
Ngāti Apa Developments Limited

Statement of Corporate
Intent

1 July 2010 – 30 June 2011

General Statement of Purpose

Ngāti Apa Developments Ltd (NADL) is the commercial arm of the Te Rūnanga o Ngāti Apa group, responsible for all commercial investments. The general purpose of NADL is the protection and growth of the pūtea on an intergenerational basis while at the same time providing a sustainable dividend stream consistent with and sufficient for Te Rūnanga's and the hapū collectives' long term needs.

Scope of Activities

The scope of activities described for Ngāti Apa Developments Ltd has been written in accordance with the direction provided by Te Rūnanga o Ngāti Apa in the letter of expectations signed on 16 May 2010.

Core Focus

From the outset, the core focus of NADL is the:

- prudent acquisition of commercial assets to grow Ngāti Apa Group's asset base; and,
- the implementation of best practice policies and procedures to ensure that NADL engenders confidence in the hapū collectives and individuals that make up Ngāti Apa.

NADL is precluded from running other businesses and undertaking any activities which are inconsistent with the Charter of Te Rūnanga, the constitution of NADL or any policy which Te Rūnanga may have in place. Where Te Rūnanga requests, or agrees that NADL should undertake activities outside its core activities, these must be noted as specific exceptions and, where appropriate accounted for separately.

Strategic Objectives

The key objective of NADL is to generate sustainable wealth for its shareholder Te Rūnanga, within acceptable levels of risk and volatility. This is to be achieved by:

a) expertly and prudently managing Te Rūnanga Group's investment assets so that:

- a sustainable dividend is provided on a consistent and ongoing basis.
- investments by NADL within the agreed risk and return levels meet the agreed targets and relevant benchmarks.
- investments weighted for risk and return match agreed benchmarks for the New Zealand market;

b) successfully growing the economic strength and identity of Te Rūnanga Group so that it:

- re-establishes a significant territorial footprint;
- has investment strategies that reflect Ngāti Apa values.

In meeting these objectives NADL will:

- preserve and grow the value of the assets under its control;
- maintain an appropriate portfolio of investment assets in line with Te Rūnanga's investment policy;
- grow the economic strength of Te Rūnanga Group through the pursuit of investment opportunities in areas where Te Rūnanga Group has a competitive advantage(s); and
- provide the level of cash flow required to meet the distribution requirements and needs of the of Te Rūnanga Group.

NADL will also be responsible for managing:

- certain fisheries assets as the asset holding company (AHC) for Ngāti Apa; and

- has delegated authority to decide which deferred settlement properties Ngāti Apa Group should acquire through the settlement process. The exception to this is the Wanganui (Kaitoke) Prison where the decision will be made by the Rūnanga, considering advice from NADL.

Priorities for 2010 - 2011

NADL acknowledges and accepts the priorities that have been set out by the Rūnanga in its letter of expectations, in particular:

- a) Development of recommendations for the deferred settlement properties in terms of how these will be managed when received within the 6 month post settlement period.
- b) Development and agreement on - The strategic investment policy and the interim- short term investment policy. Both of these policies are to be submitted and approved by Te Rūnanga prior to settlement. The latter will only cover the transitional year and how cash from settlement proceeds will be managed over this period.
- c) Development and agreement on - A comprehensive investment plan for NADL to be completed in the first year of operations which will replace the interim – short term investment policy.
- d) Establishment of systems for the effective management of forestry licenses requiring the acquisition and implementation of a system appropriate for this purpose.
- e) Development of a plan for resourcing the needs of NADL to ensure that it is able to deliver on its objectives,

particularly during start up and in the medium term.

- f) Development and implementation of cost effective policies and procedures to facilitate good governance and management of NADL including the management of its relationships with Te Rūnanga and Audit and Risk Committee.

Economic Environmental Issues Affecting NADL

There are three significant issues that are currently making it difficult to accurately model and predict both the financial position and financial performance of NADL over the first 12 months following settlement. These issues are:

- 1) The emissions trading scheme (ETS) which is affecting forestry, including valuations of land, questions around the allocation of carbon credits and the value of the carbon credits. These matters will affect both the financial position and performance of NADL. Exactly what the effects will be will only become apparent to NADL as the ETS unravels.
- 2) Changes to the tax laws, including changes to GST, changes to depreciation rules etc will have a bearing on financial statements, which will take effect in this financial year.
- 3) The current economic environment remains uncertain as globally, economies struggle to recover from the initial impact of the global credit crisis, and ongoing and residual effects. In this environment interest rates are consistently changing, but the timing of changes are uncertain, affecting projected earnings for fixed interest investments which will form a large part of the NADL investment portfolio. Equities are also greatly affected, and similarly returns and growth projections in the short term are unpredictable.

Performance Targets

Not all of the identified objectives and priorities lend themselves to precise measurability, and for some, adherence to them can only be seen in the longer term success of the NADL business model. There are, however, some indicators that are measurable, and against which NADL will assess its performance. The particular targets below have been chosen because they are both key to the business of NADL and are measurable. These targets are to be achieved by 30 June 2011.

Performance Targets	2010/11
Comply fully with the Te Rūnanga o Ngāti Apa Letter of Expectations	Yes
Deferred Settlement Properties are considered, and if appropriate, acquired.	Yes
Complete a forestry strategy that considers a range of options based on the forestry land that is being returned to Ngāti Apa	Yes
Complete and implement a comprehensive statement of investment policy and procedures	Yes
Complete and implement a long term distribution policy	Yes
Investments weighted for risk and return match agreed performance benchmarks for the New Zealand market	Yes
Establishment of systems and capacity to manage forestry licences.	Yes
EBIT / Total Average Assets	2.4%
Return on Average Shareholder's Funds	2.0%
Equity / Total Assets	93.9%

Information to be provided to Te Rūnanga o Ngāti Apa

A quarterly report will be provided to the Rūnanga which will include:

- a. Financial statements
- b. Performance (physical, financial and compliance related) against deliverables by quarter with variance reporting.
- c. Statements as to the outlook for the rest of the financial year, including commentary on:
 - i. Forecast year end achievement relative to targets/deliverables.
 - ii. Key opportunities, management plans and risks.
- d. Full time equivalent staff numbers (including the % who are Ngāti Apa)
- e. A schedule of contractors and a brief description of activities.

An annual report will be submitted to the Rūnanga that will compare actual performance with this statement of corporate intent.

Accounting Policies

The accounting policies that will be adopted for NADL will meet the requirements of the Companies Act and any other relevant legislation and accounting standards.

Distribution Policy

In the first year, NADL will operate without a long term distribution policy. The interim arrangement will be a distribution of all fisheries money, less fisheries expenses and tax, to the Rūnanga, and the minimum distribution required to cover the costs of operating the Runanga.

Risk Management

NADL considers a risk to be an event or identified issue that represents a potential obstruction or barrier to the achievement of the identified objectives and priorities set out in this statement of corporate intent. NADL is constantly mindful of risk, and will ensure that risk is managed proactively in all facets of NADL business. It is acknowledged that effective risk management processes do add value to the practices and procedures of NADL toward delivering on the stated objectives and performance targets of the Company. Consistent and proactive risk management processes are a cornerstone for NADL.

A particular risk which needs to be emphasised in the short term is volatility. A good investment policy can still lead to negative returns due to volatility in both earnings and value of assets. NADL will operate within an acceptable level of risk, but emphasises the need for the Rūnanga and other stakeholders to consider performance over a number of years, because annual performance is inevitably negatively or positively influenced by volatility. It is only by comparing results over a number of years that a picture of performance and sustainability will emerge.

Another particular risk is the timing of settlement, the later the date, the less time that NADL will have between receipt of the assets and the end of the financial year to invest funds and commence income generation. NADL will need to continually review projected financial performance as the date of settlement continues to slide.

Amending the Statement of Corporate Intent

This document has been written prior to receipt of the settlement assets. The detail of receiving and managing these assets may require changes to this document in the first year of operations. Also, establishing the management structure may change the

expense forecasts, and this would also require amendments to this statement of corporate intent. It is therefore anticipated that this document will be updated at some point following receipt of the assets.

Financials

Projected Profit and Loss for 1 October 2010 – 30 June 2011

INCOME

Interest on Cash Investments (5%pa)	\$	512,630.25
Forestry Licence Income	\$	218,481.00
Fisheries Income (AFL income and shares)	\$	112,013.00
TOTAL INCOME	\$	843,124.25

TOTAL NADL EXPENDITURE	\$	247,897.50
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PROFIT / LOSS	\$	595,226.75
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tax @19.5%	\$	116,069.22
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NET PROFIT AFTER TAX	\$	479,157.53
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Distributions (non-fisheries)	\$	168,708.00
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Distributions (fisheries)	\$	81,034.83
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BALANCE TO RETAINED EARNING	\$	229,414.70
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Projected Financial Position – 30 June 2011

ASSETS

Settlement Cash	\$	13,670,141.00
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CFL Land	\$	10,100,000.00
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Fishing Quota	\$	443,304.00
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AFL Income Shares	\$	870,216.00
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TOTAL ASSETS	\$	25,083,661.00
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Retained earnings (cash)	\$	362,289.01
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Total Assets after 12 months	\$	25,445,950.01
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LIABILITIES

Loan from Runanga	\$	100,000.00
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Ngati Apa Charity for Fisheries Assets	\$	1,313,520.00
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TOTAL LIABILITIES	\$	1,413,520.00
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EQUITY	\$	23,670,141.00
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Retained earnings	\$	229,414.70
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Equity after 12 months	\$	23,899,555.70
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