



Ngati Apa
Developments Ltd.

Annual Report

1 July 2010 – 30 June 2011

*Ko ngā taumata kohatu, tū whakahirahira ki runga ki te whenua
Ko ngā taumata kōrero, tū whakahirahira ki runga ki te iwi
E te Rūnanga o Ngāti Apa, e ngā paepae o ngā hapū, he kupu whakamihi tēnei ki a koutou e ngā
rangatira, e ngā mana, e ngā reo.
E tika ana ki te maumahara ki a rātou kua ngaro,
Heoi anō rā, whakarongo mai ki te kōrero e pā ana ki ngā mahi whakapiki!*

Message from the Chair

Managing the commercial assets and investments on behalf of Te Rūnanga o Ngāti Apa remains an exciting and welcome challenge for the Board of Directors of Ngāti Apa Developments Ltd. It has been my great privilege to chair a board of energetic, focused and committed Directors to deliver results that are, without question, contributing to the establishment of a platform for long term, intergenerational growth and development.

It is with sadness that I recall the passing of Director Bill Kain who died suddenly in March of this year. Bill was a talented Director and businessman whose absence is sorely missed by the Board.

Te Rūnanga o Ngāti Apa completed the Treaty Settlement process in February 2011 after many years of hard work. The crowning achievement of Ngāti Apa Developments Ltd in this period has been our level of preparedness for this milestone, and the seamless implementation of the interim investment policy which saw settlement cash channelled immediately into a range of short term investments managed by a carefully selected investment manager.

This interim investment policy was only one aspect of the development programme of Ngāti Apa Developments Ltd which is focused on the protection and growth of commercial assets and cash on an intergenerational basis and providing a sustainable dividend stream that meets the requirements of the Rūnanga.

I am very pleased to present this annual report outlining the activities and performance of Ngāti Apa Developments Ltd during this period.

Tokorangi Kapea
Chairman

Message from the Group Manager

Activities throughout 2010-2011 have been focused on preparation for settlement, and then the receipt of settlement and implementation of planned systems and procedures to ensure robust management and protection of the assets.

Commercial and investment policy development has been a key focus for Ngāti Apa Developments Ltd, drawing from the excellent experiences, skills and knowledge of Directors, and examples that have been provided by Iwi groups who have successfully completed settlements and have done well in terms of managing their assets.

With settlement having been completed in February 2011, the period from settlement to 30 June 2011 has been very much a transitional period. The Rūnanga expects this transitional period to last for up to two years during which time management and operating systems will be implemented, reviewed and refined towards becoming a mature and stable post-settlement organisation.

Being entrusted with the responsibility to work with the Board of Directors through this transition phase to provide management and support to Ngāti Apa Developments Ltd is a tremendous privilege. My focus remains on the implementation of good practices throughout the Rūnanga and Ngāti Apa Developments Ltd in a manner that engenders the confidence of Ngāti Apa hapū and individual members, and delivers the results required to demonstrate growth and the generation of sufficient income.

I am satisfied that excellent progress has been made in the 2010-2011 period and am happy to present this annual report.

Grant Huwyler
Group Manager

Introduction and Background

Ngati Apa signed a Deed of Settlement with the Crown on 8 October 2008. Ngati Apa Developments Ltd was convened in February 2010 to commence preparation for what was thought to be impending receipt of settlement assets. The Crown did not provide settlement to Ngati Apa until 3 February 2011.

In anticipation of settlement, a statement of corporate intent was adopted by NADL for 2010-2011, however, because of the timing of settlement, it is not practical to measure performance against financial targets in the statement of corporate intent. In saying this, a lot has been achieved in terms of development work. This annual report will provide an overview of activities and progress of NADL compared to the Statement of Corporate Intent 2010 – 2011.

The Board of Directors

The Board of Directors of NADL for the period 1 July 2010 – 30 June 2011 consisted of:

Tokorangi Kapea – An Iwi member and the lead negotiator for the Ngāti Apa Settlement, Toko's commercial law and management background, and directorship experiences made Toko an ideal Director and Chair for NADL.

Tony Gray – A Chartered Accountant with an impressive employment history as the Chief Financial Officer for TVNZ, Mighty River Power, Te Rūnanga o Ngāi Tahu and Hastings District Council, Tony is vastly experienced and very skilled in planning, policy and investments.

Dr. Bill Kain – An agricultural scientist and consultant, and an accomplished manager with vast experience in business and in governance, Bill was also strong in planning and policy, coming from an agribusiness background and perspective. Sadly, Bill passed away suddenly in March 2011.

The Economic Environment

The most dramatic feature of the economic environment has been the Christchurch earthquakes. The loss of life and destruction to property was without precedent and has had a substantial and long last effect on the economy.

The earthquakes struck as New Zealand struggled to recover from the global credit crisis. The global

economic picture has increasingly worsened with fears of a double recession. New Zealand has been insulated to some extent by China and Australia, however fears of a second recession indicates on-going uncertainty beyond 2010-2011 through into 2011-2012.

The emissions trading scheme has evolved through another year with ongoing uncertainty surrounding the future of the scheme beyond 2011. There is discussion about further delaying the rollout of the scheme in the agriculture sector. These and other factors are placing downward pressure on the value of carbon credits.

This year saw the implementation of tax changes which have now settled in. There is on-going learning regarding the implications of new financial reporting standards.

Recommendations for Deferred Selection Properties

From settlement date on 3 February, Te Rūnanga o Ngāti Apa was given six months to notify the Crown whether or not the Rūnanga would exercise the right to purchase certain deferred selection properties. These rights to purchase extended over the: land under the Marton District Court House; land under Marton Police Station; half interest in the land under the Whanganui (formerly Kaitoke) Prison; and, half of the Whanganui Forest land and trees (optional).

NADL were responsible for providing commercial advice to Te Rūnanga o Ngāti Apa regarding these properties. As of 30 June 2011, NADL had advised the Rūnanga on the Marton District Court House and Police Station lands. Analysis of the Whanganui Forest and Whanganui Prison options were ongoing.

Statement of Investment Policy and Objectives (SIPO)

Te Rūnanga o Ngāti Apa adopted an interim policy that was developed by NADL to manage the settlement cash when this was received by Te Rūnanga o Ngāti Apa in February.

The longer term SIPO was substantially developed throughout the 2010-2011 period, and was finally endorsed on 6 September 2011 in the first quarter of the following financial year.

Forestry Land Management

Work on forestry systems has been dependent on the completion of a forestry strategy. This strategy was developed over much of 2010 – 2011 with input from forestry experts PF Olsen. This strategy was adopted by Te Rūnanga o Ngāti Apa on 6 September 2011, in the first quarter of the following year. Factors influencing this strategy included the Rūnanga's determination to retain ownership of these forestry lands as a significant footprint within the Ngāti Apa rohe.

NADL has made significant progress in relationships with the forestry companies that currently lease the land, and own and manage the trees. These relationships are currently centred on the Crown Forestry Licenses. These agreements are currently being reviewed and will likely be replaced by new arrangements.

Important terms will define the requirements of future management systems. The work of developing these systems is effectively on-going and is under control.

Interim Investment Policy

Te Rūnanga o Ngāti Apa adopted an interim investment strategy that allowed NADL to outsource the management of investments in term deposits. In accordance with the interim investment policy, NADL implemented a competitive process and initiated a relationship with BNZ Bank through their BNZ Partners – Private Banking Service. BNZ have been able to source the best possible fixed term deposit rates from across all leading banks in NZ, to consistently provide the Rūnanga with the best possible return on their investments. This has been a fruitful relationship which is continuing into the 2011 – 2012 period.

Term Deposits as at 30 June 2011:

BNZ Term Deposit 1	\$ 2,543,248
Westpac Term Deposit	\$ 3,048,415
ANZ Term Deposit	\$ 2,028,706
Rabo Bank Term Deposit	\$ 3,048,761
BNZ Term Deposit 2	\$ 3,050,519
<u>BNZ On Call</u>	<u>\$ 310,435</u>
Funds Under BNZ Mgmt	\$14,030,084

NADL Resourcing

Initial resourcing arrangements for NADL have been put in place through agreements with the Runanga. This includes funds and sharing other resources. Resourcing is a matter that will be reviewed annually to ensure efficiency in terms of cost control, and effectiveness including capacity and capability to fulfil the responsibilities of NADL.

Distribution Policy

The statement of corporate intent 2010-2011 declared an intention to develop a long term distribution policy. NADL considered this matter at length and determined that it would not be practicable to develop this until there is a track record of investment returns and expenditure requirements of the Rūnanga.

Additional Activities

TransTasman Resources: The Board considered an invitation to invest in a new company called TransTasman Resources Ltd which was established to explore and potential mine iron sand off the west coast of the North Island. Initial assessments were made of the research on the iron sand resource, the environmental effects and the iron mining industry. The decision was made not to invest in this company.

New World Marton: The new New World premise in Marton was advertised with a number of FoodStuffs properties for sale. NADL assessed this opportunity but ultimately chose not to submit a tender on the basis that the value of this single transaction would be too high.

Palmerston North Medical Centre: This was a property investment opportunity that was presented to the Rūnanga. The documentation was reviewed, a meeting took place between a Director and the developer, and the location for the Centre was visited. This investment was considered to be encumbered with risk at several levels from the developer through to the location. This opportunity was declined.

Wind Farms: NADL entered into initial discussions with Meridian Energy and identified that they could be interested in the potential for windfarms along the Whanganui – Rangitikei – Manawatu coastline. This relationship will be maintained and the

development of a wind farming project will take a long time to research and develop.

Post Settlement Issues: NADL has been involved, when required, in discussing structure issues with the Rūnanga's advisors, Ernst and Young, and with other entities such as Land Information New Zealand (LINZ) concerning forestry land titles and provisions for easements. This work will be ongoing as the Crown has given themselves five years to address all title and easement related matters concerning lands returned to Te Rūnanga o Ngāti Apa in the settlement.

Carbon Credits: There has been discussions with MAF and the Ministry for the Environment regarding the emissions trading scheme and the Rūnanga's entitlement to Carbon Credits. It is likely that the Rūnanga will receive its first entitlements in the 2011 – 2012 financial year.

Genesis Capital Bonds: NADL seriously considered the first issue of subordinated debt bonds from predominately Government owned companies. This was the Genesis Energy capital bond issue. The decision was made not to invest prior to implementation of the full SIPO policy document. NADL is set to seriously consider similar bond issues in the future. This type of investment is contemplated in the investment policy that was adopted on 6 September 2011.

Looking Ahead

With the adoption of the SIPO, NADL is now able to shift its focus from policy analysis and development, to implementing investments in accordance with the SIPO.

NGATI APA DEVELOPMENTS LIMITED
RANGITIKEI
COMPANY DIRECTORY
AS AT 30 JUNE 2011

SHARE CAPITAL

100 Shares

REGISTERED OFFICE

162 Wicksteed Street
Wanganui

DIRECTORS

Tokorangi T Kapea
Anthony T Gray

SHAREHOLDER

Te Runanga O Ngati Apa Custodian Trustees Ltd

ACCOUNTANTS

Carey Smith & Co Ltd

BANKERS

Westpac

IRD NUMBER

102-817-117

NGATI APA DEVELOPMENTS LIMITED
RANGITIKEI
ANNUAL REPORT
FOR THE YEAR ENDED 30 JUNE 2011

The Board of Directors present their Annual Report including financial statements of the company for the year ended 30 June 2011.

As required by section 211 of the Companies Act 1993 we disclose the following information.

The business of the company is Development Company. The nature of the company's business has not changed during the year under review.

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

The Board received no notices during the year from directors that they had an interest in any transactions or proposed transactions by the company.

Directors remuneration and other benefits paid during the year or due and payable is as follows:

	THIS YEAR	LAST YEAR
	\$	\$
Tokorangi T Kapea	22,917	10,416
William M Kain	18,333	8,334
Anthony T Gray	10,000	8,334

No employee received remuneration and any other benefits of more than \$100,000 during the year.

No donations were made by the company during the year.

Tokorangi Kapea, William Kain and Anthony Gray held office as directors during the year ended 30 June 2011. William Kain (Desc) passed away on the 25th of March 2011 and as at 30 June 2011 his replacement had not been appointed.

NGATI APA DEVELOPMENTS LIMITED
RANGITIKEI
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

LAST
YEAR

CURRENT LIABILITIES

	1,787 Accounts Payable	3,192	
	43,716 Te Runanga O Ngati Apa Inc. Society	-	
	- Te Runanga O Ngati Apa Trust	7,249	
	<u>TOTAL CURRENT LIABILITIES</u>		10,441

EQUITY ACCOUNT

	- Ordinary Shares Fully Paid	100	
	(30,999) Equity Account	-	
	<u>TOTAL EQUITY</u>		100

\$14,504

\$10,541

LAST
YEAR

CURRENT ASSETS

14,497	Westpac Banking Corp. Limited	10,286	
-	GST Receivable	255	
7	Tax Refund Due	-	
<u>14,504</u>	<u>TOTAL CURRENT ASSETS</u>	<u>-</u>	10,541

\$14,504

\$10,541

NGATI APA DEVELOPMENTS LIMITED
RANGITIKEI
PROFIT & LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2011

LAST
YEAR

	- Management Fee Income	119,235
21	Interest Received	32
21		119,267
	<u>LESS EXPENSES</u>	
	- Accountancy Fees	2,450
3	Bank Charges	-
	- Consultancy	27,409
27,083	Directors Fees	51,250
3,934	Travelling Expenses	7,159
31,020	<u>TOTAL EXPENSES</u>	88,268
(\$30,999)	<u>NET PROFIT(LOSS) AFTER TAXATION</u>	\$30,999

NGATI APA DEVELOPMENTS LIMITED
RANGITIKEI
STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2011

LAST
YEAR

	- Opening Balance	(30,999)
	(30,999) Net Profit/(Loss) After Taxation	30,999
	(30,999)	-
	<u>CLOSING BALANCE</u>	-

NGATI APA DEVELOPMENTS LIMITED
RANGITIKEI
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2011

STATEMENT OF ACCOUNTING POLICIES

A. REPORTING ENTITY

Ngati Apa Developments Limited is a registered company incorporated under the 1993 Companies Act. The company is a reporting entity for the purposes of the Financial Reporting Act 1993. These financial statements have been prepared in accordance with that Act and the Financial Reporting Order 1994. The company qualifies for differential reporting as it is not publicly accountable and is not large as defined under the framework of differential reporting. The entity has taken advantage of all available differential reporting exemptions.

B. GENERAL ACCOUNTING POLICIES

Unless otherwise stated the accounting policies recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis have been followed by the entity.

C. SPECIFIC ACCOUNTING POLICIES

TAXATION

Ngati Apa Developments Limited is a registered Maori Authority and as such payment tax based on the Maori Authority Tax Rates.

G.S.T.

The financial statements have been prepared on a GST exclusive basis.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies during the financial year. All policies have been applied on bases consistent with those used in previous years.

TOTAL OPERATING REVENUE

The total operating revenue of the entity is \$119,267 (2010 \$21)

NGATI APA DEVELOPMENTS LIMITED
RANGITIKEI
COMPILATION REPORT
FOR THE YEAR ENDED 30 JUNE 2011

SCOPE

On the basis of information you provided we have compiled, in accordance with Service Engagement Standard No. 2: Compilation of Financial Information, the financial statements of Ngati Apa Developments Limited for the year ended 30 June 2011. These Financial statements have been prepared in accordance with the basis of accounting as described in the Notes to the Financial Statements.

RESPONSIBILITIES

You are solely responsible for the information contained in the financial statements and have determined that the basis of accounting used is appropriate to meet your needs and for the purpose that the financial statements were prepared. The financial statements were prepared exclusively for your benefit. We do not accept responsibility to any other person for the contents of the financial statements.

NO AUDIT OR REVIEW ENGAGEMENT UNDERTAKEN

Our procedures use accounting expertise to undertake the compilation of the financial statements from information you provided. Our procedures do not include verification or validation procedures. No audit or review engagement has been performed and accordingly no assurance is expressed.

DISCLAIMER OF LIABILITY

As mentioned earlier in our report, we have compiled the financial statements based on information provided to us which has not been subject to an audit or review engagement. Accordingly, neither we nor any employees accept any responsibility for the reliability, accuracy or completeness of the compiled financial statements nor do we accept any liability of any kind whatsoever, including liability by reason of negligence, to any person for losses incurred as a result of placing reliance on the compiled financial statements.

CAREY SMITH & CO LTD
Chartered Accountants
162 Wicksteed Street
WANGANUI

23 September 2011