial Interest A, and 10% of Accumulated Rentals as holder of Crown Beneficial Interest B. In accordance with Schedule 1 to the Trust Deed, these are held and invested in Crown Deposit Account A and Crown Deposit Account B, and all interest on those accounts is reinvested in them.
- 5 The Company also:
  - holds New Zealand units derived from ownership of the Kaweka Forest Land and the Gwavas Forest Land; and
  - derives rental income from Pan Pac Forest Products Limited under the licences in respect of the Kaweka Forest Land and Gwavas Forest Land; and
  - derives or may derive other income from the Kaweka Forest Land and the Gwavas Forest Land, in particular income from beekeeping and associated operations, from quarrying and from other third party uses.
- 6 The Accumulated Rentals, New Zealand units and the Crown Deposit Account A cannot be disposed of, pledged or charged in any way, except under Schedule 1 to the Trust Deed.

7 Capitalised terms used in this SIPO and not otherwise defined have the meanings given to them in the Trust Deed.

### **Investment Policy and Objectives**

#### *Objectives*

- 8 Given the constraints of the Trust Deed, the Company's objectives are to:
- safeguard and protect the Kaweka Forest Land and the Gwavas Forest Land;
  - maximise returns whilst acting as a prudent trustee of the Trust Fund;
  - manage the Trust Fund such that at the end of the Crown Initial Period and upon transfer of the Crown Beneficial Interest, the Trust Fund has been held whole and enhanced for the benefit of the Ahuriri Hapū PSGE and any Other Kaweka and Gwavas Claimant PSGE as part of a Future Treaty Settlement.

#### *Investment Policy*

- 9 The Company's investment policy is accordingly to:
- manage the Kaweka Forest Land and the Gwavas Forest Land as a good landowner and in accordance with its rights and obligations as licensor under the licences with Pan Pac Forest Products Limited;
  - at the same time, maximise other possible lawful uses of the land to create further income streams (or provide other non-financial benefit) for the Beneficiaries, recognising that other cultural, spiritual and recreational uses may from time to time be allowed or developed that are not income-producing. Any such income streams will be invested for the benefit of the Beneficiaries;
  - to the extent of the Crown's beneficial entitlement as holder of Crown Beneficial Interest A and Crown Beneficial Interest B, invest the Accumulated Rentals by way of term deposits spread across one or more registered banks, seeking to derive the maximum available interest rate for the most appropriate term given the likely timing of any Future Treaty Settlement for the Ahuriri Hapū PSGE and any Other Kaweka and Gwavas Claimant PSGE;
  - re-invest all interest earned on those term deposits until transfer by the Crown;
  - retain the New Zealand units associated with the Kaweka Forest Land and the Gwavas Forest Land while the Crown remains a Beneficiary, but actively seek expert emissions trading scheme advice on the most advantageous course of action going forward.

# APPENDIX B

## **Kaweka Gwavas Forestry\ Company Limited - Draft Annual Plan 2021 adopted 31 August 2021**

### **Objectives**

- 1. Implement Shareholders Agreement and Trust Deed**
- 2. Nurture relationships**
- 3. Protect and enhance assets**
- 4. Specific goals**

1. To effectively and efficiently administer the company to implement the requirements of legislation and meet operational needs  
(Run the company)
2. To develop and promote the principles governing our relationship with stakeholders
3. To develop an investment plan to govern the protection and enhancement of the non forestry assets  
To develop a land and forest management plan to protect and enhance assets in the long term , taking into consideration the principles and goals of the ultimate owners  
( Manage the assets)

### **January – December 2021**

#### **1.0 Implement Shareholders Agreement and Trust Deed**

- 1.1 Review Strategic Plan
  - 1.2 Understand CFL obligations and timings, including around whether we can deal with our NZUs
  - 1.3 Ensure the company continues to be appropriately resourced
  - 1.4 Review term deposits and cash flow
- 

#### **2.0 Nurture relationships**

- 2.1 Continue to engage with our different stakeholders on their goals and needs
  - 2.2 Develop relationships with Ngati Paki and Ngati Hinemaru and also with Ngati Pahauwera as owner of another large PanPac forest
  - 2.3 Develop the principles of our relationships
  - 2.4 Keep our stakeholders appropriately informed
  - 2.5 Ensure the right lines of communication are maintained with other claimants as well as with the Crown via OTS.
- 

#### **3.0 Protect and enhance assets**

- 3.1 Receive forests estate plan and understand harvesting, return areas, resource consent requirements
- 3.2 Draft forest management plan as necessary

- 3.3 Ensure we deal with our NZUs in the best way possible insofar as permitted by our Trust Deed
  - 3.4 Develop investment plan and monitor
- 

#### **4.0 Specific goals**

- 4.1 Engage in forests valuation and periodic review
  - 4.2 Set up Kaweka Gwavas Hunt Club
  - 4.3 Facilitate annual firewood initiatives
  - 4.4 Assess appetite to respond to on-going PanPac quarrying requests
  - 4.5 Consider and engage on future aspirations re land management and ownership including how we could replace the PanPac CFL with a more bespoke forestry right
  - 4.6 Review beekeeper and honey contracts.
  - 4.7 Investigate purchase of Gwavas house and training/employment opportunities.
- 

#### **Outcome**

All directors – all year





## Gwavas Forest Jewels

*Raparian protection zone around  
small natural lake deep in the heart  
of gwavas forest*