

2014

Annual Report



“To actively improve the social, economic and cultural well-being of Ngāti Tūwharetoa”

Annual Report Contents

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Hei Whakamaumahara - Remembrance

Hei timatanga kōrero māku ko te aro ki a rātau ko te hunga wairua, rātau kua ngaro e te kānohi kitea. E hoki ngā whakaaro ki a Ngāti Te Kohera, me te oriori e poroporoakihia ki te Whaea a Ngaire George.

E kui, e tika ana kia tuku mihi nui ki runga i a koe mo to ringa kaha i āwhina ki te whakaoti ngā mahi nunui ma Ngāti Tūwharetoa. No reira ka kore e mutu ngā mihi.

Na to pau kaha, kei te tika kia rirerire koe ki te wahi okioki mo te tangata.

No reira moe mai e kui i te urunga o koopu parapara te takotoranga mutunga mo te tangata.

Ahakoia noho mokemoke mātou i to ngaronga, ma ngā mahara hei whakakiki i to wahi ngaro.

E kui, haere atu ra kia tau pai koe ki mua i a rātou e whanga ana ki tua o te pae.

Takahi atu i te ara whānui a Tane te ia kore e hoki mai

Haere atu rā, moe mai rā, e tau ana!

Ka huri ki a tātau e pae nei ki te mata o te whenua. E mihi ana ki a koutou i runga i te hau matao e pupuhi mai no runga o Tongariro taumata rau



*Tatai whetu ki te rangi, mau tonu mau tonu;
Tatai tangata ki te whenua, ngaro noa, ngaro noa*

The starry hosts of heaven abide there forever, immutable;
The hosts of people upon this earth pass away forever lost

Over the year we mourned the loss of many rangatira, koroua and kuia who were committed and faithful to their Iwi, their Hapū and their whānau and strived to move them forward towards a better future.

We send our sympathy to all those who lost loved ones. Although the pain of parting may dull over the years, the memory of their time with us remains forever.

About Tūwharetoa Settlement Trust

The Tūwharetoa Settlement Trust (TST) is a Post Settlement Government Entity (PSGE) approved by the Iwi in June 2009. The Trust was established and has been operating since 1 July 2009.

The general objectives of the Trust are to receive, hold, manage and administer the funds for the purpose of benefiting the Iwi and the beneficiaries including:

- (a) the protection and enhancement of the mana and rangatiratanga of the Iwi, its taonga, its Arikitunga and its members;
- (b) The promotion and advancement of the educational, health, spiritual, economic, social and cultural well-being of the beneficiaries and their Hapū;
- (c) the maintenance and establishment of places of cultural or spiritual significance to Ngāti Tūwharetoa;
- (d) any other matters beneficial to the beneficiaries and the communities of Ngāti Tūwharetoa.

Other specific objectives are to;

- (a) Complete the Mana Whenua determination over land held by Central North Island Iwi Holdings Limited (CNIHIL)
- (b) Complete the cultural redress on the CNIHIL lands
- (c) Establish Forest Hapū Cluster Trusts (FHCTs), hold and distribute funds belonging to those Hapū Trusts.
- (d) Realise the opportunities in the deferred settlement process of the CNI settlement (property purchases)

The Central North Island Forests Land Collective Settlement includes eight Iwi of the Central North Island. As part of the Settlement, Ngāti Tūwharetoa received:

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

Over the past year, TST has significantly progressed its obligations and opportunities provided in the CNI Settlement Legislation and the Trust Deed.

Ngā mema o Tūwharetoa Settlement Trust

Hapū Electorates



Dylan Tahau
Chairman

Ngāti Tutemohuta, Ngāti Hinerau, Ngāti Te Rangīiita



Rakeipoho Taiaroa
Acting Deputy Chairman

Ngāti Hinemihi, Ngāti Kurauia, Ngāti Manunui, Ngāti Te Kohera, Ngāti Turumakina

Iwi Whānui



Te Kanawa Pitiroi

Ngāti Hineure, Ngāti Ruingarangi, Ngāti Tahu, Ngāti Te Rangīiita, Ngāti Tutemohuta



Georgina te Heuheu

Ngāti Manunui, Ngāti Turumakina, Ngāti Tutemohuta, Ngāti Tutetawha

The elected Trustees took office in January 2013. Other Trustees during this reporting period include Tā Tumu te Heuheu, Gerard te Heuheu, Taina Tahi and Peter Mariu.

Leadership and Management



Temuera Hall
General Manager

Ngāti Hinerau, Ngāti Hineure, Ngāti
Rauhoto, Ngāti Te Urunga



Kelly Martin
Office Manager

Nga Ngaru o Hokianga, Ngāti Korokoro



Merehira Savage
Project Manager

Ngāti Tūwharetoa, Te Arawa, Ngāti
Raukawa, Ngāti Maniapoto, Ngāti
Toarangatira, Ngai Kahungungu, Ngāti
Whakatohea, Ngai Tuhoe

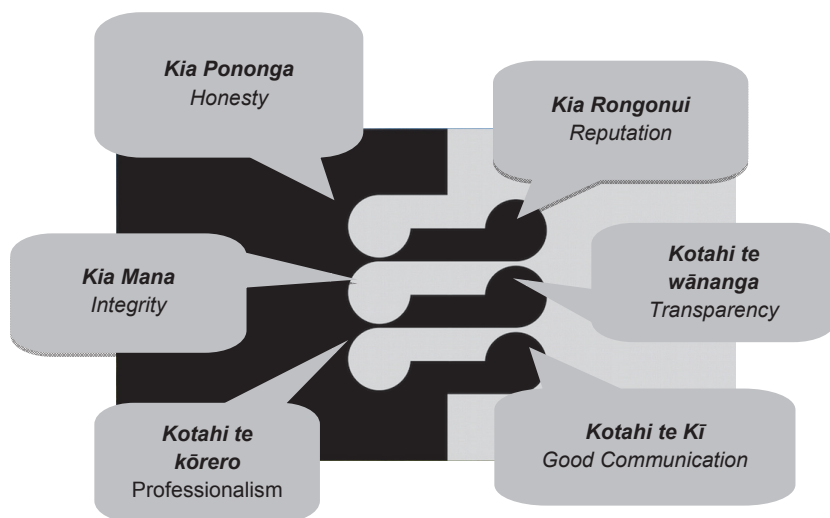


Kim Tukaki
Project Manager

Ngāti Hako, Ngāti Pū, Ngāti Maniapoto

Report from the Chairman

Dylan Tahau



Tēnā tatou katoa e Tūwharetoa whānui

E mihi ana e au, e mātou ko te poari ki a koutou i ngā āhuatanga mo te tau kua hipa. E tautoko ana au i te reo poroporoake ki a rātou kua wheturangitia i tēnei tau, haere koutou, okioki.

Ki a tātou ki te mata o te whenua, tēnā koutou, tēnā koutou

In looking back over the last 12 months, significant progress has been made by the Trust and has been positive and forward looking. Our trustees have sought to continue to strengthen the Iwi base while Tūwharetoa works to re-empower our hapū and marae in various fora.

Reflecting on our kōrero tupuna presented through the Mana Whenua process, insightful and humbling are two words that spring to mind as we witnessed the historical accounts from the eight CNI Iwi who all presented tupuna who have moved throughout the Kaingaroa lands over many generations. For Ngāti Tūwharetoa the journey from 'Pūtauaki ki Tongariro' at both a hapū and an Iwi level presented a foundation from which many events were highlighted; from the journey of Ngātoroirangi, his sister Kuiwai and Haungaroa through to our tupuna Te Rangitahau and his kainga at Tahau's flats. Reclaiming Mana Whenua on the Kaingaroa and reconnecting Hapū to the Tūwharetoa CNI lands has evoked considerable emotion and learning but we believe it has also helped immeasurably to strengthen the foundation for the future growth and wellbeing of our individual hapū and our Iwi.

With best efforts, Ngāti Tūwharetoa demonstrated the extent of our Mana Whenua on the Kaingaroa lands, on a traditional basis using the tikanga of take whenua and Ahi kā. This was provided for in the CNI Act and the CNI Deed and for many, this was a journey of rediscovery into the history of Ngāti Tūwharetoa, from its very being through to today, and was either a first time event or a test of the closely held and discerning histories held in pockets of knowledge within our families. From evidence and submissions presented by the other CNI Iwi, it is apparent that one Iwi and their relationship to the Kaingaroa can be totally independent and unrelated to that of another, but no less valid. We are currently completing the cultural redress part of the CNI settlement with the aim of further capturing our historical connectivity and interrelationships with neighbouring Iwi and hope to soon commence the Mana Whenua deliberations over the remaining lands of Matea, Pukuriri and Waimihia.

Along with the Mana Whenua process, another piece of work provided for within the CNI Deed is the return of properties through the Deferred Settlement Process (DSPs). The Trust has completed the purchase of land under all Taupō schools, the Taupō Court House and also the land and buildings in Taupō, held by the Department of Corrections. We have also purchased on behalf of our Lake Taupō and Lake Rotoaira Forest Trusts, the Crown enclaves in and around their forests. In total we have purchased 881.8 hectares of land for Tūwharetoa whānui at a value of \$14.3 million with a healthy risk relative return on investment.

A final transaction in this area is for the largest of the DSP properties, the 8,500 hectares of land and forest held by the Department of Corrections at Rangipō. This complex transaction is expected to be concluded within the 2015-2016 financial year.

In order to secure these properties the Trust has sought to collaborate with other Tūwharetoa entities, and in addition to the benefit of land coming back to us and providing good returns for the future, our mahingatahi will bring additional long term benefits for our uri. At this time, the Trust would like to acknowledge all those entities for their foresight in our collaborative working relationship.

The recovery and re-structure of the Trust's finances, which we signalled was in progress at our last AGM, is for the most part complete, and we are starting to see modest growth in the Trust. As per our fiduciary obligations and the undertaking we gave at that time, following proper enquiry we now report what we consider to be the reasons behind the significant value loss in the Trust's equity. We also report that despite the losses, the informed decision of the Trustees is that there is little to be gained for either the hapū or Iwi in pursuing these matters any further, and we are firmly focused on moving forward and growing from the hard lessons learnt.

On a more positive note, through our commercial subsidiary, Tūwharetoa Limited, we entered into a collective investment alongside five other CNI Iwi, to take a small shareholding in Kaingaroa Timberlands. This collective investment signals a move up the value chain from land owner to owner of trees as well, and demonstrates our ability to co-invest with other Iwi and realise greater opportunities presented by the CNI settlement. We look forward to considering such further opportunities through the CNI collective.

It is with pleasure that we present a positive return of \$1.96 million representing an 11% return on equity along with an overall value increase of \$1.6 million from \$16.1m to \$17.7m as a result of our operating profit and our investment activity.

In closing, it is the expressed intention of the Trustees to continue the task of rebuilding respect and trust with hapū and Iwi members by being a respectful and careful kaitiaki of the assets entrusted to our care.

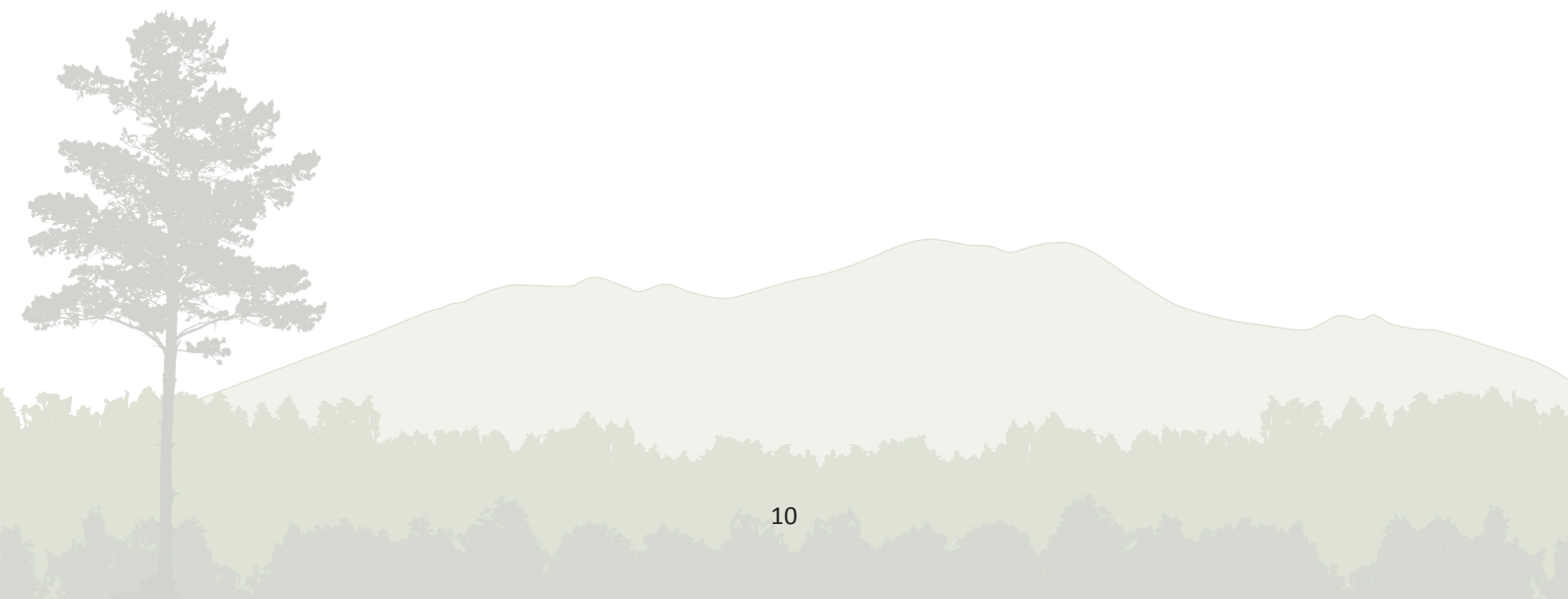
As a start on that huarahi, hei oranga mo te Iwi, we are exploring further collaborations with the Tūwharetoa Maori Trust Board (TMTB) and the Ngāti Tūwharetoa Fisheries Charitable Trust (NTFCT) to bring added benefits to hapū and Iwi, while keeping the business of each clear and intact. As an indication of opportunities that may arise in this regard, The Trust has recently co-located with the TMTB and NTFCT in premises in Horomatangi Street, Taupō with shared reception facilities. We have also joined with the same two entities in discussions with the Tūwharetoa Hapū Forum (THF) regarding future governance and management of both the Tūwharetoa CNI Settlement and the ensuing comprehensive settlement currently under negotiation with the Crown.

Hei whakakapi māku, my thanks to everyone involved with the Trust who have been a part of our journey, working toward achieving these milestones. My fellow trustees, our staff, advisors and all of your families who shared you with us, our pākeke who have provided both mātauranga and support, it is important to acknowledge the collective strength that you have all brought to the table. Thank you all for your efforts and aroha.

Ngā manaakitanga o te tokotoru tapu ki runga i a koutou mo tēnei wāhanga o te tau. Ma te Mangai anō hoki e tautoko mai.

Ngā mihi ki a koutou katoa

Dylan Tahau



Report from the General Manager

Temuera Hall

Management Expectations



Mā te Rautāwhiri e tohu mai me pēhea rā, te whiri i te taura here i te tangata, mai i te whenua ki te rangi, mai i te rangi ki te whenua, mai i te tangata ki tana whānau, ki tana hapū ki tana iwi, ki tana ao, ko taku whakapapa tonu te here

The Rautāwhiri tree shows me how to plait the rope that binds me from the land to the sky, the sky to the land, to my family, my subtribe, my tribe, my world, indeed, my lineage is the binding rope

There are two dimensions to performance - what was delivered and how it was delivered.

What was delivered is objective and can be measured against completion of tasks, achieving targets and financial outcomes.

How it was delivered is subjective and is best measured against expectations, internal values and conduct guidelines.

Summary of Achievements

Over the 12 month period to 30 June 2014, the Trust and its subsidiaries made significant advancements:

- Completed the Trust recovery and restructure
- Progressed CNI Mana Whenua determination
- Progressed FHCT establishment and development
- Completed the majority of the DSP purchases
- Established a Tūwharetoa Property Investment Limited Partnership (TPILP)
- Became a major partner in a CNI forest investment partnership

Most of the above achievements were immediate requirements and/or opportunities that were not completed during the term of the initial trustees and therefore overdue.

Review and Recovery

Both a qualitative and quantitative review of the Trust's governance, management and financial history has been completed. The Board directive was:

- (a) Be more effective - strengthen governance and management
- (b) Be more efficient - imbed operating systems and processes
- (c) Develop a plan for the future working with other Tūwharetoa entities

The Trust is now in a position to put the past behind it and start planning its future.

Key Relationships

Operational and Commercial Relations

All contractual agreements have been rediscovered or recreated and new relationships with suppliers and contactors established, and where necessary certain relationships were ceased. The agreements and relationships with the land and forest commitments have all been renegotiated and stabilised. Most of the other prior commercial investments have been recognised as doubtful debts and processes put in place for some form of recovery or wind out.

Central North Island Iwi

TST's involvement and participation in CNIHL is understood to be constructive and appreciated. We have committed agreements and ensuing relations with Ngāti Raukawa for the Pureora-Marotiri CFLs. We have a committed investment relationship through Te Kakano in to Kaingaroa Timberlands with Ngāti Raukawa, Ngāti Whare, Te Arawa Group Holdings (Te Pumautanga), Ngāti Rangitahi and Ngāti Whakaue.

Systems, Processes and Procedures

The audit is the ultimate measure of the financial systems and process. Outsourcing the accounts processing to He Akina (a Tūwharetoa cooperative accounting and administration entity) has allowed separation of duties and another level of scrutiny not otherwise available in small team operations. While historical information is scant, office filing and operational policy has been instated and will continue to develop as the business matures.

Leadership and Management

The communication, interrelationships and delegations from governance to management and on to staff has been relatively healthy and sound. The Mana Whenua team and the investment team have operated well and have been very productive. The productivity is demonstrated in the outputs and achievements to date.

People and Capacity

To ensure we continue to achieve and maintain our core requirements, we have added two staff on fixed term contracts to focus on the FHCs and Hapū development and relationships in general, assist with the Rangipō transaction and to review and enhance the database and website.

The working environment within the office has been professional and harmonious, without issue.

The relocation with TMTB and NTFCT enables a single desk service to Iwi members with offices in Taupō and Turangi. This common sense move is a small step to improve Iwi services and distribution ability, and a large step toward greater collaboration between our Iwi entities.

Tikanga - Culture

TST has faced a considerable test in dealing with the 'lore and law' both in the Mana Whenua process and in dealing with the Trust's recovery. Despite the dilemma, we have maintained a rational, prudent and professional approach to all affairs in accepting that:

*In the first instance we are required to abide by the laws of New Zealand.
How we operate within the law is where we can apply our cultural lore.*

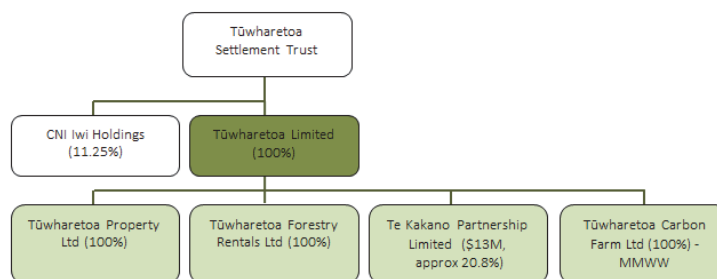
Organisational Overview

Significant changes have been made to manage and mitigate risk and to accommodate the various commercial opportunities, including those presented by the DSP's. A 100% owned commercial subsidiary, Tūwharetoa Limited, was established to:

- (a) facilitate the adoption of skilled and experienced personnel;
- (b) mitigate and manage risk; and
- (c) allow Joint Ventures and capital raising

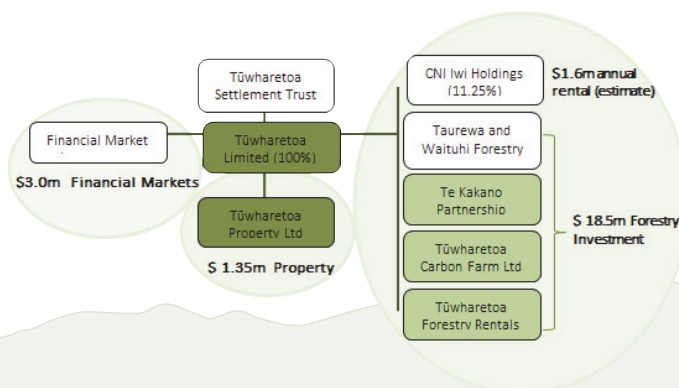
Despite the vast challenges facing the Trust, the set-up and management of Tūwharetoa Limited, and the other subsidiaries, has gone relatively smoothly and efficiently, with only a small team across all the businesses.

Tūwharetoa Settlement Trust (TST) - Legal Structure



- TST holds 11.25% of the shares in CNI Iwi Holdings Limited and appoints two directors to that Board.
- Tūwharetoa Properties is the General Partner for TPILP, an investment partnership established to purchase and hold the Taupō DSP properties.
- Tūwharetoa Forestry Rental was established to receive rentals and facilitate our lending for, and the investment in, Te Kakano, while limiting risk.
- Te Kakano Partnership Limited is the company that holds the collective investment in the Kaingaroa Forest. TST holds 20.8% of the shares.
- Tūwharetoa Carbon Farms Limited holds the Mangamawhitiwhiti land.

Tūwharetoa Settlement Trust - Operating Structure



Financial Report Summary

Financial Performance

The actual performance well out performed the budget. The major differences were the Kakano investment, which was not known at the time of preparing the budget and the rent received from property investments.

2014 FY	Actual	Budget
	(\$000)	
Revenue	2,972	1,692
Expenditure	1,700	1,667
Operating Profit	1,272	24
Comprehensive Income	1,956	34

One of the more notable performance comparisons is the reduction in expenditure by over 40% on the prior year.

Earnings Analysis	Jun-12	Jun-13	Jun-14
	(\$000)		
Expenditure	3,079	2,834	1,700

In order to be more transparent and provide a better understanding of the Trust, there are two significant improvements to the presentation of the accounts. They are:

1. Showing and deducting the forestry licence revenues and interest and investment income that are held provisionally on trust for the FHCs in the income statement.

Income	2014	2013
	(\$000)	
Income from Crown Licence Fees	3,214	3,206
Less Share Due to Forestry Hapū Clusters	(1,518)	(1,495)
Investment Income	381	3,441
Interest and Dividends Received	1,236	197
Less Inv. Revenue Due to Forestry Hapū Clusters	(1,179)	(833)

2. Showing the present value of forestry rental streams through to 2043 in the balance sheet

	2014	2013
Crown Forestry Licence Income Right	(\$000)	
		Restated
Non-Current Assets	17,819	19,084
Non-Current Liabilities	16,622	17,819

Financial Position

The financial position of the Trust has been significantly restated as shown in the table and graph below. The Trust is now comfortable that we are showing a clearer financial position which greatly assists accountability and decision making.

In the 2013 year, the potential funds owing to the FHCs was identified and accounted for and the series of failed investments were either written off or consigned to doubtful debts, causing the massive reduction in equity. In 2014 we added in the value of future forestry rentals and back dated this into the 2013 year as well.

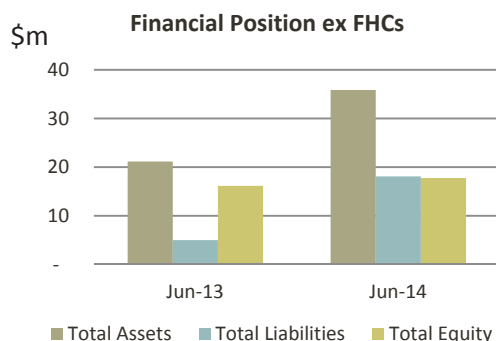
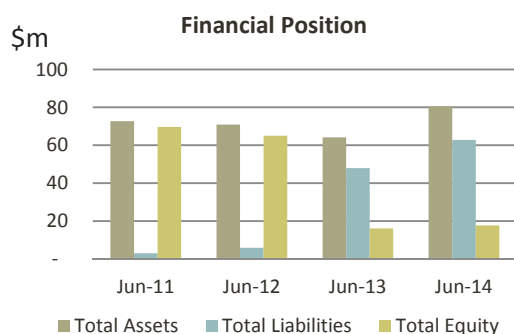
Financial Position	Jun-12	Jun-13	Jun-14
	(\$'000)		
Total Assets	70,944	64,142	80,547
Total Liabilities	5,919	47,987	62,783
Total Equity	65,025	16,155	17,764
Profitability	Jun-12	Jun-13	Jun-14
Net Surplus	-265	-6,579	1,956
Return on Equity	-0.41%	-40.72%	11.01%

Ratios Excluding FHC Funds and Future Rentals	Jun-13	Jun-14
NPAT/lwi Funds	-35.6%	11.0%
EBT/TTA	7.9%	5.8%
Op Profit/Revenue	48.6%	59.2%
lwi Funds/Total assets	25.2%	22.0%
Debt to Equity Ratio	2.97	3.54
Net op Surplus /assets	4.2%	3.0%

Total assets include \$26.9m of provisional funds for the FHCs and \$17.8m of future forestry rentals. Financial Position ex FHC funds and future rentals amount to \$35.9m.

When the FHCs and Future rentals are not included, the debt to equity ratio improves from 3.5% and the return on assets lifts to 5.8%.

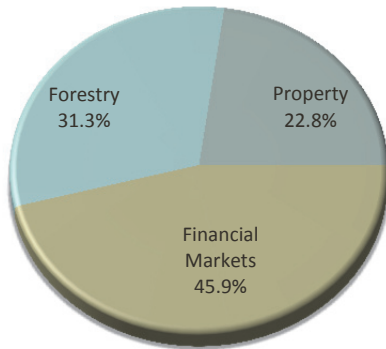
Financial Position excluding FHC Funds	Jun-13	Jun-14
	(\$'000)	
Total Assets	21,156	35,861
Total Liabilities	5,001	18,097
Total Equity	16,155	17,764



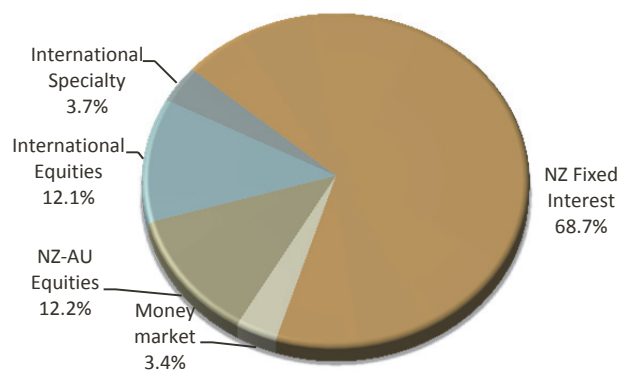
Financial Risk

The following graphs show the risk exposures by industry with a deeper dive into the asset allocation of the financial market investments.

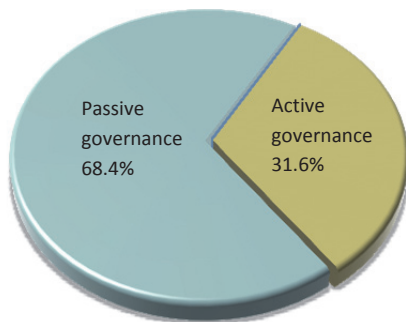
Assets Weighting by Sector



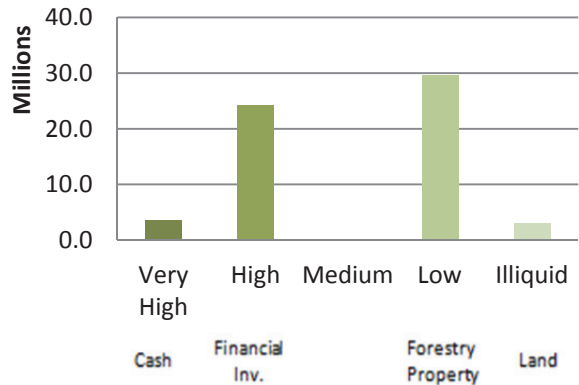
Financial Assets by Sector



Active vs Passive



Assets by Liquidity

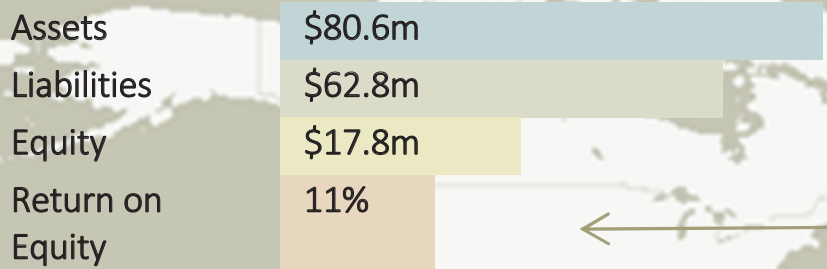


The majority of investments are passive. The active governance sectors are where Trust, or its subsidiaries, has majority control over and direct liability to the asset.

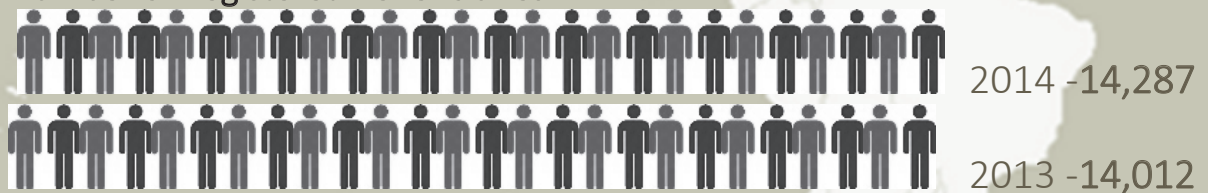
2013-2014 Year in Review

Key Facts

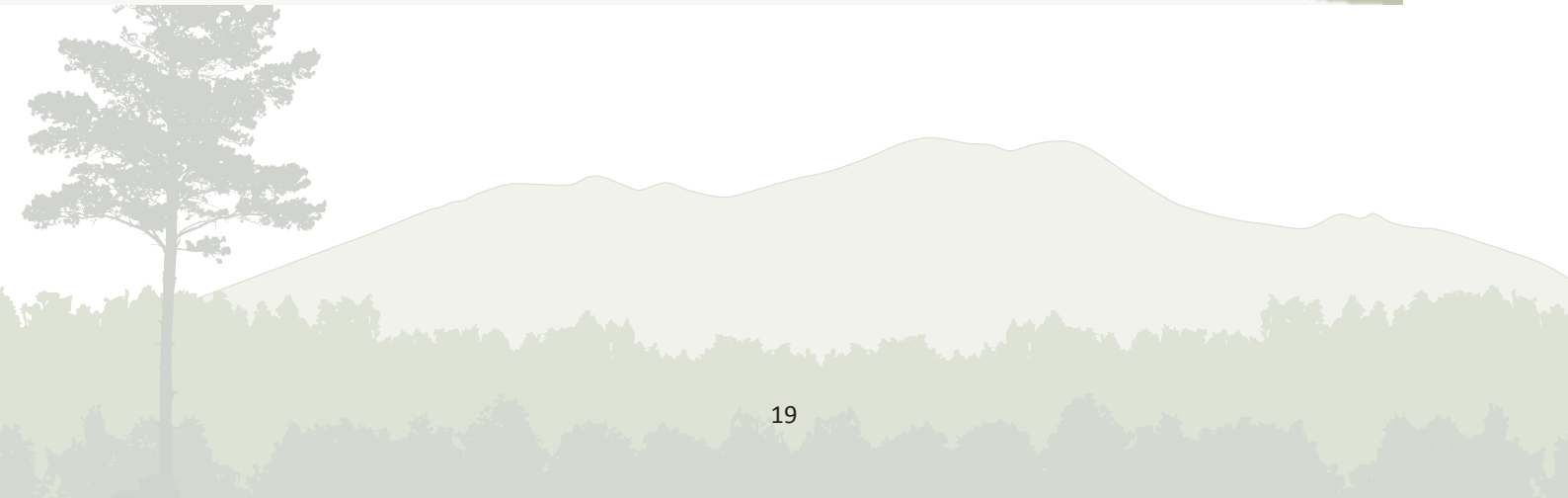
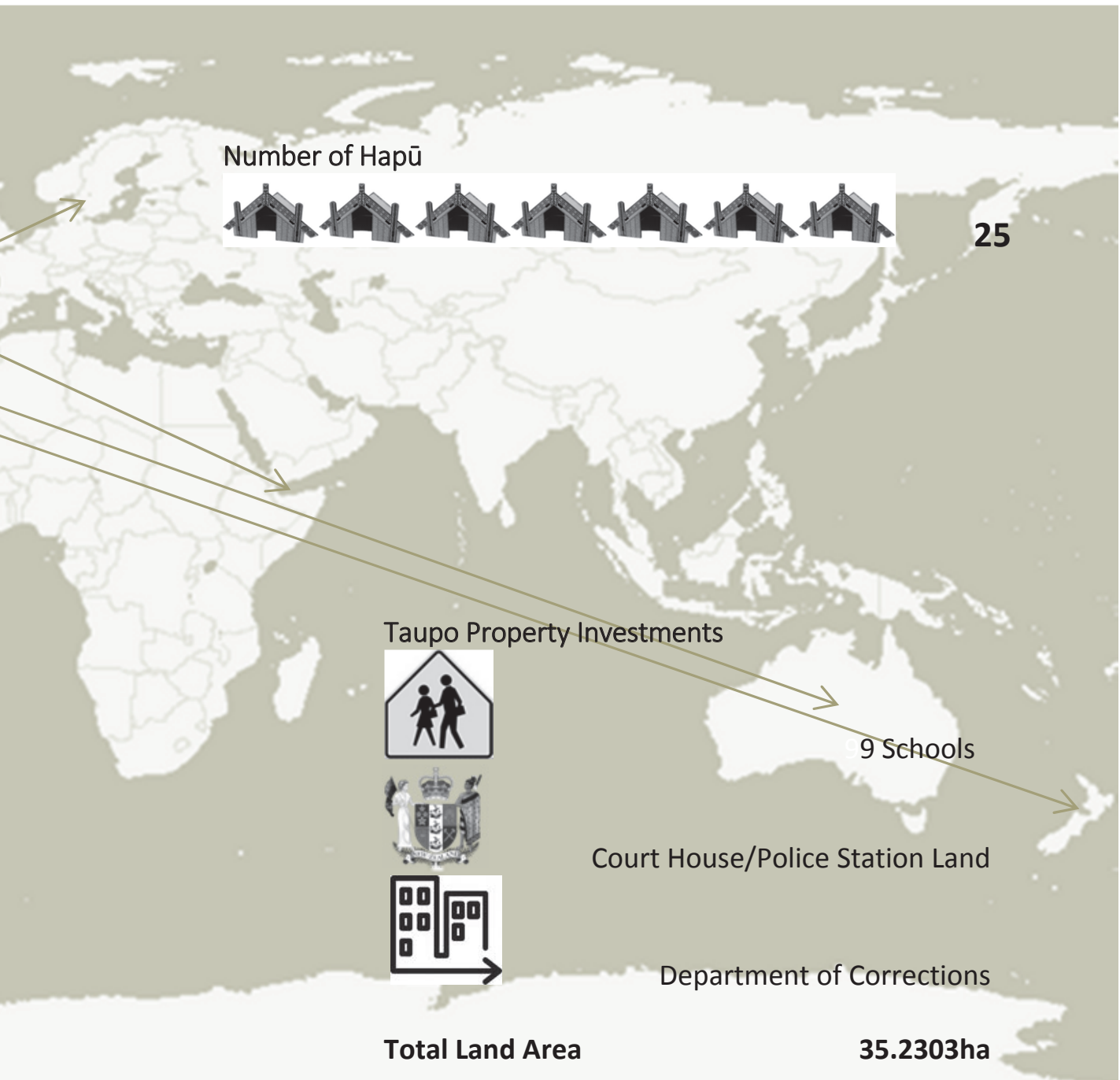
2014 Financial Performance



Number of Registered Beneficiaries



Total Land returned 881.8279ha



Mana Whenua

In our Tūwharetoa written evidence we have provided our historical kōrero and our account of events on and around the Kaingaroa. We proved our Mana Whenua through recounting historical kōrero on a timeline basis; showing kāinga, areas where food and other resources were gathered, we identified events and places of significance, we showed our movement back and forth over the Kaingaroa and stated our inter-relations with other Iwi.

With best efforts, we demonstrated the extent of our Mana Whenua on a traditional basis using the tikanga of take whenua and Ahi kā as stipulated in the CNI Act and the CNI Deed.

From evidence and submissions by the other CNI Iwi, it is apparent that one Iwi's relationship to the Kaingaroa can be totally independent and unrelated to another. Yet for some Iwi, the relationships are strongly interrelated, our recount of events and other respective historical kōrero is aligned and therefore our position statements and principle statements were similar.

It was fairly evident from the Mana Whenua process that the inclusive principle of kotahitanga is challenging for some Iwi and the definitions and understanding of tikanga, in a 'tikanga based resolution process', was varied. We believe that the tikanga definitions we provided in our evidence are fairly sound and comprehensive.

We stated that given the nature and extent of the Kaingaroa and the relationships to it, a feasible and sustainable outcome is shared and inclusive Mana Whenua. The majority of Iwi involved in the process collectively endorsed this statement. Therefore, we are prepared to work collectively to explore this model further.

The Law

The Mana Whenua process is a Tikanga Based Resolution Process for the CNI Land, governed by Schedule 2 of the CNI Act and by Schedule 3 of the CNI Deed (Central North Island Forests Land Collective Settlement Act 2008, Schedule 2: Tikanga based resolution process for CNI forests land and the CNI Deed Forests Iwi Collective Deed of Settlement, Schedule 3: Collectives Allocation Agreement).

The Lore within the Law

Within the LAW there is the LORE, the lore within the law. In the Mana Whenua process we were expected to apply whanaungatanga, manaakitanga and kotahitanga, be open and transparent and recognise the collective management of the asset. We emphasised these core principles from within the Deed as they provide guidance on how we are to interrelate and they provide a direction on co-existence going forward, in the form of collective management of the asset.

Within the CNI Act and the CNI Deed (ie the LAW) we have the 'test of Mana Whenua', whereby allocation is to be determined by mana traditionally held and exercised over the land, according to the tikanga of take whenua, ahi kā roa, ahi tahutahu or ahi mātaotao along with other relevant tikanga and sources of knowledge that each Iwi may provide. 'Take whenua' was defined into:

- take kitenga;
- take taunaha;
- take pakihlwi kaha;
- take raupatu;
- take tupuna; and
- take tukuiho

Any dealings to do with land are often over charged with passion and emotion and hence there was considerable difference in the understanding and application of the above tikanga, as respective Iwi position themselves for their best advantage.

The Mana Whenua process has had the benefit of renowned experts on tikanga and was supported by the attendance of many of the senior kaumatua from each of the Iwi. We all appreciate and support the understanding that traditional Māori society was guided by mauri, mana and tapu, with mana being defined in three forms; mana atua, Mana Whenua and mana tangata.

We are also acutely aware that whakapapa, tātou pounamu and other inter-Iwi relationships form an important part in determining Mana Whenua.

Ngāti Tūwharetoa followed a very pragmatic approach in our submissions, we stated:

- Ahi kā roa – to mean undisturbed permanent kāinga/occupation with fires always burning;
- Ahi tahutahu – to mean temporary or seasonal kāinga/occupation with fires sometimes burning; and
- Ahi mātaotao – to mean dormant kāinga/occupation with fires not burning;

We then framed our evidence upon this basis. We noted that other Iwi defined temporary and seasonal kāinga as Ahi kā roa.

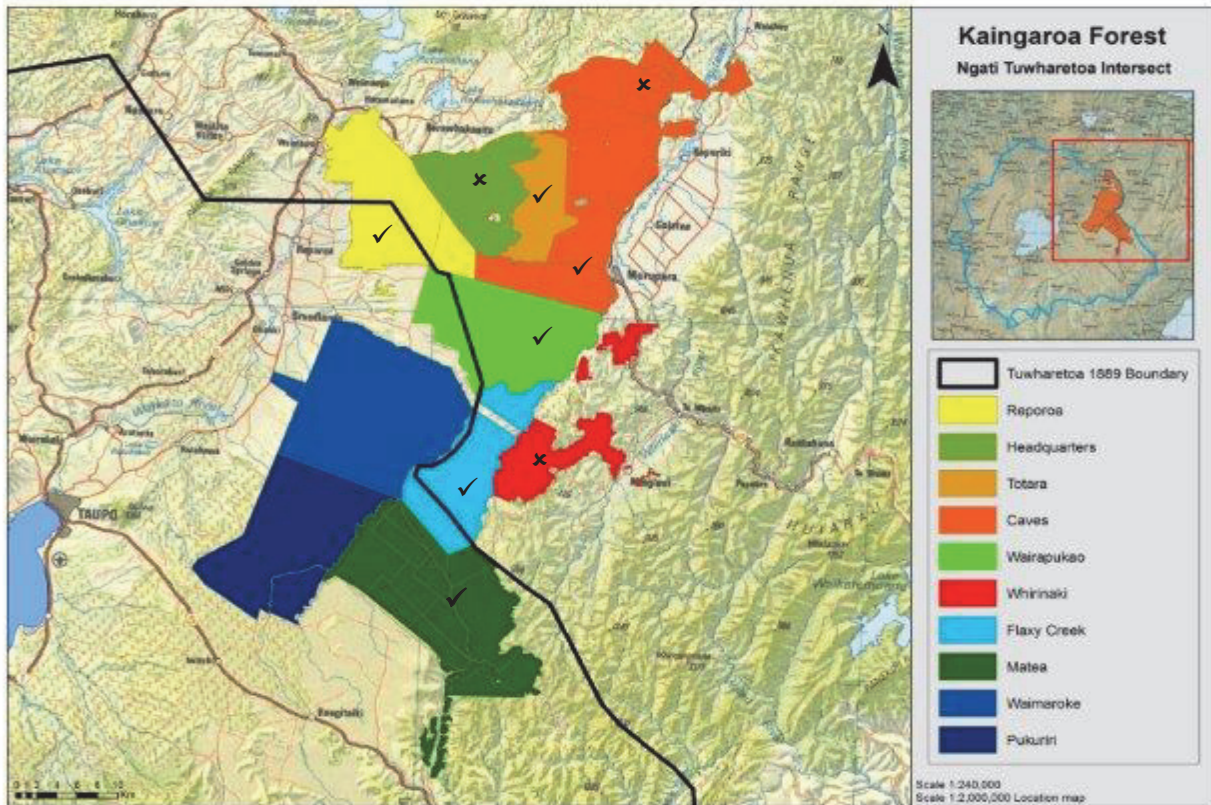
Identifying Mana Whenua

In identifying Mana Whenua, we believe three layers of kōrero to be apparent:

1. Huarahi - pathways across the Kaingaroa, used for either passive or aggressive intentions;
2. Significant events and sites, defining whakapapa connections, long standing tātou pounamu and other inter-Iwi relationships and connections to the land; and
3. Resource gathering from those few areas and waterways where food and resources were available.

Information on our permanent kāinga, temporary kāinga, seasonal kāinga, birding areas, burial sites, sacred sites, cultivation areas, sacred kōrero, streams and tributaries, other waterways, and places of importance to Tūwharetoa were gathered from Tūwharetoa historical records and the Native Land Court records. The information was provided by the following Tupuna.

Ihakara Kahua, Hitiri Te Paerata, Pita te Rauhina, Reweti Te Kume, Poihipi Tukairangi, Hunia Takurua, Tuiri Rangihiroa, Hare Reweti Te Kume, Hare Matenga, Waka Tamaira, Hawea Penetito, Kaipara, Hamuera Takurua, Te Popoki Te Kurupae, Paora Hapimana Huriwaka, Paora Rokino, Hikarahui Hemopo, Te Heuheu Horonuku, Te Heuheu Tureiti, Te Rangitāhau, Te Werewere, Wi Maihi Maniapoto Te Hina, Arama Karaka Mokouiarangi, Te Whare Tapu o Te Heuheu, John Te Herekieke Grace, Pei Te Hurinui Jones, Matangi Hepi, Te Whakapūmau Downes plus Kaumatua Te Kanawa Pitiroi and Mataara Wall.



Mana Whenua Allocation

All the lands are held in Trust by CNI Holdings Limited, until transferred to respective Iwi, or otherwise determined by the CNI Iwi collective. The Mana Whenua allocation for nine of Kaingaroa Crown Forest License areas (CFLs) was completed by adjudication in June 2014. The Final Allocation Report was issued 1 July 2014 and is available on request from the TST office.

TST was awarded Mana Whenua interests in six of the nine CFLs that went to adjudication. It is to be noted that we were seeking Mana Whenua acknowledgement in only six of the nine CFLs. We also successfully reached a kanohi ki te kanohi agreement with Ngāti Raukawa over Pureora-Marotiri. These are the only CFLs to have reached Mana Whenua agreement through Iwi to Iwi kōrero so far.

The Kaingaroa CFLs of Pukuriri and Waimaroke are the major CFLs to Tūwharetoa. Mana Whenua allocation is yet to be determined on these blocks. There are three other satellite forests within the tribal areas that Ngāti Tūwharetoa has claimed exclusive rights to. They are Taurewa, Waituhi and Waimihia.

There are no known Mana Whenua claims over Taurewa and Waituhi by any of the other CNI Iwi. There is one remaining challenge claim over Waimihia.

Central North Island - Cultural Sites

We have identified 10 cultural sites on the Kaingaroa to be surveyed and awarded to Ngāti Tūwharetoa or for Ngāti Tūwharetoa to have acknowledgement along with other Iwi.

- Te Umu Kohukohu – Caves
- Ngā Tiwhakaaweawe – Reporoa
- Kōhatu Whakairi – Wairapukao
- Upoko Pō – Wairapukao
- Te Mānukatūtahi – Matea
- Te Puna Takahi o Ngātoroirangi – Wairapukao/Waimaroke
- Te Iringa Patu o Tutetawha – Waimaroke
- Te Arawhata Tawhito o Ngātoroirangi – Wairapukao
- Te Wairere o Tamatea – Matea

- Te Huarahi Mai i Pūtauaki ki Taupō – Opepe/Waimihia

The sites capture our traditional history and connection to the land. Some of these sites also connect us to the other CNI Iwi that we align to. We are currently completing the site identification and demarcation work before re-submitting to the Office of the Treaty Settlements and CNIHL for approval.

TŪWHARETOA CULTURAL SITES



Forest Hapū Cluster Trusts

An internal Hapū Mana Whenua process was completed in 2012 to identify the Hapū in the satellite forests within the Tūwharetoa rohe. Four FHCTs were then established;

1. Marotiri –Pureora;
2. Waituhi;
3. Taurewa; and
4. Waimihia

A total sum of \$16.2 million was transferred to the FHCs upon establishment as required by the Deed. TST is holding on Trust a further \$26.9 million of accumulated rentals, interest and other assets to be paid out upon completion of the Mana Whenua process, at which time the actual amount to the FHCs can be properly determined. The funds should assist the respective Hapū Trusts grow and prosper.

The initial Trustees of the FHCs are charged with;

1. Establishing a relationship agreement with TST;
2. Establishing and maintaining a register of members;
3. Develop a strategic plan;
4. Develop a financial plan;
5. Develop a communications plan; and
6. Prepare an election process

The FHCs are at various stages of completion of the establishment tasks. Te Pae o Waimihia is the most advanced and have recently completed their elections.



Deferred Settlement Process - Properties

Tūwharetoa Limited raised \$7.5 million in equity capital and setup a Limited Liability Partnership with TMTB, Lake Taupō Forest Trust and Te Pae o Waimihia (indirectly) to purchase commercial redress properties in the Taupō Township that were available through the CNI DSP. Through TPILP, Tūwharetoa is now one of the largest land owners in the Taupō Township.

Tūwharetoa Limited also purchased 11 forest enclaves in and around Lake Taupo and Lake Rotoaira Forests. These enclaves were on sold to the respective forest Trusts. TST has purchased a total of 881.8 hectares for Tūwharetoa whanui at a value of \$14.3 million.

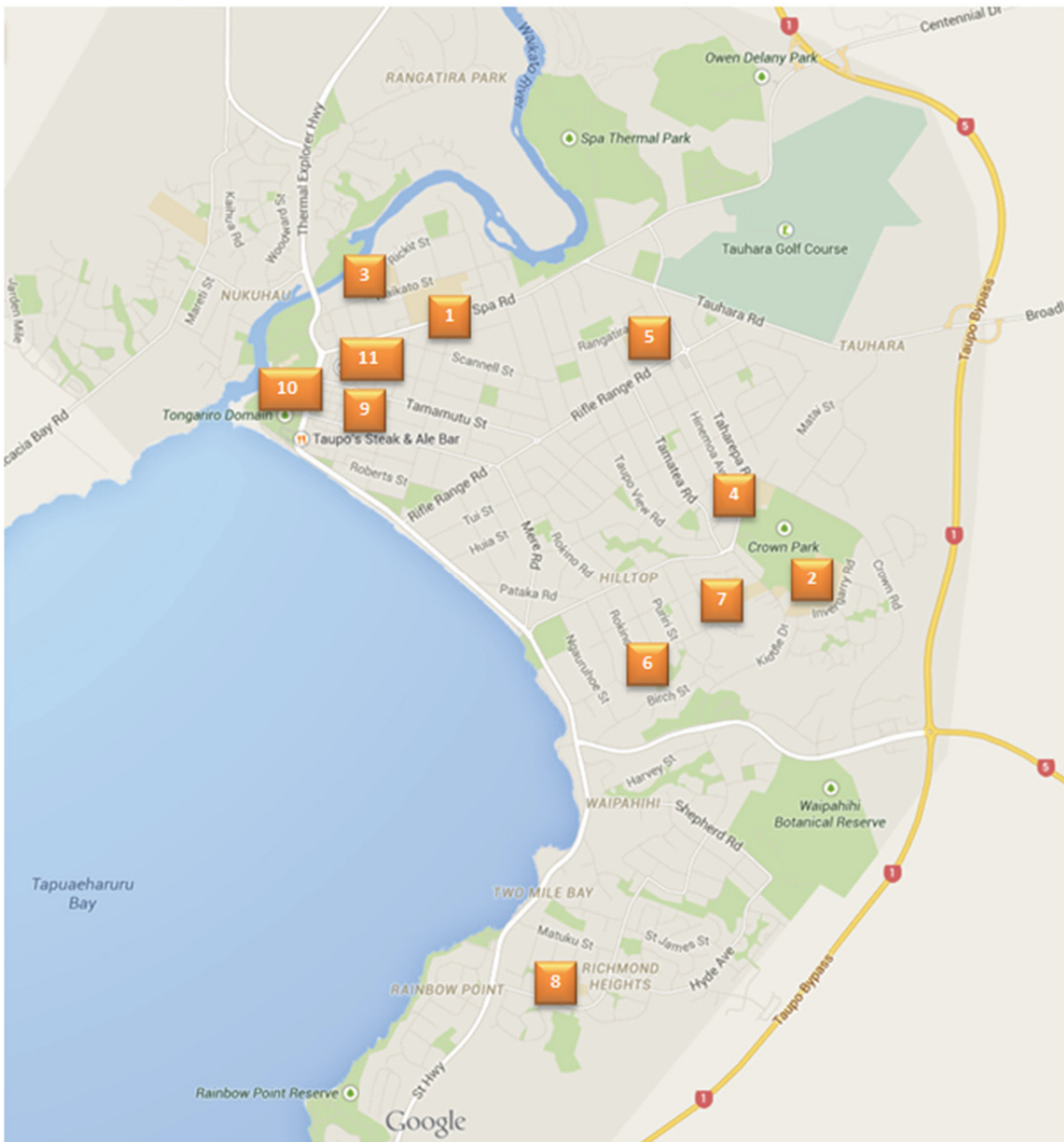
Crown Entity	Type	Area Ha	Final Transfer Value
Ministry of Education	Nine School Properties	34.9324	12,400,000
	<ul style="list-style-type: none"> • Taupō-Nui-A-Tia College • Tauhara College • Te Kura Kaupapa Māori • Taupō Primary School • Mountview School • Tauhara School • Taupō Intermediate School • Hilltop School • Waipahihi School 		
Ministry of Justice	Court House 20-21 Story Place, Taupō	0.1866	1,337,500
Crown Forests	11 Crown Forest Enclaves	846.7089	600,000
Total - all properties		881.7279	14,337,500

We are currently working on the largest of the DSP properties, the 8,500 odd hectares Department of Corrections land and forest, with an approximate total value in the range of \$50-55 million. A number of Tūwharetoa Trusts in the Matapuna have been identified as potential partners in the land purchase. We have engaged with a number of forestry investors for the purchase of forest estate and a Hapū working collective has come together to progress Hapū goals and objectives. The hapū working party consists of representatives from; Ngāti Turangitukua, Ngāti Hikairo, Ngāti Hine, Ngāti Rongomai, Ngāti Waewae, Ngāti Turumakina/Te Mahau, Ngāti Karauia and Ngāti Te Rangīita.

The hapū aim to engage with the potential land owners to provide opportunities for hapū and to re-connect with the land. The long term objective of the Hapū Collective is:

To have the mana and the rangatiratanga over our whenua

Tūwharetoa Property Investments





1. Taupō Nui a Tia College



2. Tauhara College



3. Te Kura Kaupapa Māori ki Tūwharetoa



4. Tauhara School



5. Mountview School



6. Hilltop School



7. Taupō Intermediate



8. Waipahihi School



9. Taupō Primary



10. Taupō Court House



11. Department of Corrections - Probation

Trust Recovery

Summary of Historical Actions of Initial Trustees

The TST started with capital of \$66m as an initial distribution of CFI rentals due to Tūwharetoa under its Treaty claim. In its initial period of operation, \$9m of that capital was lost through investments, with a further \$11m distributed as grants or spent on administration. This resulted in TST's capital being reduced to \$46m before recognition of TST's mandated distribution to the FHC Groups (totalling \$29m). As a result, by 30 June 2013 TST's general funds had been reduced to \$16m.

At the February 2014 Annual General Meeting (AGM) the Trustees reported on the above matters and indicated that we would be undertaking an independent review and bringing the findings back to the Iwi at the next AGM. That review asked whether there were any actionable breaches of the obligations of the TST trustees. The review has now been completed, and its findings are summarised below.

Reduction in Trust Funds. There were significant distributions of capital amounts from TST, in excess of \$13m, over a three year period. These distributions appear to have been made without properly identifying the financial position of the Trust and accounting for the full amount provisionally owing to the FHCTs. The Review noted:

- (a) this circumstance raises the question as to whether different decisions would have been made regarding capital distributions (grants) to beneficiaries if the trustees had appreciated that the Iwi portion of the trust funds were only \$36 million at inception (funds reduced from \$43m to \$16m over a three year period); and
- (b) to establish a breach of duty by trustees requires a clear causal connection between the breach of duty and the subsequent loss. Therefore, the issue is whether the grants would have been made, the costs incurred and the investments undertaken if a true level of capital available to the TST (exclusive of the FHCTs) was known.

Tukia Group. The initial trustees made an investment of funds into Tukia Group, including the payment for certain Intellectual Property rights (under which \$2.175m was lost). The Review noted:

- (a) \$1.2m was invested in 2011, when Tukia was, or should have been, known to be in financial trouble. The investment was believed to be for an option over geothermal intellectual property, the value of which was difficult to establish, with that option having now expired and being worthless; and
- (b) it is questionable whether prudent trustees, exercising both their equitable duties to beneficiaries and their express duties as set out in the Trust Deed, ought to have made this investment.

Tokaanu Loan. The making of a loan to the Tokaanu 2nd Residue Trust, as a result of which \$556k remains owing and may not be recoverable. The Review noted:

- (a) the only documentation that exists in relation to this transaction is a one-page 'Agreement in Principle' possibly signed retrospectively and without any security for the loan. The TST manager involved in setting the loan was believed to be acting without proper authority and was also a trustee on the Residue Trust raising potential conflicts of interest issues in breach of the impartiality provisions in the Trust Deed.
- (b) as the hotel building was dilapidated and the borrower only had limited income, it should have been noted that there was a real risk that the Residue Trust would be unable to pay back the loan, meaning that this investment was not a decision that prudent trustees, exercising both their equitable duties to beneficiaries and their express duties as set out in the Trust Deed, ought to have made.

Mangamawhitiwhiti Land. The initial trustees made an investment of \$10.28m in connection with Te Whenua Venture Holdings (TWWH). The Review noted:

- (a) TST became involved after a property development by TWWH failed. TST bought the debt and associated guarantees from Westpac and Dorchester Finance for \$10.3m (with the land valued at less than \$6.4m).
- (b) TST acquired the lenders' rights under guarantees provided by Ngāti Turangitukua, Opepe Farm Trust, Owawenga Trust, Te Whenua Trust and three named Trustees of Opepe Farm Trust. As a consequence of certain court proceedings, and meetings with the guarantors, representations were made to the guarantors as to the non-pursuit of those amounts. It is possible those representations affect the enforceability of the guarantees.
- (c) the purchase of bad loans that were in default with a value of \$10.3m over land valued at less than \$6.4m is prima facie an imprudent investment and in breach of both equitable obligations on the trustees, and obligations under the Trust Deed requiring trustees to conduct the affairs of the trust with the care, diligence and skill that would reasonably be expected of a person acting in similar circumstances (taking into account any special skills or experience of the trustee).

Tūwharetoa Hapū Forum Loan. The initial trustees made payments to the THF that are believed to have been made without full process. The Review noted:

- (a) the payment was documented as an unsecured loan of \$2.1m, with written acknowledgement that it was not arms-length and was without security; and
- (b) the loan may have been better analysed as a grant (which may still have been justified as being within the powers of the trustees to do, as an action benefiting Iwi) but the treatment of it as a loan did not allow such assessment to be made.

However, subsequently the review writers noted that, TST made a grant to another entity that was to be directed to THF to fund the claim process. This step recognised the benefit to Iwi of funding the claim process, which meant that even if the THF loan should not have been made in the form that it was, that would mean that the original action was a question of procedure only, which ought not be the subject of a breach of the Trust Deed.

Contractor Payments. The initial trustees made payments to contractors or management without proper process and accounting for amounts which are not adequately justified. The Review noted:

- (a) many of the contractor and/or management services (for which a number of large payments were made) appear to be without any engagement contract or terms of reference and without any performance monitoring, assessment of completion or value gain to the TST.
- (b) insufficient record keeping (either at the time, or as a result of poor record retention) makes it difficult to determine whether the decisions to make such payments and enter into such contracts may have been a breach of trustees' fiduciary and Trust Deed obligations to act with care, diligence and skill, in entering into these contracts and making such payments.

Trustees' Decision is that further action is not warranted

The TST Trustees are required to raise the performance of the prior initial Trustees both in terms of obligations pursuant to law and pursuant to the Trust Deed, and obligations to the Iwi members generally. A summary of the issues has previously been published and the financial transactions are known and have been reported on. The above now includes the analysis from the independent review.

In order to make final decisions in relation to each of these issues, the advice to the trustees in the independent review has been that the following must be considered:

- (a) the probability of a legal claim being established on the evidence;
- (b) the likelihood that a Trustee will have a statutory defence under s73 of the Trustee Act (which allows a Trustee, who has acted honestly and reasonably to apply to the Court to be excused from personal liability for any breach of trust);
- (c) the probability of recovery from the prior Trustee(s) – meaning, their ability to pay any judgment;
- (d) the likely net recoveries to TST, noting that legal proceedings are likely to be costly and such costs are never fully recoverable in such circumstances;
- (e) The ongoing damage to the reputation of the Trust and the Iwi over and above what has already been experienced.

The elected unconflicted Trustees have no wish to unnecessarily prolong these matters and we advise that we believe that, on a fair assessment of the factors relevant to bringing any legal proceedings, the interests of the Trust and its members (the Iwi of Ngāti Tūwharetoa) will not be served by any such action.

We therefore confirm that the Trustees, having considered all the advice provided to us, have determined that no legal action is to be taken against prior trustees.

Dylan Tahau
Chairman

Governance

Responsibilities

The Trustees are appointed to govern the organisation. The Trustees are responsible for:

- (a) Monitoring performance;
- (b) Reporting to members;
- (c) Risk management;
- (d) Legislative compliance;
- (e) Policy formulation;
- (f) General Manager selection;
- (g) Strategic direction; and
- (h) Setting values and principles.

Trustees delegate plan implementation and operational responsibility to the General Manager, through policy and a Delegated Authorities Manual.

Trustee Elections

Of the seven Trustee positions, six are elected and one position, (that of Te Ariki or nominee) is of right and exempt from the Trustee election process. The six elected Trustee positions are for a term of five years, commencing December 2012. Trustee positions are subject to termination according to the provisions in the Deed including attendance and reputation. Four of the six Trustee positions are elected by wards; Tai Hauāuru, Hikuwai, Mataapuna, Tai Tonga and two positions are Iwi wide elections.

The current trustees are looking to review the Board representation structure and intend to hold a survey of Iwi members and Hapū on this matter.

Sub-Committees

TST has established three sub-committees to help it meet its obligations. Each of these is described below.

Audit and Risk

The Audit and Risk Management Committee ensures that TST has appropriate processes in place to:

- (a) Identify, monitor and manage risks; and
- (b) Report financial performance, position and cashflow.

The committee oversees the integrity of financial reporting, internal controls, risk management, and internal and external audit functions.

Investment Committee

The objective of the Investment Committee is to provide an experienced sounding board, to monitor and attest the investment process and advise the Board accordingly. The committee monitors investment strategy, planning, implementation, compliance and regulatory conformance.

Executive Committee

The Executive Committee sets remuneration and performance levels for the General Manager and monitors performance.

Responsiveness to Stakeholders

Primary stakeholder groups include Iwi members, Hapū and the respective industries and authorities. Iwi views and needs are captured through various mediums and provide important feedback on improvements that can be made to the Trust operations and support systems. Iwi member surveys, Hapū kanohi ki te kanohi hui and the required AGMs provide mechanisms to hear and respond to the needs of the Iwi.

Looking Ahead – 2015 and Beyond

The immediate requirements to be completed include:

- the remaining Mana Whenua determination over land held by CNIIHL
- cultural redress on the CNIIHL lands
- development and growth the FHCTs
- the Rangipō land and forest purchase
- Iwi agreement and support of PSGE structures

Strategic Initiatives

In looking forward and planning the future, the trustees have identified a number of key strategic initiatives. Some of the core responsibilities of the Trust that provide a foundation for growth are whakapapa and communications, collaboration and leadership.

Whakapapa

Internally, the management and development of an Iwi database is a core requirement. Whakapapa underpins an Iwi database, but whakapapa in itself involves Iwi and Hapū histories and tikanga. The Trust has begun in-house discussions to develop a framework and plan for the establishment of a whakapapa unit. We look forward to widening the discussion with Hapū cultural leaders.

Communications

We are looking to improve Communications with Hapū and Iwi members. It is intended that communications and connectivity will form a high priority for the Trust moving forward. More focus and resource has been applied to Hapū, Iwi and external communications. We also intend to explore collective communications with TMTB and NTFCT.

Collaboration with the Tūwharetoa Māori Trust Board and Ngāti Tūwharetoa Fisheries Charitable Trust

The co-location of the three Iwi entities not only provides efficiency and effectiveness, it also provides a platform to bridge and enhance our cultural, social and economic prosperity. By coming together, TST alongside the other Iwi entities, gains a presence at both ends of the lake.

Through collaboration we plan to:

- (a) Realise investment and growth opportunities; and
- (b) Drive social and cultural development

Through collaboration we plan to:

- (a) Realise investment and growth opportunities; and
- (b) Drive social and cultural development

The three Iwi entities have loosely discussed a number of exciting initiatives that we look forward to informing you of, and including you in, as we begin this new journey. This strategic initiative is captured in the following whakatauki:

Ehara taku toa, he takitahi, he toa takitini
My success should not be bestowed onto me alone,
as it was not individual success but success of a collective

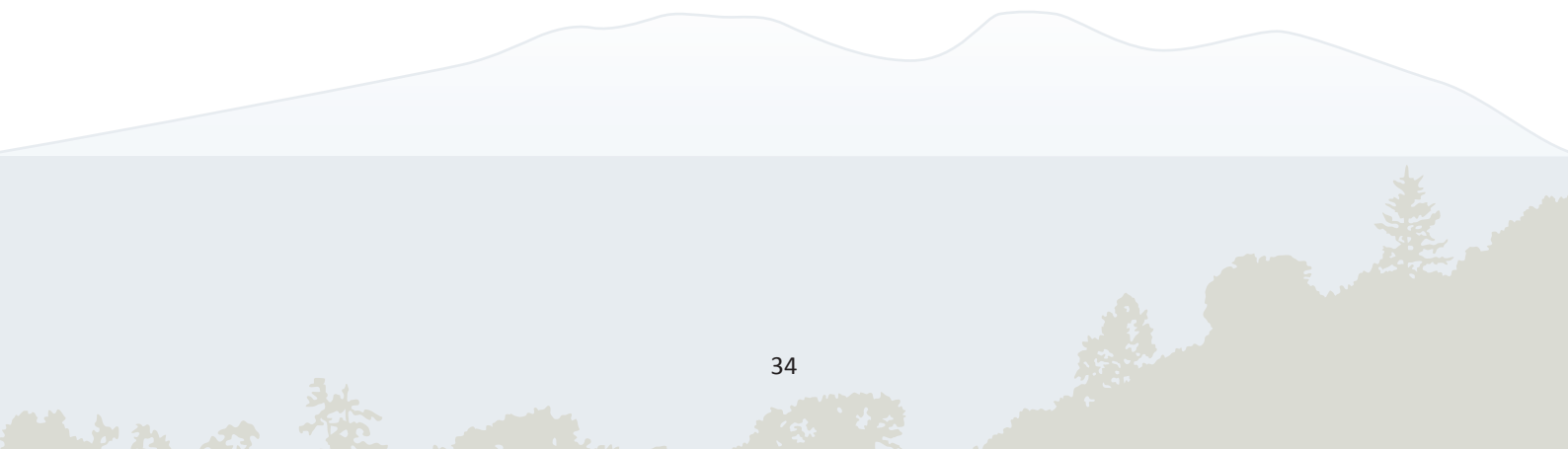
Building Leadership, Trust and Reputation

Kei Tongariro taku tiketike, Ko Taupō-nui-a-Tia tana hora, Kei Tūwharetoa ngā tumanako!

My aspiration reaches to Tongariro, its manifestation is Lake Taupō, its dreams lie with the people of Tūwharetoa.

Being successful breeds success, and leadership is the pouwhakamanawa (central pillar). By building governance skill and reputation, we build leadership, trust and respect. This initiative must be seeded with good hapū relationships and communications, based upon good behaviours and values.







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