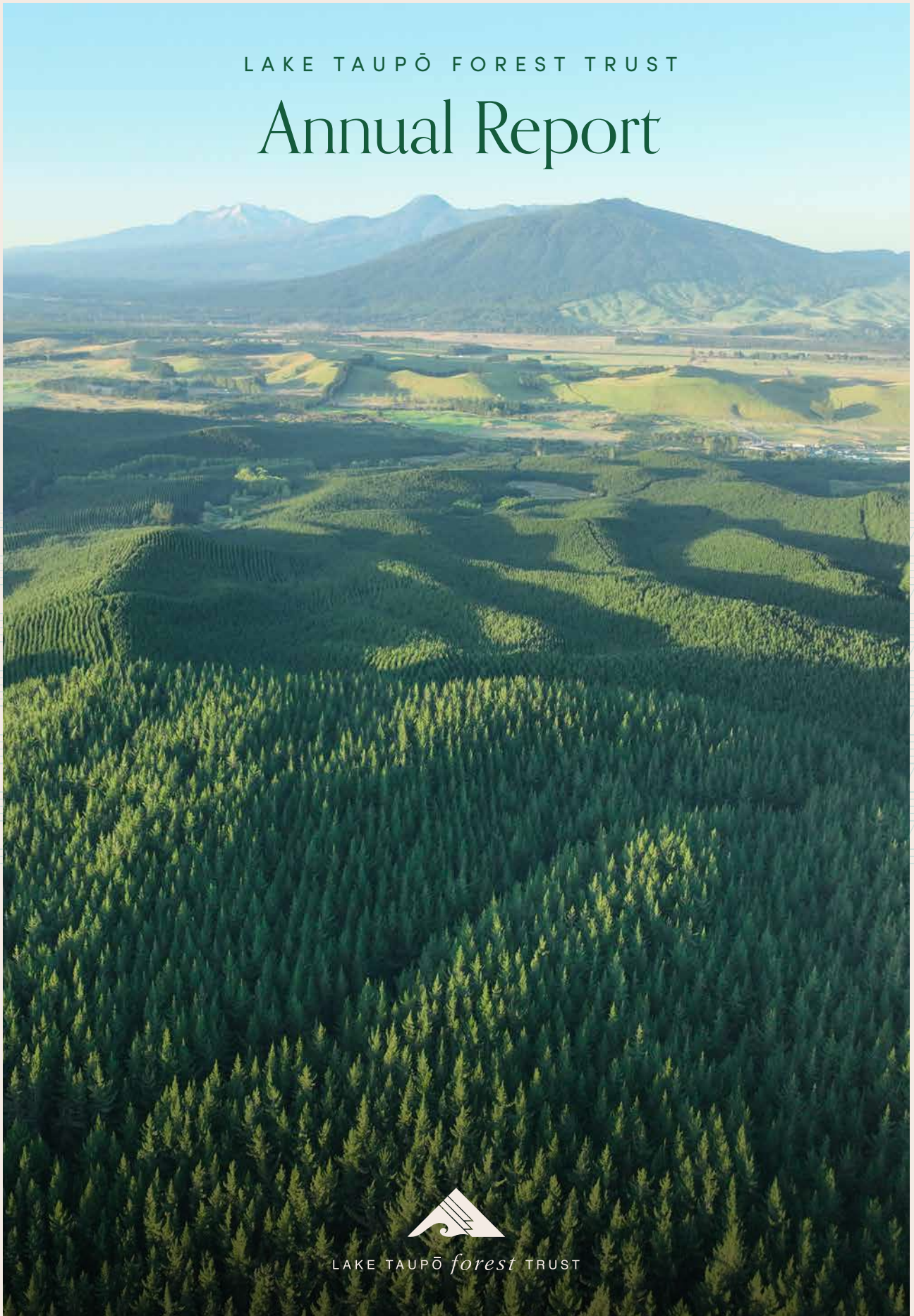


LAKE TAUPŌ FOREST TRUST

# Annual Report



LAKE TAUPŌ *forest* TRUST

2021–2022



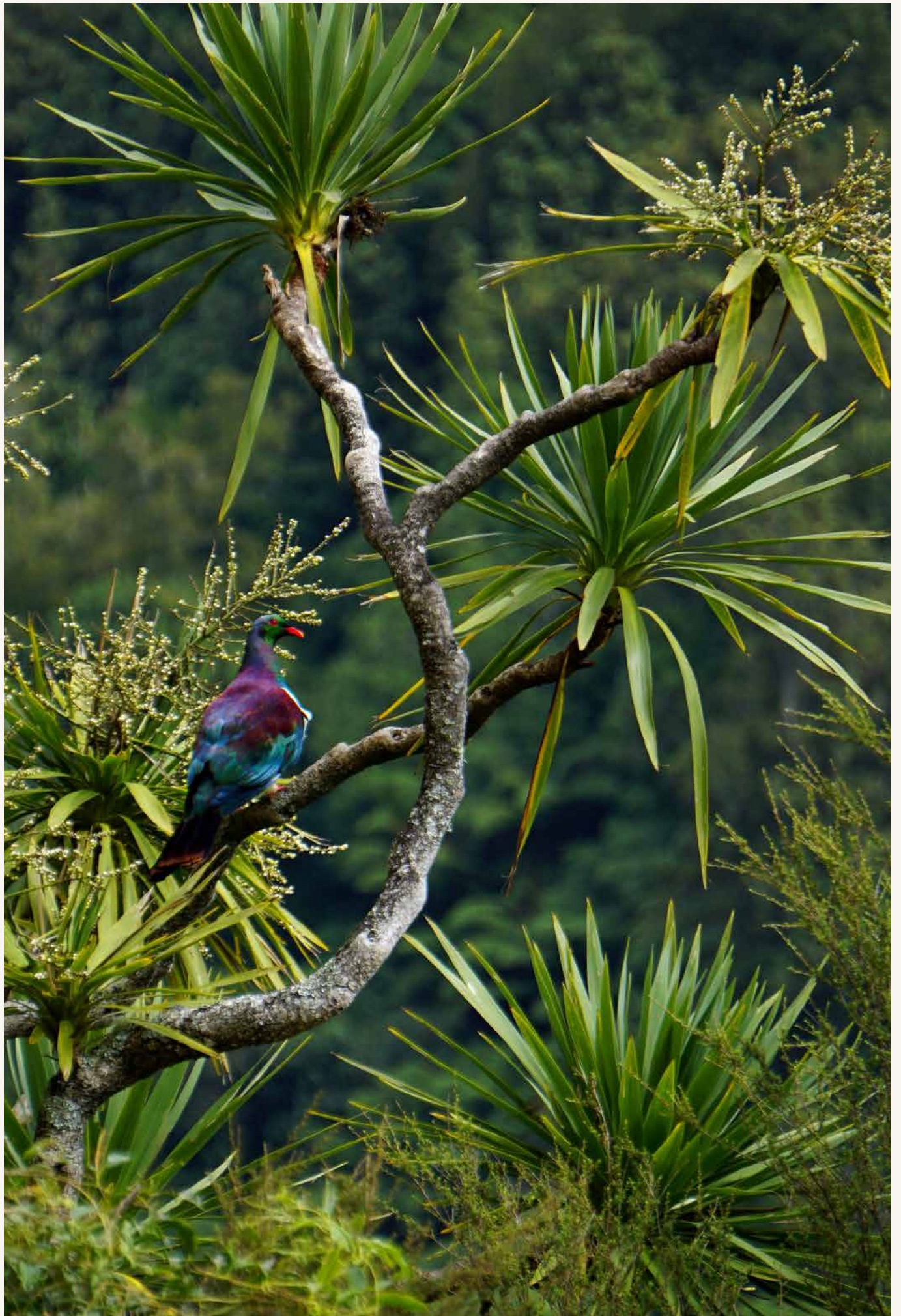


Whāia te iti kahurangi  
ki tōna tauranga,  
kia pupū ake ai  
ko ngā painga katoa,  
ki a rātou e whai painga ana  
ki tēnei ngahere

---

Pursue the items of value to their  
destination so that benefits and  
goodness arise for the beneficiaries  
of this forest





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## OUR VISION

# Kia ū ki te whenua Tū tangata ki te ao

To be a diversified and sustainable global land and asset manager centred in Aotearoa, while being a responsible investor for the wellbeing of our people.



## STRATEGY

### Pou Tikanga

The way we do things is led by our Tūwharetoa tikanga.

We will understand our tikanga  
We will live by our tikanga

### Pou Whenua

We are enabling sustainable land use  
that is consistent with our tikanga.

Knowing our natural taonga  
Pursuing excellence in land management  
Being active kaitiaki

## OUR MISSION

# Ki te hoe tonu i te waka moemoeā o rātou kua ngaro, kia whai hua hoki ngā wawata o ngā uri whenua

To realise the dreams of those who have gone before us by fulfilling their expectations to build a competitive business, respect their customary values, and protect their lands and assets in order to deliver real benefits to their descendants.



### Pou Tangata

Enabling meaningful benefits for our people.

Engagement with our people  
Delivery of benefits  
Knowing our people

### Pou Tahua

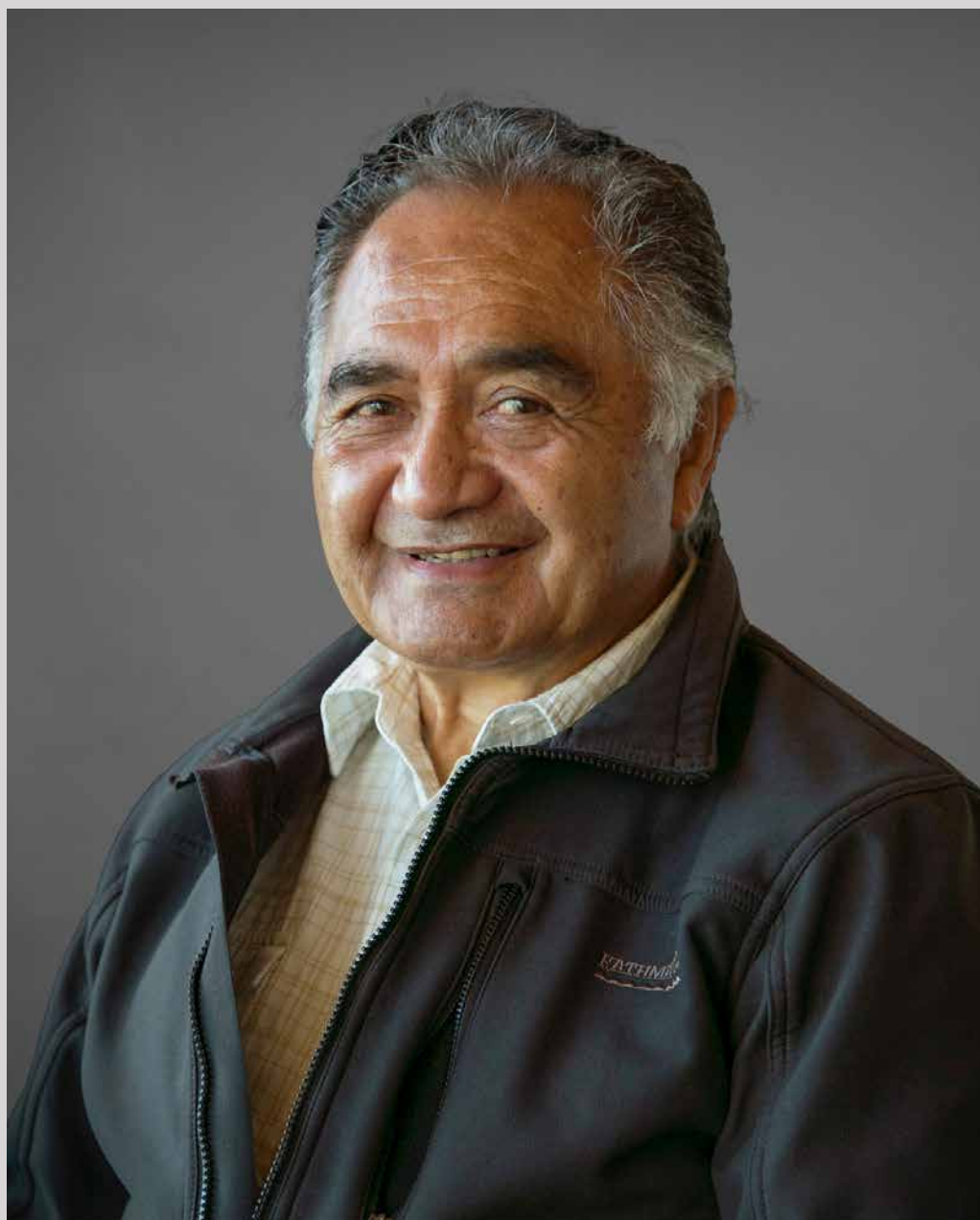
We are an organisation that is fit for purpose and has a team to enable the business to grow.

Investment  
Our teams  
Our culture  
Manaakitanga

2018-23

HE MAUMAHARA

# Te Kanawa Pitiroi





“Peruperu ki te rangi, e peruperu e”

Kia marino te Tai  
Kia whakapapa pounamu te Moana,  
Kia tere ai te kārohirohi  
Moe mai, Moe mai, Moe mai  
Ka ū mai, ko te Marino

Me mihi ka tika ki tēnei o tātou ko te totara nui i Te Waonui o Tāne kua hinga. E koro, ko koe tērā i noho roa ki te Poari o te ngahere o Taupō Moana. Nāu anō i hoatu ōu mōhiotanga ki ngā kaupapa i kōrerohia me te āwhina i ngā mahi mō te tupu rākau. I tērā puta mai ngā hua mō te maha o Ngāti Tūwharetoa. Ko koe hoki tētahi i whakaae ki te tiaki i ngā wāhi tapu e hora whānui i ngā whenua tupu rākau. Heoi anō e koro, waihotia ngā rākau kia tupu noa. Ahakoa kua ngaro koe i a mātou, e mau tonu ana tō ora ki roto i ngā tupu whenua i waihotia mō āu mātāpuputu, āu mātātahi, tae noa ki ngā mokopuna.

E koro, e Te Kanawa, moe mai rā i tōu moenga roa. Okioki atu rā te pou o te whare, okioki rā, te hiku o tangata, okioki rā, te here o te kupu, okioki rā, te ringa tōhaunui o tōu iwi. Kāti ake, ka pōharatia tōu iwi i tōu wehenga atu, e kore koe e warewaretia.

A much loved and respected kaumatua of Tūwharetoa and long-serving member of the Lake Taupō Forest Trust, Te Kanawa shared and gave selflessly his time and knowledge during his over 25-year tenure on the board. Often seen with his iPad or mobile phone, Te Kanawa was well versed in modern day technology. A softly spoken and humble man, he spoke only when necessary and always with wisdom that is seldom found these days.

Te Kanawa served on numerous Lake Taupō Forest Trust committees, with his presence most notable as kaitiaki on the Lake Taupō Charitable Trust. His work in this space reflects his desire to grow and nurture our youth in education. He continued the legacy of past Trustees in the ongoing provision of kaumatua grants. Te Kanawa was one of the original Trustees who established Korowai Āwhina – a programme now administered by the Tūwharetoa Māori Trust Board – and the management of Tūwharetoa Te Taiopenga, the Tūwharetoa cultural festival, in its early stages of development.

As one of the last ‘koroua kaumatua’ who held Tūwharetoa mātauranga, reo, pūrākau, tikanga and possessed the humility only someone of his calibre could, he will be sorely missed at the board table, in the office, at the marae and in Tūwharetoa.

Our deepest condolences to kuia Kataraina and sons Derek and Damon.  
Our thoughts are with you always.

Moe mai e pā i te aroha  
Kua tōia koe ki tua o te pae  
Ki ngā whetū e kemo mai ana  
I te rangi e tū ake nei



He hōnore he korōria ki te Atua  
He maungārongo ki te mata o te whenua  
He whakaaro pai ki ngā tāngata katoa  
E ngā iwi, arā, koutou katoa e whai pānga ana  
ki te ngahere o Taupō Moana  
Arā, koutou katoa kua tae mai nei ki te whakarongo  
ki ngā mahi kua oti nei i tēnei tau, tēnā koutou katoa  
E maumahara ana ki ō tātou mate  
Arā, rātou kua huri atu ki tua o te ārai  
Haere, moe mai i runga i te rangimārie  
Moe mai i roto i te Ariki  
Nō reira, kia ora tātou katoa



# Chairman's Report



A handwritten signature in dark ink, appearing to read 'B. Ellis'.

**BINKY ELLIS**  
Chairman

The year up until June 2022 has been fairly demanding for Lake Taupō Forest Trust, as we were finally able to employ some of the initiatives that we have talked about over the last few years – notably Tupu Angitu Ltd and NZ Forest Managers.

As at 30 June 2022, the Crown had only 20 hectares of trees remaining in Lake Taupō Forest, with the Trust owning the remaining 24,339 hectares. Over the years, this partnership with the Crown has been beneficial for both the Trust and for the community.

Since harvesting began in 1994, production costs of the Crown-owned logs totaled approximately \$580 million, with this money largely invested back into our local communities and our owners, who were – and are – contractors, crew members, truck drivers and associated workers.

Of the \$230 million that the Trust has received in stumpage income in the last 28 years:

- Forty-two per cent has been spent on distributions and grants to owners and marae.
- Forty per cent has been spent on replanting and managing the next crop in Lake Taupō Forest.
- Twelve per cent has been spent on Trust operational costs, investments and holding cash reserves.
- Six per cent has been spent on investment in Lake Taupō Forest Management's lands and forests.

While there have naturally been compromises associated with the Crown owning rights to use the Trust lands, this has ultimately been a powerful driver behind the Trust achieving what it has today, including having an overall balance sheet of around \$0.6 billion and growing.

With the change of ownership of all the trees to the Trust, they are now responsible for all aspects of income and expenditure associated with the forest. Instead of receiving stumpage income from the Crown, the Trust now pays for all forestry production costs, which averages over \$1 million each month and thus requires careful cashflow management.

To manage these commercial aspects of forestry, the Trust set up Tupu Angitu Ltd in 2021, which will assume the

financial management responsibility and allow the Trust to concentrate on social, cultural and land matters. Along with the transition to full ownership, Lake Taupō Forest Trust (through Tupu Angitu Ltd) and Lake Rotoaira Forest Trust decided that it was the opportune time to bring forest management in-house with the purchase of our long-time forest manager NZ Forest Managers. This purchase has numerous benefits for both Trusts, including that it allows for more direct involvement in the way our forests and lands are managed, increased diversification of our businesses into direct forest management, the facilitation of more long-term research into the sustainability of our land-use, and, over time, encouraging more owners to become involved in both the management aspects of forestry and the contracting workforce.

The Trust is well-positioned for the future, with equity in the Trust Group now valued at approximately \$0.6 billion as at 30 June 2022 – an increase of 15 per cent. In the 2021–22 financial year, the Trust generated an operating profit before tax and revaluations of \$10.5 million from revenue of \$38.3 million. The Trust also declared a gross taxable distribution of \$7 million. This was paid to the owners in April 2022.

As always, there are several people I would like to acknowledge. Without their dedication, loyalty and support, delivering our long-term vision would be impossible. Firstly, I acknowledge the hard work and support of my fellow Trustees and their unwavering commitment to ensuring we stay focused on the kaupapa ahead.

Thanks to our Chief Executive Officer John Bishara, Group Manager Amy Walker and the team of administrators for their professionalism and dedication. Thanks also to Lake Taupō Forest Management Ltd and NZ Forest Managers Ltd for helping us achieve our vision. And thank you to the owners for your continued support and encouragement.

Finally, I'd like to acknowledge the passing of our kaumatua and Pou Tikanga Te Kanawa Pitiroi. Te Kanawa was a long-serving Trustee who shared our vision of regaining control of our forests to ensure long term benefits for our owners, tamariki and mokopuna. We send our deepest condolences to his whānau.



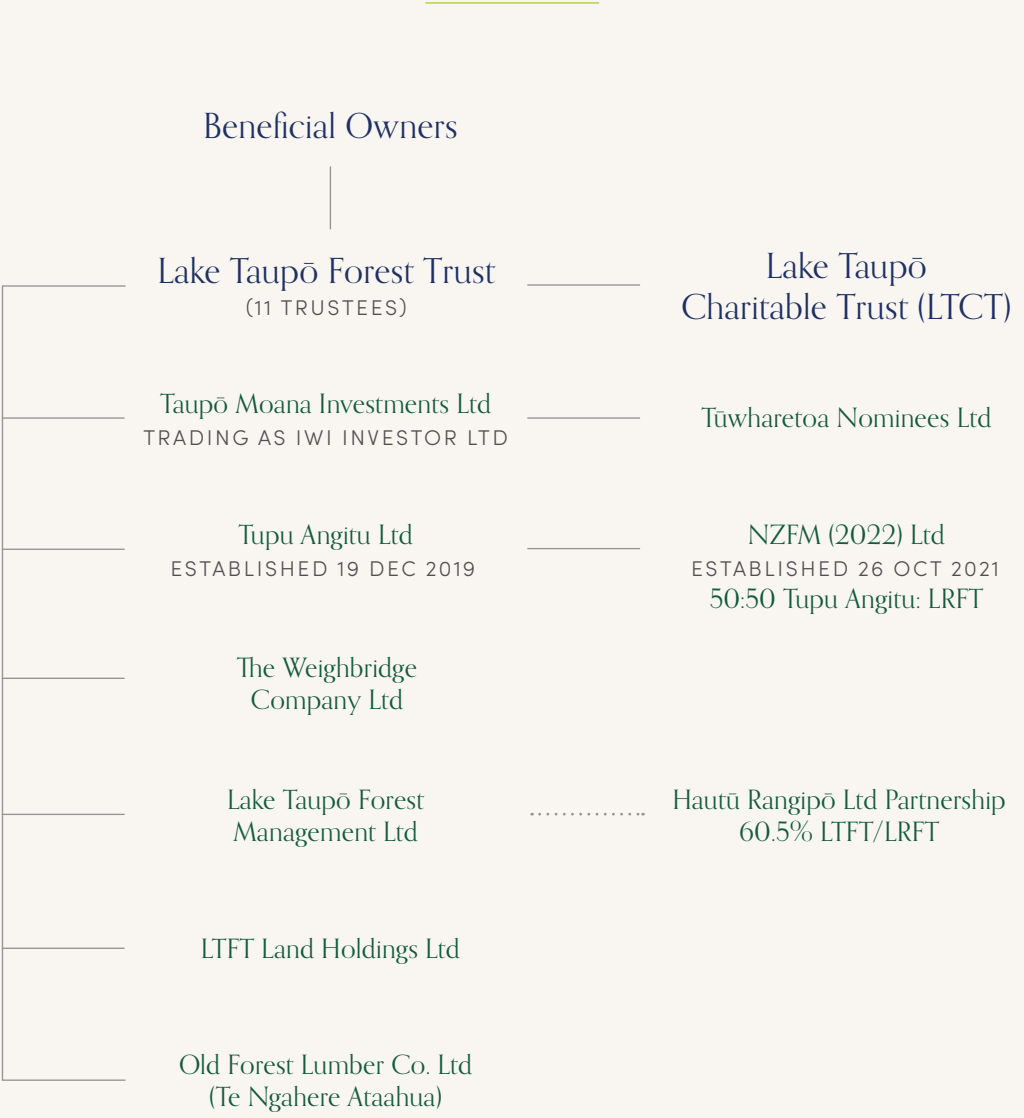
# About the Trust

The Lake Taupō Forest Trust (LTFT) was established by Māori Land Court Order in December 1968 to represent the interests of the owners of 58 separate Māori land titles on the eastern shores of Lake Taupō. The Trust now acts on behalf of 13,800 beneficial owners who retain their shares in the lands.

The Trust now administers 68 blocks of Māori freehold land and 13 blocks of general freehold land. The blocks were leased to the Crown and planted in forest, with the stumpage shared between the Trust and the Crown at harvest. The lease is being surrendered progressively by the Crown so that at the end of first rotation harvesting the Trust will own all of the forest.

Education grants and Marae grants started in 1994, and distributions of income have been paid to the beneficial owners of the Trust lands since 1996.

The Trust has established subsidiary companies to deal with specific areas of the Trust’s activities. It also established and funds the Lake Taupō Charitable Trust to organise community-purposes funding for education, kaumātua assistance and other projects to benefit owners. The structure of the Trust and its subsidiaries is shown below.



A photograph of a community event. In the foreground, a middle-aged man with grey hair, wearing a dark patterned button-down shirt, holds a black microphone and speaks. He is looking slightly to his left. Behind him, a large group of people, mostly older adults, are seated and listening. In the immediate foreground, a woman is seated in a blue metal walker. The background shows a white tent structure and some blue balloons. The top of the image has a decorative border consisting of repeating white 'V' shapes on a dark background.

# Pou Tangata

## Our Trustees



Chairperson  
CLINTON 'BINKY' ELLIS



Trustee  
HEEMI JAMES BIDDLE



Trustee  
JUDY HARRIS



Trustee  
TANGONUI KINGI



Trustee  
DAVID O'ROURKE



Deputy Chairperson  
TINA POROU



Trustee  
JOHN TUPARA



Trustee  
NGAHERE WALL



Trustee  
DANICA  
SEARANCKE-TIPENE



Trustee  
MANAIA BLAIKIE

## Our People



Chief Executive Officer  
JOHN BISHARA



Group Manager  
AMY WALKER



Accountant  
MAUREEN SMITH



Team Leader  
Administration and Grants  
SHANYN WARENA



Executive Assistant  
to the CEO  
SANDY GIBBISON



Education, Grants  
and Scholarships  
WAKA ASHER



Administrator  
RAUKURA DUNSTER



Administrator  
LOGAN DAVIS



Assistant Accountant  
JACINTA CHILDS



Assistant Accountant  
THERESA DERBY-HEMA



Managing Director  
LTFM  
GEOFF THORP



Assistant Forest  
Manager LTFM  
PATRICK NEPIA



Researcher LTFM  
LANIA HOLT



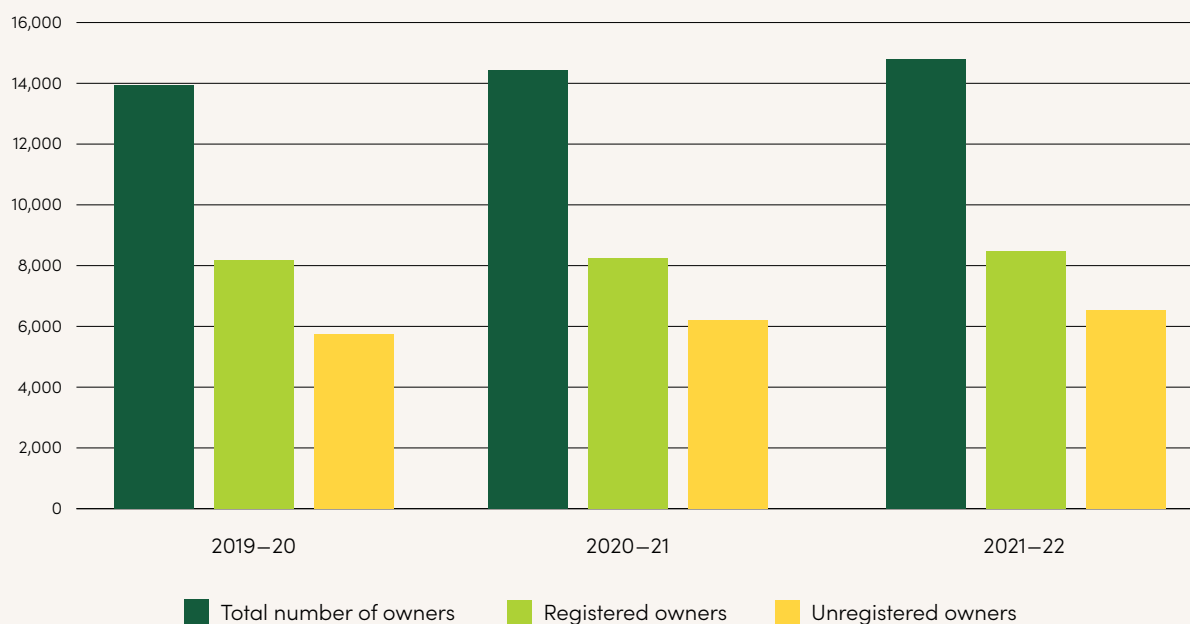
## Owners' Statistics

**14,789**  
**total number of owners**  
at 30 June 2022

**57%**  
**are registered**

**Most owners are resident  
in New Zealand,**  
but around  
**4%**  
**are living overseas,**  
mostly in Australia

FIGURE 1.  
Registered and Unregistered Owners



## 2022 Annual Distribution

The Trust declared a distribution of \$7 million. This was a taxable distribution. If you did not provide the Trust with your IRD number, then the Trust was obliged to deduct tax at 39 per cent.

Approximately 56 per cent of the distribution was paid to 4,584 Lake Taupō Forest Trust owners. The unpaid portion of the distribution remains in the Trust's Lake Taupō Income Fund (LTI) – more commonly known as the unclaimed distributions fund – until the details of the rightful owners are identified and the funds are distributed.

## Unclaimed Distributions

Owners are reminded to contact us each time they change their address or change their bank account details.

As is the call each year, we are interested in identifying, locating and registering all owners who hold interests in the Lake Taupō Forest Trust blocks so that they receive the benefits they are entitled to, and so that we can pay the outstanding distributions that are held in our unclaimed distributions fund.

We are particularly interested in identifying the owners listed in the table below. The Trust holds substantial funds – in some cases more than \$10,000 – on behalf of these owners. If you know any of these people or their descendants, please have them contact this office so we can arrange registration and payment.

### Owners of Significant Unclaimed Funds

TE RANGINUI HAUAURU	TIRINGI HEMO PEREKI
MCFARLANE HEREWINI	MERETEO REUPENA
WERAHKO HINGAIA	REREMOANA REUPENA
HUNGAHUNGA RICHARD HURAE	IHAKA TARAPAKIA
TAME HURIHIA	WIRIHANA TE AHURU
RANGIKAHUNA TUPARA MANIAPOTO	TUAIWA TE AWATEA
PARE TE KOHERA MANUKA	TAKIHI TE MATARINA
TE KAHURANGI IHAKA MATENGA	TAMAHOU TE POPO
CHRYSTAL LOUISE NAPIA	TANGATAKINO TE POPO
MARIANA NGAHUIA	RIPEKA TE UIRA
VALENTINE RICHARD NGAMOTU	MORIHI TOE TOE
TAMEHANA NGATAKUAHI	TAURI TOKOAHU
TE MITI OTU	KARATAINA WIKIHA
TE AITU PAREKAHURANGI	IWA TAME WIREMU

The Trust has a list of all owners for whom unclaimed monies are held. Visit our website [www.lfft.co.nz](http://www.lfft.co.nz) for further details or contact this office.

## Putea Aroha Grants

In 2000, the Trust established the Tangihanga Fund. The purpose of the fund is to allow for Tangihanga grants to be paid to whānau of registered owners who have died. The grant is worth \$2,000 and is normally paid to the person who has been nominated by the owner to uplift the grant or to the person responsible for paying the funeral expenses.

This year, the Trust paid \$232,000 to 116 whānau of deceased owners.

We encourage owners to register with the Trust and to complete a nomination form. This helps to administer the grant in a timely and less complicated manner.

ANNUAL GRANT  
**\$50,000**  
 KO TŪWHARETOA  
 TE IWI CHARITABLE TRUST

### Annual Paramountcy Grant

The Lake Taupō Forest Trust, through its charitable arm, continues to provide an annual grant of \$50,000 to Ko Tūwharetoa te Iwi Charitable Trust. This is the administration trust for Te Ariki Tumu Te Heuheu to support his leadership role for Ngāti Tūwharetoa at national and international levels.

OVER  
**1,000**  
 APPLICATIONS APPROVED  
 AND PAID

### Kaumātua Assistance Grants

Each year, the Trust provides an annual Kaumātua Assistance Grant to all registered owners aged 70 years and over. Application forms are automatically generated and distributed to all eligible individuals.

In 2022, over 1,000 application forms were approved and paid.

## Tertiary Education Grants

The following 47 recipients were awarded an education grant during the year. Recipients must be studying in one of the following fields that relate directly to the forestry industry: forestry, finance, business management, law, science, engineering, environmental studies, information technology, GIS mapping and marketing.

AARON HARVEY	KIERAN MICHAEL GRIFFITHS	RORETA CHAMBERS
AHERA CARLSON	LANA CAITLIN PARKER-HAY	ROSEMARY BYLES
AIRON ALISA HORIANA	LILY RAWIRI	SEONA HEALEY-FORDE
REWETI-CLARK	MADELINE GRACE HOUSTON	SHAUN TOROA TE RIRE MCNEIL
ANAHERA TOPP	MAIA CHARLESTON STEED	SIAOSI TIUETI
ANDREW KARATEA	MEREANA HOLLEY-WALL	SKYE WEHIPEIHANA
DELISE PUHI	MIA WILLIAMS	SONNY VERCOE
DUSKY-ROSE TUIHANA TAWHAI	MOHI KINGI WATENE	STEEVE RIHIA
HAUKAPUANUI VERCOE	NOAH HEEMI BLACKBURN	TAYLA MARAMA MOKE-ANDERSON
HELENA WRIGHT	PAREWAI TE ANUHEA WEHIPEIHANA	TE HERENGA TAHERE-WILLIAMS
HINEMOA KARAITIANA	PUNA WHAKAATA MANIAPOTO-LOVE	TE RINA POROU
HUKI ANA WHAKATOTOPIPI BISHOP-WILLIAMS	RANIERA HONE MAAKA TE WHETU MARAMA RATANA	TERAUMAWHITU FLIGHT
HURIANA HAMIORA	RAWINIA COOPER	TIARI WALL
INDIGO PHILLIP	REECE SHEEHAN JOSEPH	TIFFANY WALKER
JONATHAN ALBERT	RHEANA BRELL	TROY CHRISTOPHER TAYLOR
JOSHUA MANUHIRI WEHIPEIHANA		WAITAPU TENIKA KEVALANIS BEECH
JOURNEY WHAIAPU		



## Forest Tertiary Scholarships

The following recipients were successful in receiving a 2022 Forest Tertiary Scholarship to the value of \$10,000 each.

COLE GRACE  
Bachelor of Forestry Science



LANA PARKER  
Bachelor of Forestry Science



MITCHELL JONES  
Bachelor of Forest Engineering



Back row: Mitchell Jones, Artemis Hingston, Cole Grace, Waka Asher, Shanyn Warena and Nakoda Tamaira  
Front row: Joanne Te Huia, Sydnee Koia, Gisele Gallagher, Logan Davis, Judy Harris and Sean Te Heuheu



Back row: Mitchell Jones, Cole Grace, Waka Asher,  
Judy Harris, Heeni Unwin and Joanne Te Huia  
Front row: Shanyn Warena, Logan Davis and Lana Parker-Hay

## University of Canterbury Visit

On Friday, 29 July 2022, Trustee Judy Harris and Trust staff visited the University of Canterbury to meet with students affiliated with Ngāti Tūwharetoa. They arranged a meet and greet with students studying in a range of topics, including Forestry.

Judy Harris, along with Trust staff, provided an overview of He Māhuri Toa Forestry Management Programme and detailed information about the Tertiary Education Grants available from the Charitable Trust. In a collaborative approach, Trustee Joanne Te Huia and General Manager Sean Te Heuheu also attended the meet and greet to talk about Tūwharetoa Settlement Trust benefits. This collective approach was well received by the students. Thank you to Trustee Judy Harris for her manaaki during this trip.

## Health and Safety

The health and safety of Lake Taupō, Lake Rotoaira and the LTFM Forests is reported on jointly. Over recent years, the workforce has emphasised the idea that the entire workforce has a role to play in ensuring the health and safety of their workplace, with this idea gaining traction at all levels. Another key direction we are taking is to encourage reporting, which will allow for greater opportunities to learn from health and safety incidents. In this, we generally promote a 'no fault' approach. The impact of this on the reporting of near misses is particularly visible and provides a useful basis for discussion and improvement.

The most significant health and safety risks are for those who work in the forest. Each crew is required to hold a 'tail-gate' meeting every day, in which health and safety matters are discussed. In addition to this, each crew has a health and safety representative who attends monthly meetings with NZFM to report on and learn about all aspects of health and safety. As well as having a full time Health and Safety Manager, all NZFM staff with field roles, especially those who supervise harvesting and silviculture, are constantly assessing and reviewing the health and safety performance of all crews.

LTFM audits the health and safety performance across the forests and reports to the Trust and Tupu Angitu. Improvements in this field are always possible and continual improvement is expected. There were no serious harm incidents in our forests over the last year – indeed, there haven't been any since 2017 – but there were five Lost Time Injuries (LTIs).

Overall, we are satisfied that NZFM – and, in turn, our contractors and their crews – are managing health and safety well, have sound health and safety policies and procedures, take appropriate actions when incidents occur and learn from all incidents and near misses.

## Owner Access

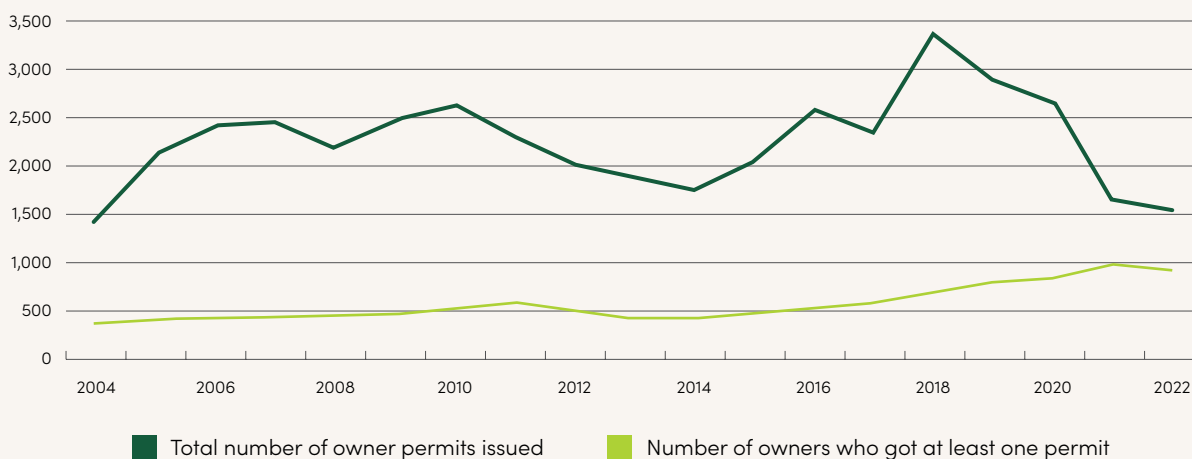
Lake Taupō Forest Trust lands continued to be used heavily by owners for both recreational and cultural purposes throughout the 2021–22 year. This is the third year of six-month permits, so the number of permits issued has understandably decreased from previous years in which each permit was only valid for two months. The graph below details the trends in the number of permits issued and the number of people getting at least one permit since 2004.

Also impacting on permit numbers since 2017 has been the introduction of electronic 'fob' keys. This meant that for the first time the Trust was able to enforce their access hours and exclude non-owners through improved control of the gates.

A total of 926 individuals received at least one permit in the year, though it is important to note that this includes owners, descendants of owners and spouses of owners. Despite the introduction of reduced weekday access (after 4 p.m.) in 2017, the number of owners who use the land has increased and most feedback is positive. Instances of non-owners gaining access to the land also seems to have reduced because of these measures.

Permits continue to be issued at NZ Forest Managers Tūrangi, TMTB Taupō and Lake Taupō Forest Trust Tūrangi, with only the first two also issuing fobs.

FIGURE 2.  
Recreational Permits Issued for Lake Taupō Forest  
2004–2022



## NZFM Annual Workforce Survey

The NZFM Workforce Survey is conducted annually on those employed by NZFM and who are primarily located within Lake Taupō and Lake Rotoaira Forests. Data is collected on various topics, and trends such as local employment rates, crew turnover rates, the number of dependents supported by the forest workers and the age of the workforce are analysed. As usual, the survey respondents do not include truck drivers.

The 2021 Workforce Survey was undertaken between 29 November 2022 and 10 December 2022. All of those working in forests under the management of NZFM during this time were asked to complete the survey, with a total

of 203 surveys completed. Key statistics from the 2021 workforce survey are outlined below.

A separate component of the 2021 survey focused on COVID-19 vaccination status.

The Trust is satisfied with the picture shown in most categories, although we are always keen to increase the proportion of our own working in the forests. The high proportion of workers aged over 50 years is a concern, and in response to this the Trust is working to encourage more rangatahi to get involved in the business at all levels. Part of this includes the provision of scholarships and internships to owners who want to study forestry at Canterbury University or Toi Ohomai.

**230**  
workers surveyed

**67%**  
Māori/part Māori  
in the workforce

**31%**  
workers with  
beneficial  
ownership rights

**18%**  
workers whose  
spouses have beneficial  
ownership rights

**37%**  
workers  
affiliated with  
Ngāti Tūwharetoa

**31%**  
workers with  
>20 years' experience  
in forest industry

**25%**  
workers who have  
been with their employer for  
**10+ years**

**50+**  
years old (23%)  
most common  
age bracket

**<25**  
years old (25%)  
workers aged  
under 25

**298**  
children/dependents  
supported by  
workforce

**37%**  
workers who reside  
in the  
Tūrangi  
area

**31%**  
workers who reside  
in the  
Taupō  
area



# Pou Tikanga





## Purchase of NZFM

New Zealand Forest Managers Ltd (NZFM) has managed Lake Taupō Forest since the company was formed in 1990, and before this, many of the same staff were employed in the New Zealand Forest Service to manage the forests. The two Forest Trusts and LTFM together provide just over half of NZFM's workload, and around 25 other clients make up the balance.

With the departure of the Crown from Lake Taupō Forest – and their impending departure from Lake Rotoaira Forest – in 2026, the Trusts determined that it was an opportune time to shift the forest management in-house. Among the benefits of owning NZFM are the abilities for the Trusts to be more directly involved in the way their forests and lands are managed, to diversify their businesses into direct forest management, to facilitate more long-term research regarding the sustainability of our land-use, and, over time, to encourage more owners to become involved in the management aspects of forestry and the contracting workforce.

A 50:50 partnership between Lake Rotoaira Forest Trust and Tupu Angitu (on behalf of Lake Taupō Forest Trust) – an 'NZFM (2022) Limited Partnership' – was established to facilitate the purchase, with each partner appointing two directors to the company. On 1 May 2022, the purchase of NZFM was completed, with the previous owners Chas Hutton and Ian Shapland agreeing to continue as employees for two years to help facilitate the transition. A new General Manager – long-time NZFM senior manager

John Hura – was installed and all staff offered continued employment. The new entity will continue to trade as NZFM.

All NZFM's clients agreed to continue receiving management services from the 'new' NZFM and, as we write this, the new entity is operating well. The partners are developing strategic plans to guide the ongoing development and direction of NZFM.

## End of Crown Harvest

The end of the year effectively marked the end of the Crown's involvement in Lake Taupō Forest. Twenty hectares of Douglas fir stands owned by the Crown remain but, because they are 'blocked in' by younger Trust-owned stands, the Trust will buy these stands from the Crown and harvest them at a later date.

The 53-year involvement of the Crown in Lake Taupō Forest has proved a positive relationship for both parties. Immediately after signing the lease in 1969, the establishment of Lake Taupō Forest commenced – a process that continued well into the 1980s. We do not have detailed records of how much was spent on establishing and developing the forest throughout the first rotation, but we do know that it cost many millions of dollars that went largely into the local economy.

Production thinning in the 1980s brought in the first income, but it was when the main harvest commenced in 1994 that significant income for both the Crown and Trust began to flow.

invested  
**\$92 million**  
(40%) on replanting and managing  
the next crop in Lake Taupō Forest

invested  
**\$13 million**  
(6%) on its share of  
investment in LTFM's lands and forests

paid out  
**\$85 million**  
**(37%) on distribution to owners**

paid out  
**\$12 million**  
(5%) on various other  
**grants to owners and marae**

spent  
**\$28 million**  
(12%) on a combination of  
**Trust operational costs, on  
several non-forest investments  
and in holding cash reserves**

Since harvesting started, a total of 12.9 million m<sup>3</sup> of Crown-owned logs have been sold (excluding nearly 2 million m<sup>3</sup> of production thinning sold in the 1980s and 1990s). The total cost of production of this wood was around \$580 million, including harvesting costs of approximately \$260 million. This is predominantly money that has been invested in our local communities, with much of this allocated to our owners who were (and are) contractors, crew members, truckers and associated workers.

Over the 28 years of Crown harvesting, the Trust received a total stumpage share from the Crown-leased forest of \$230 million. Of this income, the Trust has:

- invested \$92 million (40 per cent) in replanting and managing the next crop in Lake Taupō Forest
  - this investment is currently valued at \$427 million
- invested \$13 million (6 per cent) in its share of investment in LTFM's lands and forests
  - this investment is currently valued at \$37 million
- paid out \$85 million (37 per cent) in distributions to owners
- paid out \$12 million (5 per cent) in various other grants to owners and marae

- spent \$28 million (12 per cent) on a combination of Trust operational costs, on several non-forest investments and in holding cash reserves.

The Crown-lease arrangement has proven very successful for the Trust and its owners. While there are naturally occurring compromises in another party holding rights to use the Trust lands, it was the ultimate driver for the Trust achieving what it has today, which includes having an overall balance sheet of around \$0.6 billion and growing.

### Introduction of Tupu Angitu

After a long gestation period, Lake Taupō Forest Trust established a fully owned commercial subsidiary entity – Tupu Angitu Limited – in 2021. Tupu Angitu was established with the intention of it being responsible for the commercial aspects of Lake Taupō Forest Trust's business, leaving the Trust itself to concentrate on social, cultural and land matters.

The implications of the various roles Tupu Angitu associated with are significant, but for the purposes of this report the key concern is that Tupu Angitu is responsible for all the commercial forestry aspects of Lake Taupō Forest itself. For tax reasons, Lake Taupō Forest Trust was unable to transfer the forest into the name of Tupu Angitu, but the



Trust ultimately wants Tupu Angitu to own the forest. To achieve this, Lake Taupō Forest Trust and Tupu Angitu have two agreements in place:

- A Management Agreement under which Tupu Angitu is obliged to manage, on behalf of Lake Taupō Forest Trust, all the current stands in Lake Taupō Forest through to harvest.
  - This includes contracting, auditing and paying for the management, harvesting and marketing of the Lake Taupō Forest Trust-owned stands and receiving the income from the log sales.
- A Forestry Right under which Tupu Angitu – through its own subsidiary Tupu Angitu Forest Holdings Ltd – becomes directly responsible for, and will be the owner of, all the trees replanted in Lake Taupō Forest from the winter of 2022 onwards.

In this manner, Tupu Angitu will effectively assume ownership of Lake Taupō Forest over one rotation – a mirror image of the Trust's own development over the last rotation in assuming ownership of the trees from the Crown through annual replanting of the harvested areas.

The land itself does not transfer to Tupu Angitu. The land will continue to be owned by Lake Taupō Forest Trust and by the many owners of the individual land blocks.

In terms of financial management, from 1 July 2022, Tupu Angitu became responsible for paying for the replanting, silviculture and harvesting of Lake Taupō Forest – noting that the Crown itself has completed its harvest. Tupu Angitu also receives all of the income from forest harvesting. The organisation is also responsible for Lake Taupō Forest Trust's 70 per cent shareholding in LTFM and is thus responsible for this share of the ongoing costs associated with developing LTFM's five forests.

Tupu Angitu is budgeting to make a net profit from the overall forestry business, with a pre-tax profit of around \$17 million budgeted for the 2022–23 year. From this, Tupu Angitu is required to provide a dividend to Lake Taupō Forest Trust. As this will be the primary source of income for Lake Taupō Forest Trust, it must be sufficient for the Trust to pay a distribution to owners, to run the Trust itself and to pay for any other initiatives that the Trustees want to pursue.

There is an expectation that the dividend paid to the Trust will leave a surplus for Tupu Angitu to invest elsewhere (this could be in forestry or in areas unrelated to forestry). The surplus in the 2022–23 year looks to be fairly minimal, but it should increase in future years as the Lake Taupō Forest harvest volume also increases. Tupu Angitu has clear guidelines from the Trust regarding its behaviour and directions for investments, which are linked to the Trust's strategic plan and values.





# Pou Whenua





## Environmental Protection

While the Trust is responsible for significant commercial forestry activities on our lands, there is strong recognition of the need to protect and enhance the taonga tuku iho, and the Trust Order and Crown lease emphasises these imperatives. The Trustees aim to ensure that the land and everything on it – including those who work and play on it and whakapapa to it – is managed in a sustainable way that is consistent with the principles of kaitiakitanga. Like much of the country, our lands and forests are impacted by pests – particularly possums, stoats and rats – and invasive weed species. The Trust is working to reduce the damage caused by these pests, and some of these initiatives are outlined below.

Lake Taupō and Lake Rotoaira Forests received the Forest Stewardship Council (FSC) certification in 2002. This is a voluntary initiative under which independent auditors assess our forests and their management against a set of environmental, economic, social and cultural criteria. As well as providing independent confirmation that our forest and lands are being managed in a sustainable manner, FSC certification is increasingly being requested in markets where wood products made from our logs are sold – particularly in the USA and Europe. In Asia, demand for wood certified by FSC is increasing – though this is generally because it is intended to be used to make products that are then re-exported to the USA and Europe.

Several initiatives are underway to better understand, protect and enhance our environment, and information about our forest and its associated ecosystems is steadily growing. Together, these help to ascertain the sustainability of our land, forest and ecosystem management. Many of these initiatives began prior to FSC certification, and many are simply part of the everyday management of the forest. Thus, it is difficult to be definitive about whether the work is a specific result of being FSC certified. Work over the last year has included a variety of activities that are covered below.

### WATER QUALITY MONITORING

The objective of the water quality monitoring study in Lake Taupō Forest was to assess whether forest harvesting operations were affecting the water quality of two streams within the forest: the Waimarino River and the Mangakowhitiwhiti stream, both of which drain into Lake Taupō. The catchment areas for the Waimarino and Mangakowhitiwhiti are 8,477 hectares and 2,452 hectares respectively. The headwaters of each catchment are in Indigenous forest, and approximately 39 per cent and 56 per cent respectively of each catchment is planted in *Pinus radiata* forest.

River monitoring of the Waimarino River commenced in 1994 and in 1996 for the Mangakowhitiwhiti Stream. The potential impacts of harvesting are determined by measuring suspended sediment, nitrogen and phosphorus concentrations, and water clarity at three sites. The monitoring sites cover the native forest catchment only (upstream of the plantation forest); the mid-point in the plantation forest; and where the stream exits the plantation forest. Rainfall and stream flow data is also collected.

Harvesting and replanting occurred in the three catchments at various times throughout the 1990s and early 2000s, with greater area in the Waimarino catchment harvested in 2017.

The conclusions from the 2021 Water Quality Monitoring report – as reported by Scion – include that rainfall and stream flow rates in both catchments were within the typical range. Water quality remained high, and no concerns were identified. Water temperature was ranked as excellent in 13 of the 14 measurements (each of seven sites were measured twice), with one ranked as satisfactory (the second highest ranking). Water clarity was ranked as satisfactory (the second highest ranking) across all sites. Total nitrogen and total phosphorus levels were excellent at most sites, with a few at the lower reaches assessed as satisfactory. Total oxidised nitrogen levels were excellent at all sites.

### WAIMARINO RIVER WHIO PROTECTION PROJECT

The primary objective of this project is to restore whio to the lower Waimarino River within Lake Taupō Forest, mainly through predator trapping and by releasing juvenile ducks. The project is supported by Lake Taupō Forest Trust, Crown Forestry and NZFM. Several Lake Taupō Forest trustees have witnessed the extinction of whio from the lower reaches of the Waimarino River and are keen on seeing them return.

The Waimarino River Whio Protection Project has been in action since 2014, though populations have been monitored since 2011. Each season, operational activity for the project takes place from spring to autumn, spanning the breeding season of whio. The trap lines adjacent to the Waimarino River are managed by Darrin Spillane and the population assessments are completed by Kerry Oates of EnviroResearch.

The annual assessment report for the whio population on the Waimarino shows that the predator trapping programme – undertaken from November 2021 to March 2022 – was successful again in the 2021–22 season. A total of 183 traps were used, with 203 pests caught. This equates to 0.86 pests caught per 100 trap-nights, which is considered a very satisfactory result in light of the difficulties associated with trap disappearance, damage and the state of access at the start of the season.

There were a record 17 pairs of whio on the river this year, and nine fledged ducklings were observed during the breeding season. Blue ducks have fluctuating annual breeding success and, since 2011, fledged chick numbers have ranged from 0–44 and averaged at 13. This year, the





trapping contractor also observed ducklings in December and January, though these were not identified in surveys, indicating there may have been more ducklings than the nine reported.

Five pairs of whio were observed below the waterfall in the 2021–22 breeding season. This is an additional three pairs from the last breeding season and demonstrates that whio can successfully breed and increase territories while in the presence of trout. It is only the second year that ducks have been observed below the waterfall and is a promising observation for the expanding population of whio on the Waimarino River.

#### FROST FLAT INDIGENOUS VEGETATION HABITAT

In 2019, a ten-year management plan was developed for the five areas of Indigenous frost flat habitats along the eastern boundaries of Lake Taupō Forest. The combination of monitoring and the management of threats such as pest plants and specific threatened plant management will ensure that these critically threatened habitats are not only maintained but enhanced in the future.

Ongoing monitoring involves the use of aerial imagery and the establishment of photo-points and permanent sample plots. Such actions will enable the assessment of overall changes to the habitat and potential and actual risks and disturbance. A total of 21 photo-points have been established and will be re-photographed every three years to assess any visual changes. Ten permanent plots will be visited every five years to assess changes in the vegetation over time.

During the 2019 assessment, a substantial area of additional potential frost flat habitat was identified. These areas were investigated by ecological contractors in 2022, and we are awaiting their report. If these additional areas qualify, they will be added to the existing High Conservation Value (HCV) area of frost flat habitat in Lake Taupō Forest.

#### 2022 FOREST STEWARDSHIP COUNCIL SURVEILLANCE

The NZFM Forest Stewardship Council (FSC) audit took place during the first week of March 2022. This year, the FSC audit was scheduled to be a full five-year reassessment against the FSC NZ Standard. However, due to COVID-19



restrictions causing difficulties with undertaking onsite assessments, SGS (NZFM's certifying body) extended the NZFM FSC certificate for 12 months to May 2023. This means that the 2022 audit was changed to annual surveillance, and the full re-assessment will take place in February 2023.

The 2022 surveillance was undertaken in two parts: remote surveillance in March 2022 and onsite assessments in May 2022. The remote surveillance involved documentation review of the selected indicators from the NZ FSC Standard, while the onsite assessment involved the auditors assessing and visiting crews that are currently operating in the certified forests. NZFM passed the surveillance and were again awarded their FSC certificate.

Many of the environmental initiatives occurring on Trust lands are overseen by our managers (NZ Forest Managers Ltd), and a large part of the certification workload also falls on them. Their website, <http://www.nzfm.co.nz>, outlines all NZFM operations and is useful for checking the progress of our FSC initiatives.

## RESEARCH

For many years, Lake Taupō Forest Trust and Lake Rotoaira Forest Trust have contributed to a wide range of industry-related forestry research but have not undertaken significant, direct research themselves to better understand specific aspects of their own land and forests.

This is a missed opportunity, and for the last two years LTFM have employed forest researcher Lania Holt from Scion on a two days per week secondment. Lania's initial work was to develop a research strategy for the Trusts and LTFM, and then begin working on research in line with that strategy.

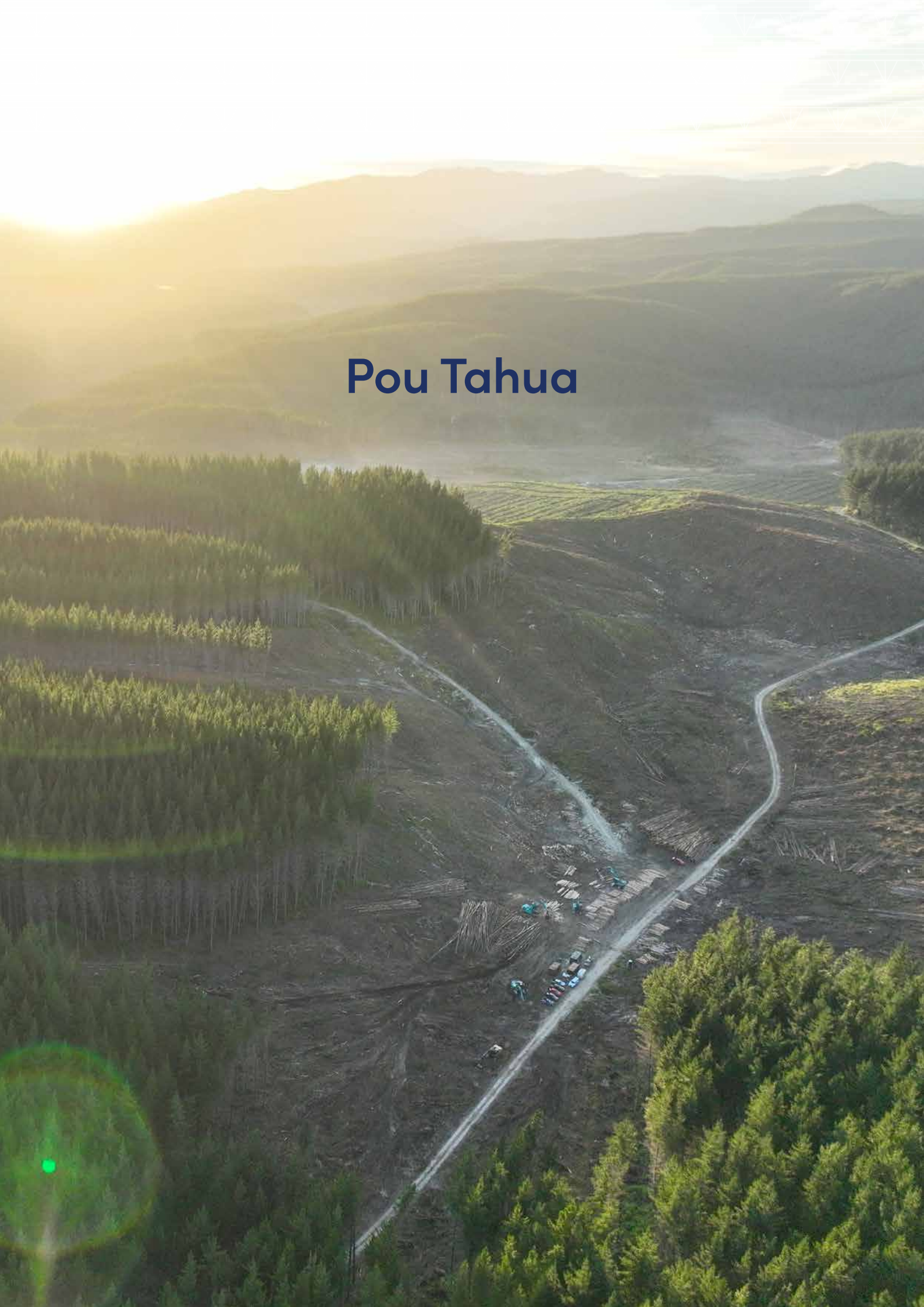
The 2022–23 year will see a significant increase in research efforts and spend across the Trust and LTFM forests – towards which Lake Taupō Forest Trust and Tupu Angitu have budgeted \$409,000.

One large project that is underway is aimed at understanding the nutritional requirements of our forests and soils. In this way, we strive to not only understand how we can better grow our forests, but also understand the long-term sustainability impacts of our forestry practices. This is a key concern for any land-user but is even more relevant for perpetual landowners such as Lake Taupō Forest Trust and its 14,000+ owners.

Other areas of research that we are developing include exploring economic opportunities in wood residues, matching genetics to site and management, robotics, the potential to automate operations, investigating alternative species, understanding our carbon footprint and improving pest control.



# Pou Tahua





Forestry Highlights  
as at 30 June 2022

**24,399 hectares**  
**of trees owned by the Trust**  
with the Crown having only 20 hectares remaining

**Lake Taupō Forest valued at**  
**\$427 million**  
a \$47 million (12 per cent) increase, all owned by the Trust

**Five Forestry investments valued at**  
**\$35.5 million**  
a \$6.8 million (24 per cent) increase, owned 70 percent by Lake Taupō  
Forest Trust and 30 per cent by Lake Rotoaira Forest Trust

**Received**  
**\$30.3 million**  
**sales income from Trust-owned**  
**harvested trees**

**Received**  
**\$21.6 million**  
**total stumpage income**

**The Trust holds**  
**1,072,000 NZUs**  
at the current place of around \$85/NZU, these are  
**valued at \$90 million**

## Forest Operations

As at 30 June 2022, the Crown had only 20 hectares of trees remaining in Lake Taupō Forest, with the Trust owning the remaining 24,339 hectares. Of this, 93 per cent (22,533 hectares) is second rotation ex-lease forest, and the other 7 per cent consists of forest on land that has come into the Trust's administration subsequent to the lease (see graph below).

The Lake Taupō Forest Trust invested \$5.7 million in replanting and managing Lake Taupō Forest and on LTFM support throughout the year, which was a slightly higher amount than the three-year average. The largest single components were pruning (26 per cent of total costs), planting (16 per cent of total costs), thinning (11 per cent of total costs), and general administration and protection (10 per cent of total costs).

Many of our operations are labour intensive, with labour costs having risen considerably over recent years and in particular over the last year. As a result, we are spending a greater amount each year to produce the same work (especially on planting and pruning), and we are also finding it increasingly difficult to employ people to work in the forest. So far, this has not meant we have had to compromise how we manage the forest, but the challenges associated with this are only increasing.

As usual, the day-to-day management of our forest occurs under contract with New Zealand Forest Managers Ltd (NZFM), who in turn sub-contract the various entities required for the work to be completed. Such entities include land preparation contractors; planting, pruning and thinning contractors; harvesting and trucking contractors; and many other smaller but equally vital operators necessary to the operation of a forestry business.

## Harvesting and Stumpage

Harvesting in Lake Taupō Forest occurred in two components this year: the final harvesting of the Crown-owned trees, from which the Trust received a 35 per cent share of the stumpage, and the first harvesting of the Trust-owned second rotation trees, from which the Trust received 100 per cent of the stumpage.

### HARVEST OF CROWN-OWNED TREES

A total volume of 223,000 m<sup>3</sup> of Crown-owned trees were harvested in the year – this being the last of their trees and signaling the end of their 53-year involvement with Lake Taupō Forest. Lake Taupō Forest Trust's 35 per cent share of stumpage from this harvest equated to \$6.8 million. This was low in comparison with historic standards – largely due to the low volume (across the last five years, the average Crown harvest has been 530,000 m<sup>3</sup>) – but nevertheless was high according to a per-m<sup>3</sup> basis. Markets were strong for most of the year, though export prices did fall in the last quarter, and domestic unpruned sawlog prices also declined.

FIGURE 3.  
Lake Taupō Forest – Areas by Age Class  
AS AT 30 JUNE 2022 (ALL TRUST-OWNED)

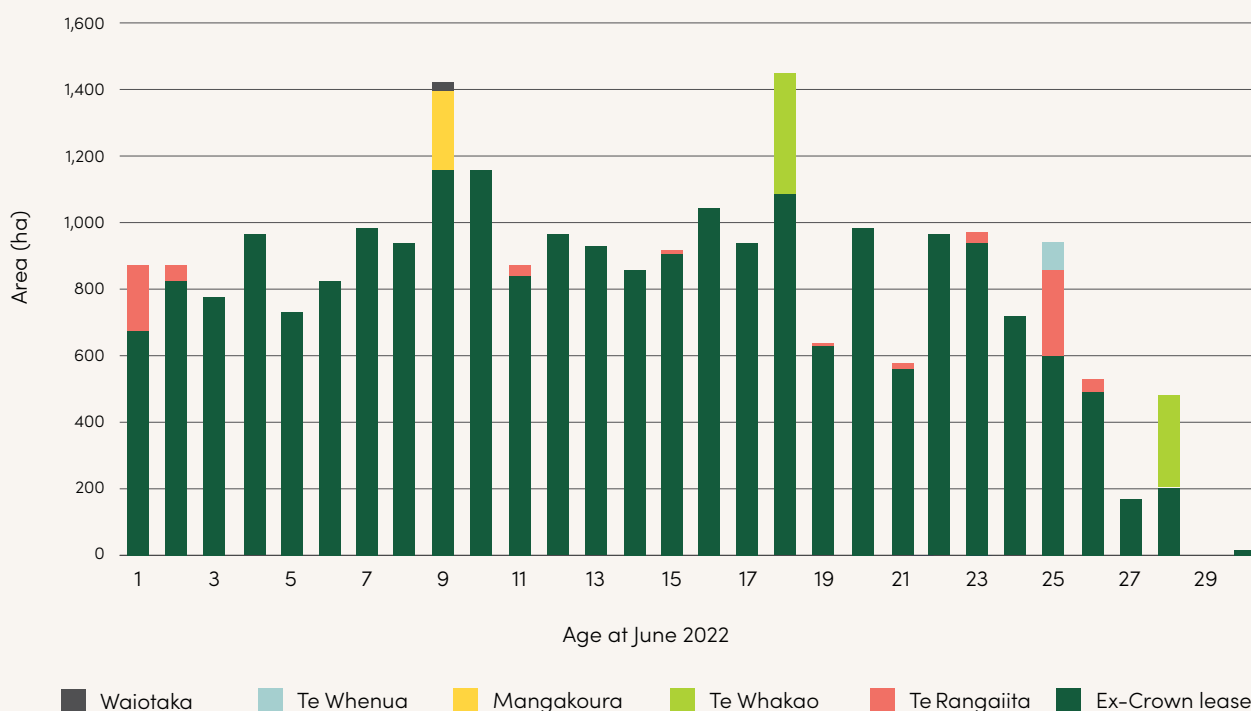


FIGURE 4.  
Lake Taupō Forest Trust – Stumpage Income  
AS AT 30 JUNE 2022

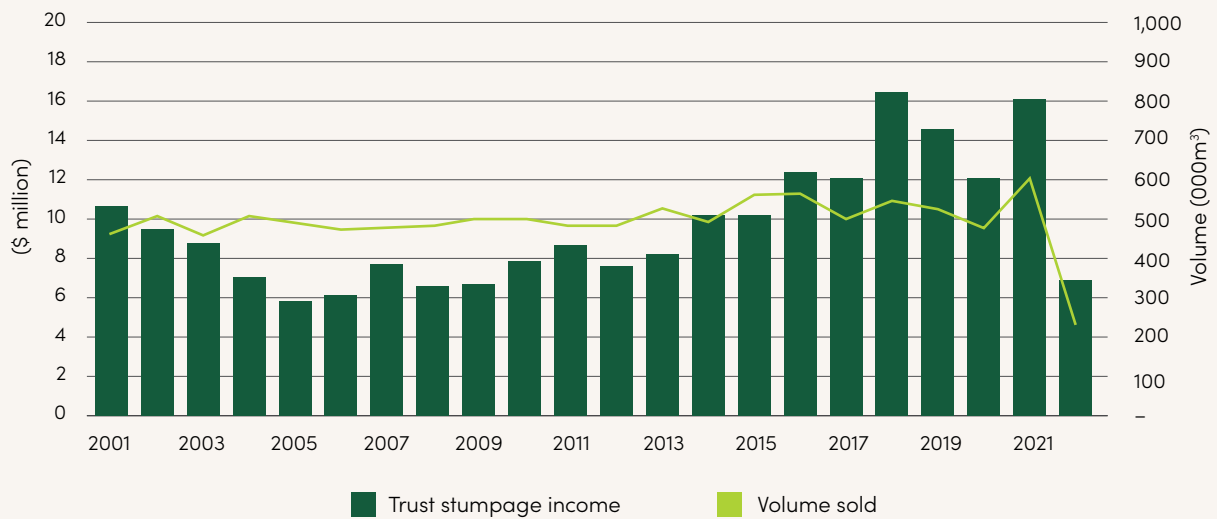
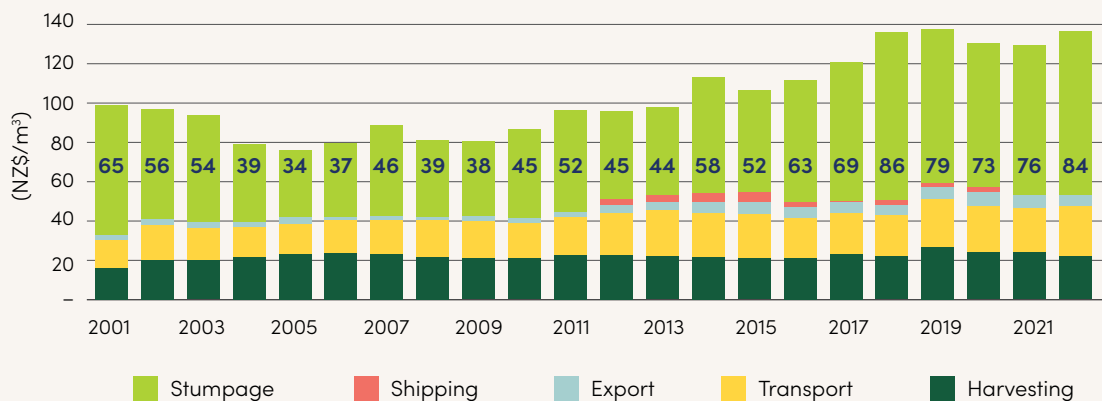


FIGURE 5.  
Lake Taupō Forest Trust – Sales Price and Stumpage Income  
AS AT 30 JUNE 2022



As a representation of how log markets and prices have changed over time (and to a lesser extent, reflecting where in the forest the harvesting is being done), the 2021–22 stumpage income was higher than the income the Trust received in 2005, 2006, 2008 and 2009 – years in which the average sales volume was 486,000 m³.

The average log sales price was \$136/m³, thus extending the high prices of the previous four years. The direct costs of production (harvesting, transport and exporting) amounted to around \$53/m³ – which is approximately the ten-year average. The ability to hold these costs cannot be entirely put down to cost-control – this year's harvesting was generally on easier terrain with much of this occurring in the northern part of the forest and thus closer to most of our markets.

The average stumpage return from Crown sales was \$83.60/m³ – a very strong result. By historic standards, the last five years have produced average stumpage

returns of \$79.50/m³ – well above the average since 2001 of approximately \$56.04/m³.

The total height of each stacked bar in the above graph shows the average sales price for all log sales. This year's average of \$136.29/m³ is comparatively high by historic standards. It should be remembered that this average comprises pruned log sales at prices as high as \$200/m³ and firewood-grade logs at prices as low as \$30/m³ – including many points in between. The bottom four colours (purple, yellow, light blue and brown) represent the costs of harvesting, transporting and exporting logs, thus leaving the green to represent profit (stumpage).

While NZFM strive to contain production costs, the market itself (log sales prices) continues to be the main driver behind the stumpage we receive. As showcased in the above graph, these costs have been very high in recent years.



## HARVEST OF TRUST-OWNED TREES

Although the Trust has received stumpage income from windthrow salvage throughout the past few years, 2021–22 marked the start of the scheduled harvesting of Trust-owned stands.

The Trust's harvest began in the southern part of the forest, which is where the oldest Trust-owned stands are. A total volume of 223,000 m<sup>3</sup> of Trust-owned trees were harvested this year, generating \$30.3 million of sales income – an average sales price of \$136/m<sup>3</sup>. This is the same profit as was produced by the older Crown-lease trees. Matching the Crown's average sales price is a positive sign for future sales. Despite being younger (so slightly less desirable for some sawmills) and smaller (so less efficient to harvest), the Trust's trees had a higher proportion of pruned logs and a lower proportion of pulp logs overall.

Most log grades received the same price regardless of whether they were produced by the Crown or Trust sections of the forest. However, the older and larger Crown-pruned logs received a per-m<sup>3</sup> premium over the Trust logs. Mills that process pruned logs gain value from the volume of clearwood outside the knotty core. Larger diameter logs have a greater portion of clearwood and are thus more attractive to the buyer. On average, the Crown's pruned logs fetched around \$5/m<sup>3</sup> more than those owned by the Trust.

As mentioned, these lower prices were offset by the high proportion of pruned logs from the Trust trees and resulted in the overall average sales price for the two components of the forest being similar at around \$136/m<sup>3</sup>.

Despite producing similar average sales prices, the net stumpage generated from the Trust's trees – \$66/m<sup>3</sup> – was considerably lower than the \$84/m<sup>3</sup> earned from the Crown wood. Key drivers behind this difference were that the Trust incurred:

- Higher log and load costs due to a combination of the lower efficiency of harvesting smaller trees and the terrain on which the harvesting was done.
- Higher transport costs due to the Trust's harvest occurring in the southern end of Lake Taupō Forest, which is typically \$5–6/m<sup>3</sup> lower than our main markets and the Crown's harvest areas, which were generally located at the northern end of the forest.
- A number of additional costs that have historically been paid directly by the Crown and consequently not factored into the Trust stumpage share calculation. These costs include NZFM's harvesting and marketing fees, logging road maintenance, harvest planning and the Forest Growers Levy.



FIGURE 6.  
Lake Taupō Forest Trust – Historic Annual Stumpage Income

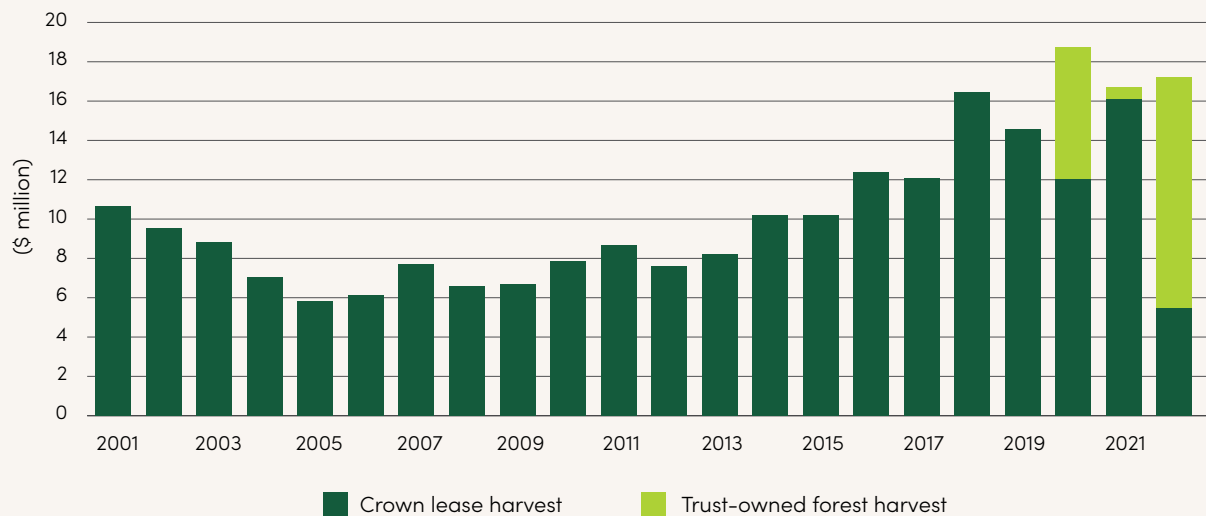
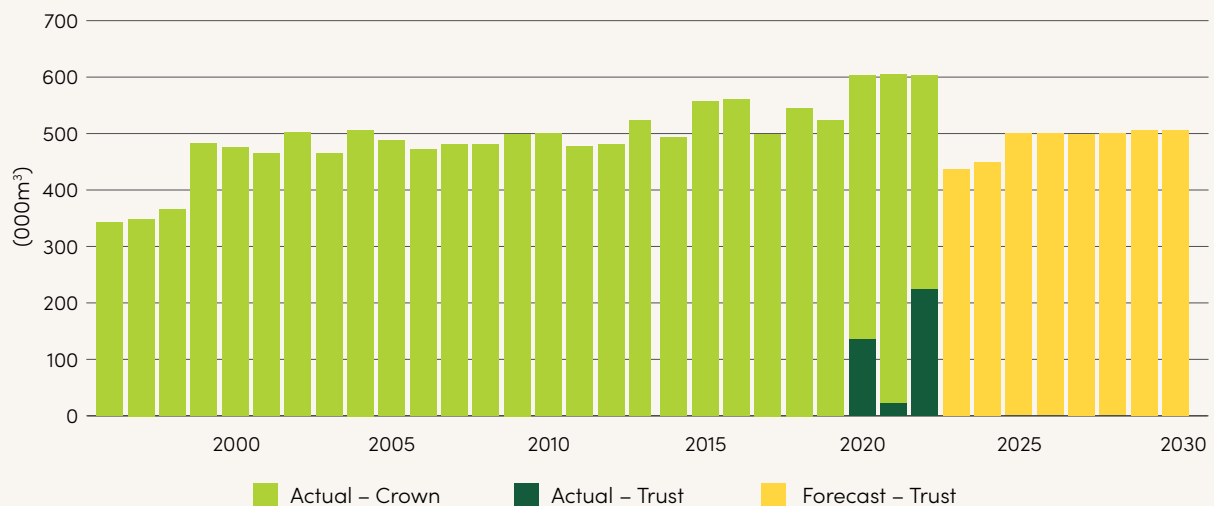


FIGURE 7.  
Lake Taupō Forest Trust – Historic and Forecast Harvest Volume



#### TOTAL STUMPAGE INCOME

The Trust received a total of \$21.6 million in stumpage from its own harvest and its share of the Crown stumpage. This is a record high and was expected, given that we commenced the harvesting of our own trees and received 100 per cent of the stumpage from that component. Historic stumpage income is outlined in the following graph. Note that the Trust-owned stumpage in the previous two years came from salvaging windthrow, rather than from scheduled clearfell harvesting.

While we were receiving a share of the Crown stumpage, the Crown was responsible for the cost of all harvesting, trucking, exporting and any related costs each month, as well as for receiving all the log sales income and then paying the Trust a 35 per cent share of the difference (the 'stumpage'). This has been a very straight forward process for the Trust for the last 30 years.

The commencement of the Trust's own harvest means the Trust itself must now pay for these monthly production costs – costs that typically need to be paid about a week before the log sales income is received. These production costs averaged around \$1.3 million each month in 2021–22, though in individual months may exceed \$5 million. This requires careful cashflow management to ensure we have the funds available for the 20th of every month, which is when these costs are payable.

#### FUTURE HARVEST LEVELS

The following graph shows the latest forecast for how Lake Taupō Forest will be harvested – noting that all harvesting from this point onwards will be of Trust-owned trees. Again, the Trust's harvests in 2020 and 2021 were of windthrow salvage, and only the 2022 figure relates to scheduled harvesting.

As we move forwards, the benefits associated with focusing on high-end genetics, planting stock and improvements in management practice will enable the annual harvest to gradually increase. Early signs reveal that Lake Taupō Forest may reach a sustainable harvest as high as 700,000 m<sup>3</sup> per annum by approximately 2040.

## Log Markets

Marketing of the wood harvested in Lake Taupō Forest is coordinated with that from Lake Rotoaira Forest. The general approach to marketing wood from the forests – as agreed upon by the Crown and both Trusts – has for many years been the steady long-term production and supply to the best and most reliable customers we can identify. Our strategy specifies that we retain a significant foothold in both the domestic and export markets, and we generally aim to export 35–40 per cent of the volume.

Most customers of Lake Taupō Forest's and Lake Rotoaira Forest's logs – both domestic and offshore – are ones with whom we hold long-standing relationships. This being said, we do try to support domestic mills and are prepared to offer tangible assistance to help establish new mills in the region, such as by offering sales contracts that are longer term than our usual quarterly terms.

The average log sales price was  
**\$136/m<sup>3</sup>**  
extending the high prices  
of the previous four years

With the harvest of the Trust's own wood underway, we can and will develop these relationships, as well as establish new ones. Our forests and lands have a unique story to tell, and we will continue to differentiate ourselves in both domestic and offshore markets through the telling of our whakapapa, our history and by building relationships.

Log prices in the first nine months of the 2021–22 year sat at roughly five-year average levels, but the export markets then softened considerably – a situation that has carried through to the early parts of the 2023 financial year. Export prices were, as usual, led by China. Although, where demand was soft, this was partially offset by reduced supplies from a range of other countries. While we don't export logs to China, the situation there impacts on the prices we receive in our export markets of Korea and Japan, as well as on the price we receive for many of our domestic log sales. The logistics of exporting logs became increasingly challenging over the year, and both shipping costs and the likelihood of delays and associated demurrage costs were high.

The domestic demand and prices for most log grades were strong for much of the year, largely riding on the back of high building activity. This too softened towards the end of the year as concern mounted over a looming general

downturn in the domestic building market, influenced by high interest rates, falling export prices and an uncertain economic climate in general.

## LTFM Forest Investments

Lake Taupō Forest Trust has a 70 per cent shareholding in Lake Taupō Forest Management (LTFM), with the Lake Rotoaira Forest Trust holding the balance. In addition to its advisory work on behalf of both Trusts, LTFM itself owns five forestry investments: Opepe, Kaimanawa, Taurewa, Waituhi and Pureora South Forests. In line with their shareholding in LTFM, these forests are, in effect, owned 70 per cent by Lake Taupō Forest Trust and 30 per cent by Lake Rotoaira Forest Trust.

The five forests are all young and are in the 'investment' phase, meaning no harvesting will occur until at least the late 2030s. The investment in these forests is funded by Lake Taupō Forest Trust and Lake Rotoaira Forest Trust in the form of advances to LTFM, which are 'repayable on demand'.

The five LTFM-owned forests  
now have a total area of  
**5,975 hectares**  
and range from  
**1–15 years**

Committing to replanting more land will mean that these forests eventually possess a total area of around 9,000 hectares. Most of this increase will be seen in Kaimanawa Forest as Australian company New Forests Ltd – the owner of the remaining 3,000 hectares of what was the Corrections' Forest (and what New Forests Ltd calls 'Taupō Estates') – completes the harvest of their trees over the next 25 years.

Through LTFM, the two Trusts invested around \$2.16 million in these five forests across the 2021–22 year. Lake Taupō Forest Trust invested \$1.51 million (70 per cent) and Lake Rotoaira Forest Trust invested \$0.65 million (30 per cent). A breakdown of the expenditure is detailed in the graph below. Total investment in 2022–23 is forecast at a similar level.

Lake Taupō Forest Trust invested  
**\$1.51 million**  
(70%) and Lake Rotoaira Forest Trust  
invested \$0.65 million (30%) in these  
**five forests**  
across the 2021–22 year.



FIGURE 8.  
Lake Taupō Forest Trust – Forests by Area

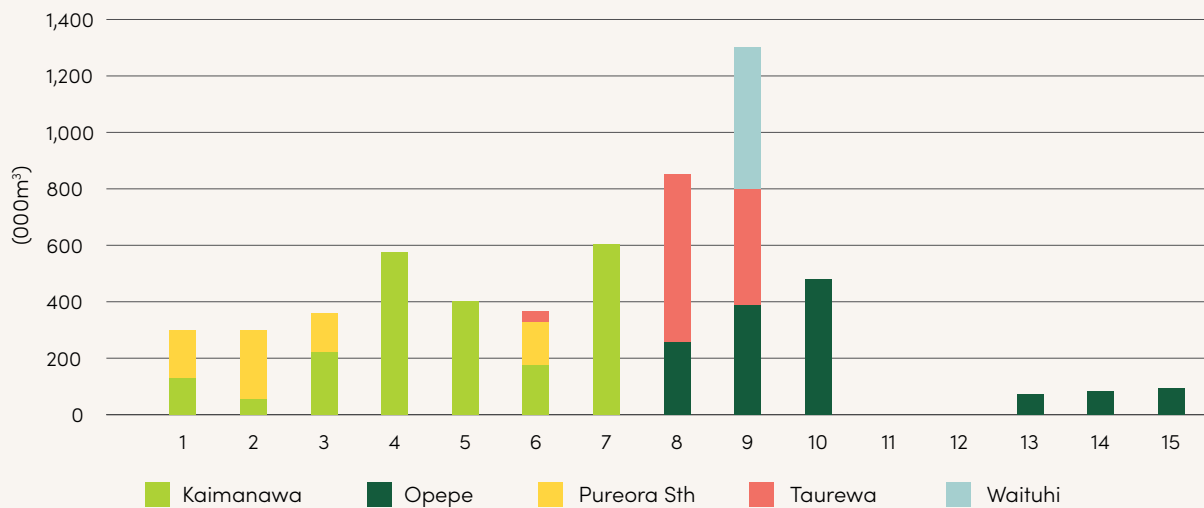
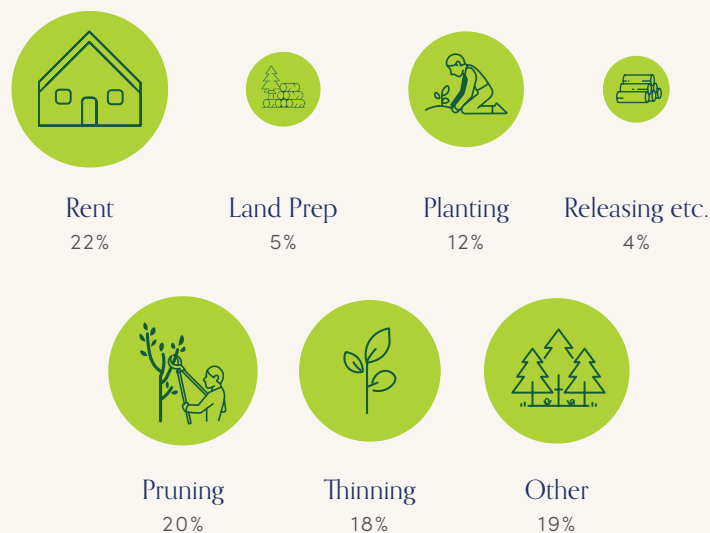


FIGURE 9.  
Lake Taupō Forest Trust – Investment in Forests Breakdown



## Forest Valuation

The value of Lake Taupō Forest as at 30 June 2022 was independently assessed to be \$427 million, all owned by Lake Taupō Forest Trust. This value represents a \$47 million (12 per cent) increase from its value 12 months earlier. Key drivers of this value increase were a reduction in the discount rate used (from 7 per cent to 6.5 per cent), increased yield expectations and improved medium- and long-term log price expectations. Partially off-setting these were increases in future harvesting and transport costs (largely driven by the cost of fuel but also labour) and in overhead costs.

The change in value of Lake Taupō Forest – and Lake Taupō Forest Trust's share of that value – are presented in the following graph that depicts the steady increase in value over the last seven years for what has essentially

been the same forest area. This reflects such factors as improved tree growth and yield, increased average log prices, and increased appetite for forest investments in general, meaning that investors are prepared to pay more for good forests than before. This is, in part, the reason for steadily reducing discount rates that valuers use to assess forest values.

The value of LTFM's five forests as at 30 June 2022 was assessed to be \$35.5 million – a \$6.8 million (24 per cent) increase from a year earlier. Lake Taupō Forest Trust's 70 per cent share of LTFM means that their share of LTFM's forest value is \$24.8 million. The drivers of this value increase are similar to those for Lake Taupō Forest Trust, but key differences are that the LTFM forests are all young and still growing with no harvesting yet occurring, and also they are also on third-party-owned land, so the rent LTFM pays has a significant impact on value.

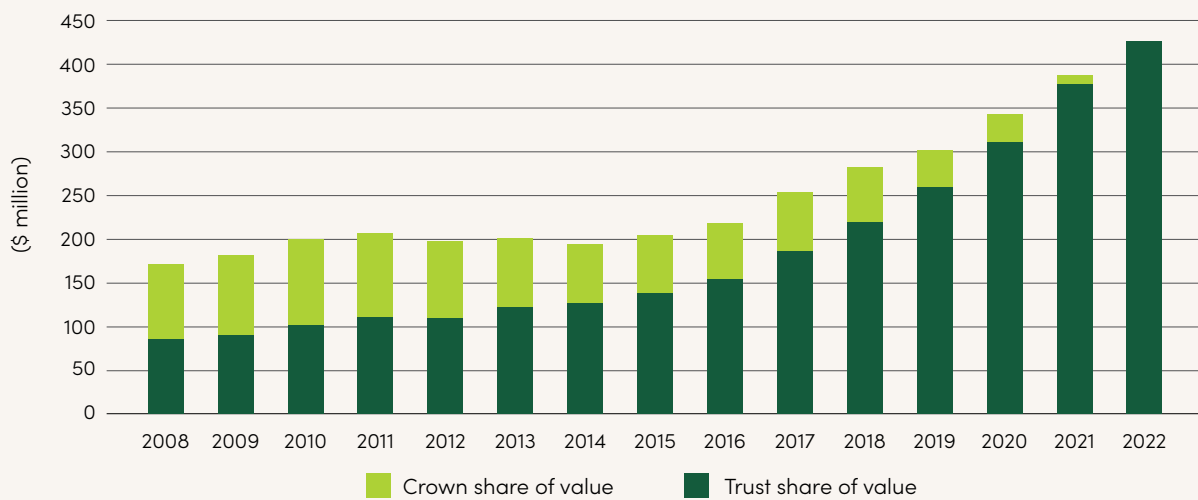
## Key drivers of value increase

**6.5% discount**  
Reduced from 7%

**Increased yield**  
expectations

Improved  
medium- and long-term  
**log price**  
expectations

FIGURE 10.  
Lake Taupō Forest Trust - Lake Taupō Forest Value



## Hautū Rangipō Whenua Ltd

LTFM holds a 60.5 per cent share of Hautū Rangipō Whenua Ltd (HRWL) – the company established to purchase the Corrections' lands near Tūrangi and the adjacent Mangamawhitiwhiti Farm. LTFM's shareholding is held on behalf of Lake Taupō Forest Trust (42.35 per cent of HRWL) and Lake Rotoaira Forest Trust (18.15 per cent). The other shareholders are Waihi Pukawa Trust, Oraukura 3 Incorporation and Puketapu 3A Incorporation (each holding 6.6 per cent) and Tūwharetoa Settlement Trust (holding 19.7 per cent).

HRWL has essentially established itself as a landowning company that leases its lands out to a range of lessees – principally forestry, farming and prison (the Corrections Department itself leases 750 hectares for a prison and training farm).

HRWL is continuing to operate successfully and distributed its full net surplus of \$1.2 million to its shareholders in the 2021–22 year. LTFM's share of this was \$716,700 (and in turn, Lake Taupō Forest Trust's share was \$501,960 and Lake Rotoaira Forest Trust's was \$215,010). The current 2022–23 year is predicted to generate a similar return.

## Beekeeping

The rights to beekeeping on Lake Taupō Forest Trust lands were put up for tender in 2019, and the three-year tender was won by Smoking Joe Ltd, run by owner Wallace Steel. The 2021–22 season confirmed what we experienced in earlier years: Lake Taupō Forest Trust lands do not present a particularly profitable beekeeping opportunity.

Smoking Joe produced only 4.9 tonnes of honey from Lake Taupō Forest Trust lands in the 2021–22 season. Very little of this was mānuka honey, and its value was arguably less than the cost of production. In total, Lake Taupō Forest Trust received \$9,600 for the season – the same amount as received last year. In the five years prior to these years, Lake Taupō Forest Trust's average honey income was \$44,000.

The Trust received  
**\$9,600**  
for the 2021–22 season

This result reflects what we understand about both Lake Taupō Forest's honey potential (poor) and the current state of the market for non-mānuka honey (very poor). This was exacerbated by an indifferent flowering season over Lake Taupō Forest lands in the 2020–21 summer.

Lake Taupō Forest Trust has just completed a new tender round to lease its beekeeping rights for the next three seasons. Wallace Steel, under his new company Central Plateau Honey, has again won the tender, but we can expect the Trust's annual honey income to remain modest.

## Emission Trading Scheme (ETS)

Lake Taupō Forest Trust was allocated 1.4 million carbon credits ('NZUs') for its pre-1990 forests in 2008, and in 2013 gained a further 100,000 NZUs through de-registering its 600 ha of post-89 forest from the ETS. The Trust therefore had around 1.5 million NZUs which it was able to sell.

The Trust currently holds  
1,072,000 NZUs valued at  
**\$90 million**

As reported in previous years, over the 15 months to June 2020, Lake Taupō Forest Trust sold a total of 460,000 New Zealand emission units (NZUs), generally in lots of 50,000 units per trade. At an average sales price of \$25.79/NZU, these sales generated around \$11.9 million in income for Lake Taupō Forest Trust.

As confidence in the outlook for NZU prices in the medium and longer terms improved, sales were put on hold and no NZUs have been sold since June 2020. The Trust currently holds 1,072,000 NZUs. At the current price of around \$85/NZU, these are valued at around \$90 million.

## The Weighbridge Company

Lake Taupō Forest Trust has a 75 per cent shareholding in The Weighbridge Company Ltd, with Lake Rotoaira Forest Trust holding the balance. The weighbridge, located in Lake Taupō Forest on South Highway 1 and about 5 km south of Waitahanui, continues to operate well. It receives regular maintenance, annual recertification, and every few years, a patching up of the roadway that gets hammered by 16,000 truck-movements every year.

**63%**  
of loads travelled across the weighbridge  
came from Lake Taupō Forest

The 2021–22 year saw 11,700 weighs, which is low by historic levels and occurred because of a low total harvest volume in Lake Taupō Forest. Of the loads that travelled across the weighbridge, 63 per cent came from Lake Taupō Forest, with Lake Rotoaira Forest (18 per cent) and Taupō Estates (14 per cent) the other main contributors.

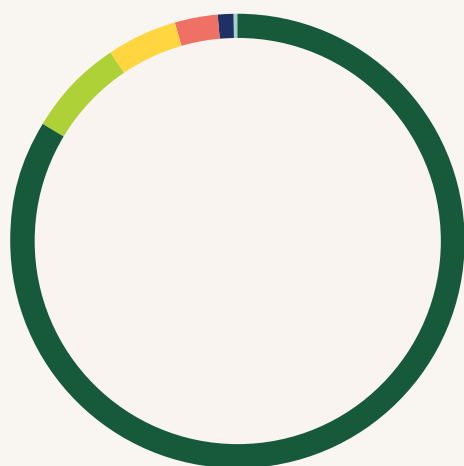
The Weighbridge Company generated a profit of around \$31,000 in the 2021–22 year, which was well below its \$65,000 per annum average. This is mainly due to the lower weigh numbers for the year, but profit was also impacted by a significant software upgrade.



# Financial Report



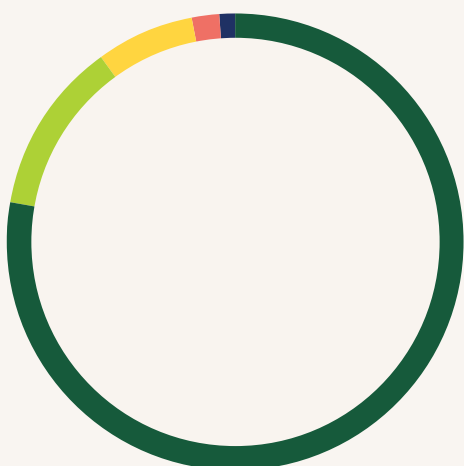
FIGURE 11.  
2022 Revenue



**\$38.3 million**

Stumpage	84%
Unrealised gains/losses	7%
Administration and management income	5%
Investment income	3%
Other income	1%
Share of subsidiaries income	>1%

FIGURE 12.  
2022 Expenditure



**\$27.8 million**

Forest costs	78%
Personnel costs	12%
Administration and other expenses	7%
Depreciation and amortisation	2%
Interest expense	1%
Rental expense	0%

The Trust's consolidated financial performance for the year ended 30 June 2022 is provided in the summarised financial statements on page 43.

The Trust generated an operating profit before tax and revaluations of \$10.5 million from revenue of \$38.3 million less expenses of \$27.8 million dollars.

## Revenue

The operating revenue for the Lake Taupō Forest Trust Group at \$38.3 million is a 36 per cent increase up on the prior year. This reflects the harvesting of the second rotation Trust-owned harvest, which generated \$31 million from log sales. The Crown-joint venture first rotation completed its last harvest in 2021–22 and generated \$6.3 million in stumpage to the Trust.

The 2022 revenue illustration reveals that the largest proportion of income received is from stumpage and harvest sales. Full details of this are provided in the Forestry Report.

Investment income from dividends, interest and changes in market valuation generated \$1 million in income to the Trust and showed a significant decrease due to the transfer of investments to the commercial arm Tupu Angitu Limited Partnership in May 2022.

The Weighbridge Company Limited is jointly owned with Lake Rotoaira Forest Trust and commenced operations in April 2005. Lake Taupō Forest Trust owns 75 per cent share in the weighbridge. This year the weighbridge generated \$30,981 of profit before tax.

## Expenditure

This year, operating expenses totaled \$27.8 million – more than double the previous year. Once again, this reflects the 100 per cent assumption of the second rotation forest costs. Previously, these costs were shared with the Crown in the joint venture. The forest costs in 2022 amounted to 78 per cent of all expenses. The balance of 22 per cent relates to Trust operating costs. An overview of the forest costs and performance is provided in the Forestry Report.

## Net Surplus After Tax

The Trust finished the 2022 financial year with a net after tax profit of \$51.2 million following the increase of forest valuation of \$52.5 million less \$11.8 million tax expense. This year has seen significant changes for the Trust. In future, the commercial forestry operation and investments will be overseen by Tupu Angitu Limited Partnership. The forest valuation was undertaken by Indufor Asia Pacific Ltd.

## Distributions and Grants

The Trust declared a gross taxable distribution of \$7 million to the owners. This was paid to the owners in April 2022.

### GRANTS

For the year ended June 2022, Putea Aroha (Tangihanga) grant payments of \$0.232 million were made to owners. See full details in the Ownership Services report.

A total of \$0.17 million was paid as Marae grants to the ten marae listed in the Third Schedule of the Trust Order.

The annual grant of \$0.620 million was paid to the Lake Taupō Charitable Trust to help achieve its strategic objectives for beneficiaries of Lake Taupō Forest Trust.

## Trust Assets

The Trust Group's total assets were valued at \$706 million as at 30 June 2022. The 16 per cent increase relates mainly to the increase in the forest valuation, and the carbon market valuation which reflects the strong prices for the NZ Units.

The forest crop makes up the most significant portion of the Trust's asset valuations at 66 per cent. Property, plant and equipment include the value of the land and buildings, carbon intangible assets and make up 22 per cent of total Trust assets as at 30 June 2022. The Forestry Report contains a thorough breakdown of the emissions trading scheme and the carbon credit entitlement that the Trust has accumulated.



## Investment Portfolios

The Trust's investment portfolios have been managed by IwiInvestor and are made up of four portfolios. The Lake Taupo Growth Fund (LTG), LTG Managed Cash (LTGMC), Lake Taupo Income Fund (LTI) and a new fund in 2020 (NZU) being the income received from the sale of NZU's. The LTG fund (also referred to as the forest contingency fund) has a long-term focus and is designed to offset forestry risk. During the year, the only withdrawal was to pay the annual distribution to owners of \$7 million and Marae grants of \$0.17 million. The growth and cash portfolios were transferred to Tupu Angitu Limited Partnership in June 2022 with both portfolios requiring a review in 2022–23 to reset their objectives.

The Trust holds unclaimed distributions in the Lake Taupo Income (LTI) Fund. This fund was valued at \$20.3 million as at 30 June 2022. LTI is a low risk defensive fund designed to generate income. The income from this fund is then used to fund the Lake Taupo Charitable Trust.

## Trust Equity

This year, equity in the Trust Group increased by 15 per cent from \$514 million to \$592 million. The change in equity reflects the increase in forest and carbon valuation as well as profit.

The equity graph shows the movements in equity since 2018. Details of the Trust's equity and the distribution to owners for the year ended 30 June 2022 are shown in the Statement of Changes in Equity in the summarised financial statements.

FIGURE 13.  
Trust Assets

**\$706 million**

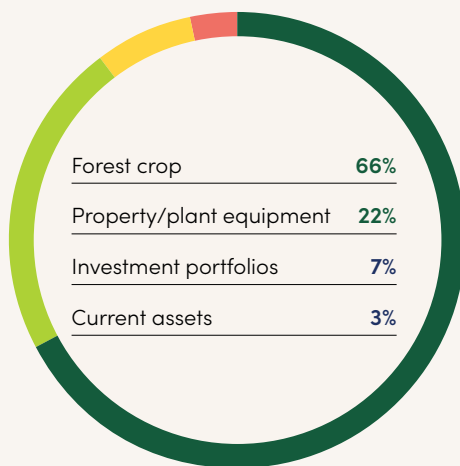
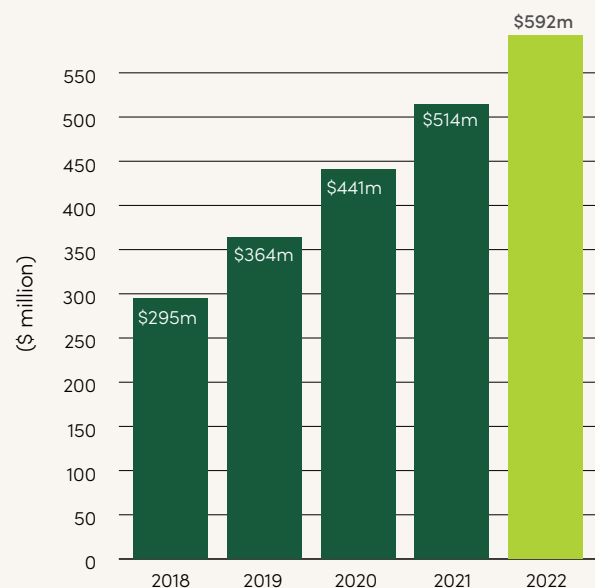


FIGURE 14.  
Equity

**\$592 million**





# Investment Report









## Investment Portfolios

Lake Taupō Forest Trust has three investment accounts with distinctly different objectives. The growth portfolio is required to cover operating and re-planting costs in the event of reduced income from forestry operations. The purpose of the income portfolio is to hold unclaimed dividends and provide income to support the activities of the Charitable Trust. There is one cash portfolio to support the cash flow requirements of the Trust, as well as to support the building up of cash for the annual dividend payment.

The growth and cash portfolios were transferred to Tupu Angitu in June 2022, with both portfolios requiring review in 2022–23 to reset their objectives.

As the primary objective of the income portfolio is to hold unclaimed distributions for future claims, we have recommended changing the name to 'Lake Taupō Forest Trust Unclaimed Distribution Portfolio'. This is currently under consideration by the Trustees.

The IWInvestor Investment Committee and management team ensure that these portfolios contain quality investment funds. The portfolios are diversified across equities and fixed interest as well as across domestic and offshore markets, which enables steady gains and minimal risk.

FIGURE 15.  
NZU Cash Portfolio

TOTAL ASSETS: \$11,926,698

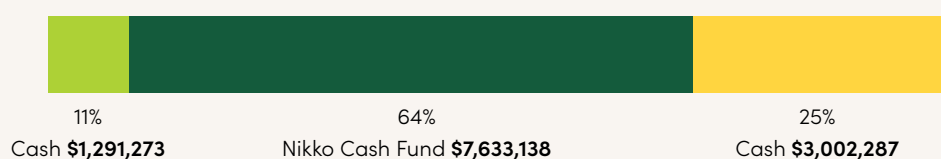
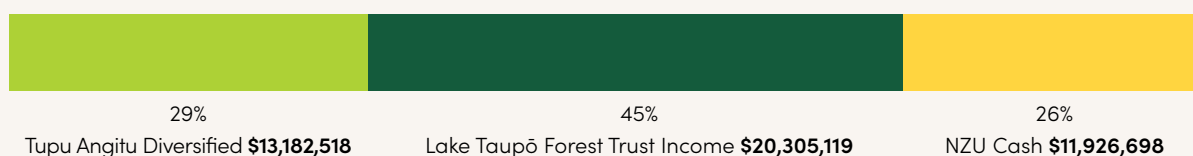


FIGURE 16.  
Total Assets Invested

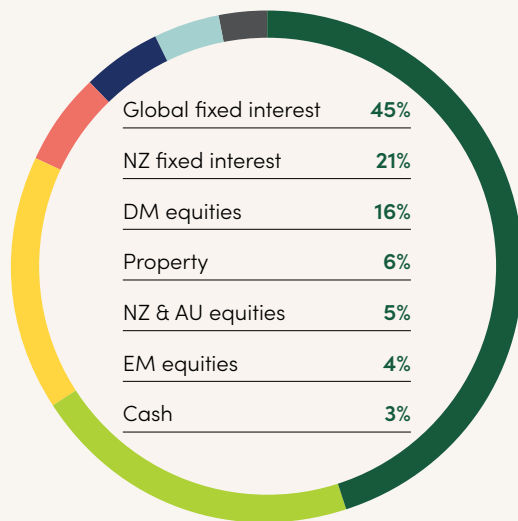
TOTAL ASSETS: \$45,414,335



## Portfolio Review Summary

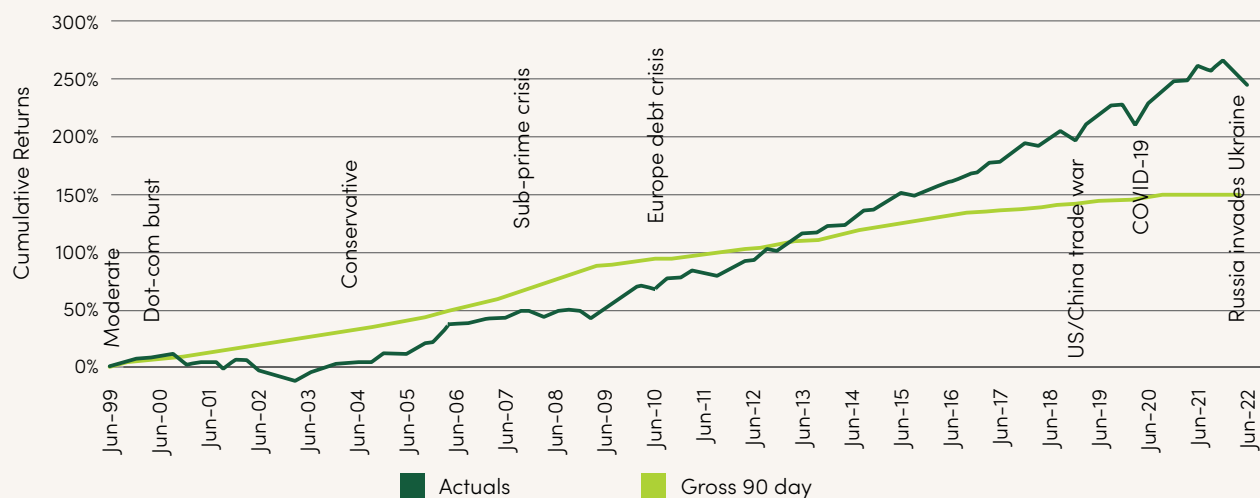
TUPU ANGITU DIVERSIFIED PORTFOLIO

FIGURE 17.  
Tupu Angitu Diversified



Asset Class	Value	Actual	Target
Cash	\$445,450	3%	2%
NZ fixed interest	\$2,741,294	21%	23%
Global fixed interest	\$5,958,777	45%	46%
<b>Defensive Assets</b>		<b>69%</b>	<b>70%</b>
NZ & AU equities	\$669,076	5%	5%
DM equities	\$2,123,058	16%	16%
EM equities	\$528,762	4%	4%
Property	\$716,102	5%	5%
<b>Growth Assets</b>		<b>31%</b>	<b>30%</b>
<b>Total Assets</b>	<b>\$13,182,518</b>	<b>100.0%</b>	<b>100.0%</b>

FIGURE 18.  
LTG Portfolio Cumulative Gross Performance



The Tupu Angitu Diversified portfolio (formerly LTG) has a conservative risk profile. Its primary function is long-term growth while mitigating any forestry risk. A review of this portfolio is scheduled for the 2022–23 year. In terms of performance, the portfolio generated a return on investment of -5.8 per cent after fees and taxes for the 2021–22 financial year. The portfolio has averaged 4.9 per cent net per year since its inception.

PORTFOLIO METRICS	LTG PORTFOLIO	CONSERVATIVE PORTFOLIO*
Worst result (net)	-9.7%	-7.3%
Best result (net)	21.2%	15.9%
Negative returns once every	6 years	5.4 years
Total number of years invested	23.0	
Average annual net return	5.0%	4.3%

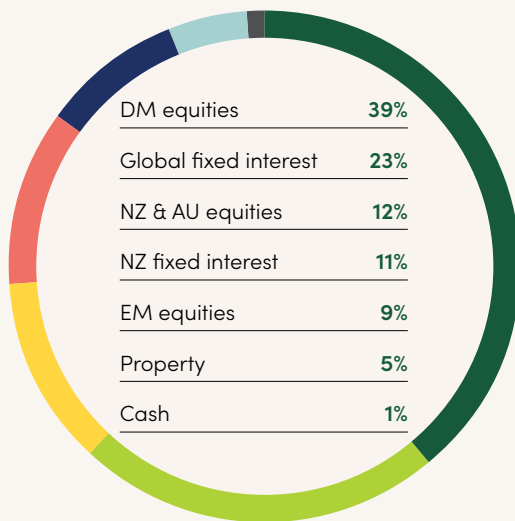
\*Expected results

## Portfolio Review Summary

### INCOME PORTFOLIO

FIGURE 19.

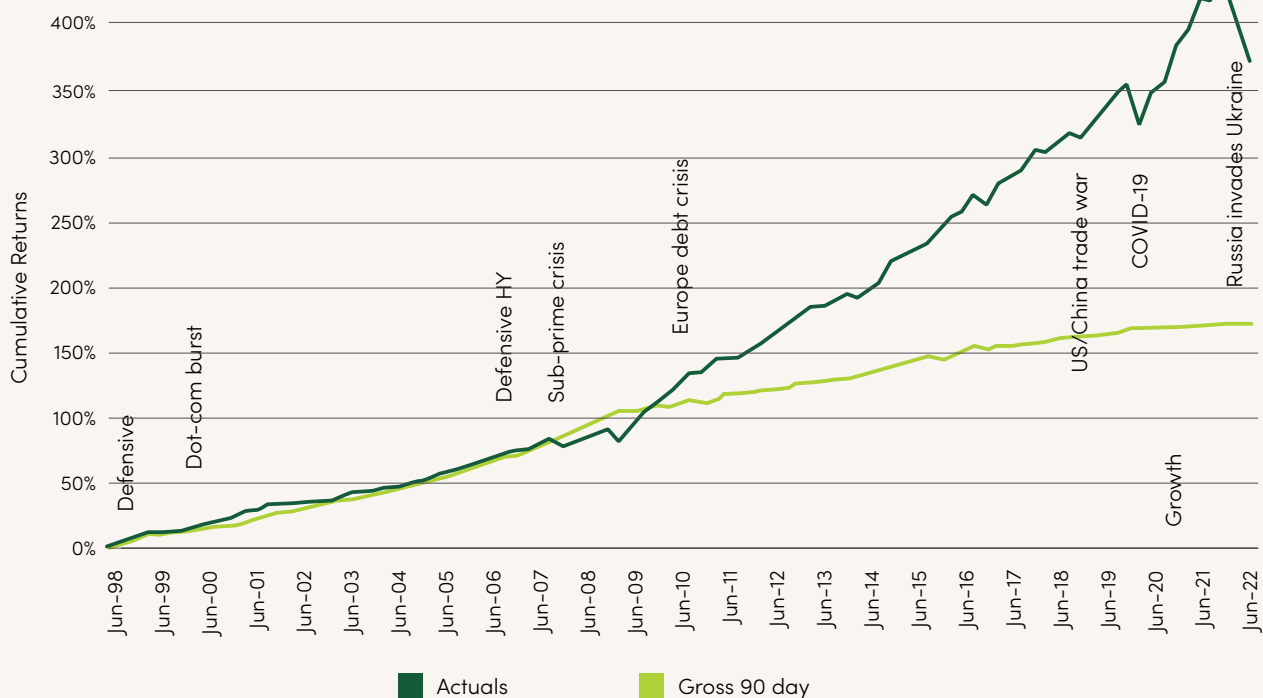
### Lake Taupō Forest Trust – Income



Asset Class	Value	Actual	Target
Cash	\$209,307	1%	1%
NZ fixed interest	\$2,250,970	11%	11%
Global fixed interest	\$4,582,063	23%	23%
<b>Defensive Assets</b>		<b>35%</b>	<b>35%</b>
NZ & AU equities	\$2,418,828	12%	12%
DM equities	\$7,886,276	39%	38%
EM equities	\$1,928,499	9%	10%
Property	\$1,029,176	5%	5%
<b>Growth Assets</b>		<b>65%</b>	<b>65%</b>
<b>Total Assets</b>	<b>\$20,305,119</b>	<b>100.0%</b>	<b>100.0%</b>

FIGURE 20.

### LTFT Income Portfolio Gross Performance



The primary function of the unclaimed distribution portfolio is to protect the unclaimed distributions, have sufficient liquid funds for distribution claims and provide income for the Lake Taupō Charitable Trust. The Board agreed to shift to a higher risk profile in October 2020 based on the longevity of the portfolio and declining claims.

The portfolio showed a return on investment of -9.6 per cent after fees and taxes for the 2021–22 financial year. The portfolio has averaged 6 per cent net per year since its inception.

The following table shows the actual returns of the Lake Taupō Forest Trust income portfolio (LTI) compared with the expected results of a growth portfolio. The LTI portfolio results represent the defensive risk profile for the first 21.8 years, followed by a growth risk profile for the last two years.



PORTFOLIO METRICS	LTI PORTFOLIO	DEFENSIVE HY PORTFOLIO	GROWTH PORTFOLIO*
Worst result (net)	-9.6%	-5.5%	-15.1%
Best result (net)	15.0%	16.7%	27.3%
Negative returns once every	23.8 years	6.1 years	3.8 years
Total number of years invested	23.8	21.8	2
Average annual net return	6.1%	3.85%	6.1%

\*Expected results

## June 2022 Market Commentary

### WAR, PANDEMIC AND INFLATION

Markets have been grappling with all three of these headwinds this year and fell further across most asset classes in the June quarter. The USA and New Zealand equity markets are down around 20 per cent since their peak, putting them into 'bear market' territory. Bonds also suffered large declines.

We do not know how much further markets might fall but, with the large decline in bond and equity prices, we can state that they offer investors much better value today than previously. As such, higher returns are likely to be shown over the medium to longer term.

### WHAT TO WATCH

The key economic determinant for markets forming a bottom and setting the stage for rallying will be whether inflation starts to moderate. With this, the quantum of interest rate increases the central banks' need to deliver. Global and national growth is no doubt slowing from the blistering pace that was achieved in the bounce following the first pandemic lockdowns, and with this – in theory – we should see inflation pressures and actual inflation decline.

However, on top of the usual macroeconomic cycle, the pandemic and the war in Ukraine present considerable uncertainty and both upside and downside risks. We can expect the prices of manufactured goods to fall if global supply chains do not face further COVID-19 and flu-related interruptions.

Locally, the economy is yet to show meaningful signs of weakness, thus encouraging the RBNZ to continue to raise interest rates with the intention of returning inflation to target. Tourism drove a solid bounce in Q2 activity, and the labour market remains extremely tight with net migration outflows adding pressure. Business surveys continue to suggest a weak demand outlook and declining profitability. In saying this, a recession does not appear to be imminent, and acute capacity constraints remain an inflationary force. Government spending continues to support economic activity, though recent exchange rate depreciation may contribute to inflation if weaker global demand does not pose a sufficient offset.

Globally, the decrease in demand has reduced the pressure on commodity prices and allowed supply chains to largely normalise. Oil prices, for example, are almost 20 per cent lower than in their mid-June peak. Aggregate measures of global supply chain pressures have more than halved since peaking in December of last year. Business surveys in the USA suggest headline inflation may approach 4 per cent year-on-year over the next six months, which is less than half the current rate.



# **Summarised Financial Statements**

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Notes to the  
Financial Statements

The Trustees are pleased to present the Summarised Financial Statements  
of the Lake Taupō Forest Trust for the 12 months ended 30 June 2022.

Authorised for and on behalf of the Board of Trustees on 22 December 2022.



Chairperson  
BINKY ELLIS



Chairperson Audit Committee  
GREG STEBBING



## Report of the independent auditor on the summarised financial statements

### TO THE TRUSTEES OF LAKE TAUPŌ FOREST TRUST

The accompanying summarised consolidated financial statements on pages 1 to 8, which comprise the summarised consolidated statement of financial position as at 30 June 2022, the summarised consolidated statement of comprehensive revenue and expenses, summarised consolidated statement of changes in net assets and consolidated statement of cashflows for the year then ended, and related notes, are derived from the audited financial statements of the Lake Taupō Forest Trust and its subsidiaries for the year ended 30 June 2022. We expressed a qualified opinion over the Group's land and land improvements being stated at the most recent government valuation, on those financial statements in our report dated the 22 December 2022.

Those financial statements, and the summarised financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summarised financial statements do not contain all the disclosures required for full financial statements under generally accepted accounting practice in New Zealand. Reading the summarised consolidated financial statements, therefore, is not a substitute for reading the audited financial statements of the Lake Taupō Forest Trust.

### THE TRUSTEE'S RESPONSIBILITIES

The Trustees are responsible for the preparation of a summary of the audited financial statements in accordance with FRS-43: Summary Financial Statements.

### AUDITOR'S RESPONSIBILITIES

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (New Zealand) (ISA (NZ)) 810, 'engagements to report on Summary Financial Statements'. Other than in our capacity as auditors, we have no relationship with or interests in the Lake Taupō Forest Trust and its subsidiaries.

### OPINION

In our opinion, the summarised financial statements derived from the audited consolidated financial statements of Lake Taupō Forest Trust for the year ended 30 June 2022 are consistent, in all material respects, with those financial statements in accordance with FRS-43.



Silks Audit  
Chartered Accountants  
Whanganui, New Zealand  
22 December 2022

# Summarised Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2022

	Group 2022 \$	Group 2021 \$
Revenue	41,369,760	21,641,636
<b>Total operating revenue</b>	<b>41,369,760</b>	<b>21,646,636</b>
Other income/(loss)	(2,988,008)	3,071,313
Interest expense	(294,710)	(85,986)
Other expenses	(27,606,308)	(12,527,407)
<b>Total operating expenses</b>	<b>(27,901,018)</b>	<b>(12,613,393)</b>
<b>Profit before forest crop revaluation and taxation</b>	<b>10,480,734</b>	<b>12,099,556</b>
Forest crop revaluation	52,544,622	75,974,159
<b>Profit before income tax</b>	<b>63,025,356</b>	<b>88,073,715</b>
Income tax expense	(11,808,525)	(16,171,930)
<b>Net profit for the period</b>	<b>51,216,831</b>	<b>71,901,785</b>
<b>Other comprehensive income</b>		
Intangible carbon asset revaluation	34,913,976	8,821,198
Financial assets at fair value through other comprehensive income	–	125,902
<b>Other comprehensive income for the period</b>	<b>34,913,976</b>	<b>8,947,100</b>
<b>Total comprehensive income for the period</b>	<b>86,130,808</b>	<b>80,848,885</b>
<i>Profit for the period is attributable to:</i>		
Non-controlling interest	1,939,621	2,903,989
Owners of the parent	49,277,210	68,997,796
	<b>51,216,831</b>	<b>71,901,785</b>
<i>Total comprehensive income for the period is attributable to:</i>		
Non-controlling interest	1,939,621	2,903,989
Owners of the parent	84,191,187	77,944,896
	<b>86,130,808</b>	<b>80,848,885</b>

The above summarised statement of comprehensive income should be read in conjunction with the accompanying notes.

# Summarised Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2022

	Land revaluation reserve \$	Carbon revaluation reserve \$	Financial assets at fair value reserve \$	Retained earnings \$	Owners of the parent \$	Non- controlling interest \$	Total \$
<b>Balance at 1 July 2021</b>	<b>20,747,148</b>	<b>58,465,600</b>	<b>160,699</b>	<b>418,331,022</b>	<b>497,704,469</b>	<b>16,128,230</b>	<b>513,832,699</b>
Profit for the period	–	–	–	49,277,210	49,277,210	1,939,621	<b>51,216,831</b>
Other comprehensive income	–	34,913,976	–	–	34,913,976	–	<b>34,913,976</b>
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>34,913,976</b>	<b>–</b>	<b>49,277,210</b>	<b>84,191,186</b>	<b>1,939,621</b>	<b>86,130,808</b>
<b>Transactions with owners</b>							
Distributions	–	–	–	(7,000,000)	(7,000,000)	(475,209)	<b>(7,475,209)</b>
<b>Balance at 30 June 2022</b>	<b>20,747,148</b>	<b>93,379,576</b>	<b>160,699</b>	<b>460,608,232</b>	<b>574,895,655</b>	<b>17,592,642</b>	<b>592,488,297</b>

	Land revaluation reserve \$	Carbon revaluation reserve \$	Financial assets at fair value reserve \$	Retained earnings \$	Owners of the parent \$	Non- controlling interest \$	Total \$
<b>Balance at 1 July 2020</b>	<b>20,747,148</b>	<b>49,644,402</b>	<b>34,797</b>	<b>356,445,921</b>	<b>426,872,268</b>	<b>13,889,861</b>	<b>440,762,129</b>
Profit for the period	–	–	–	68,997,796	68,997,796	2,903,989	<b>71,901,785</b>
Other comprehensive income	–	8,821,198	125,902	–	8,947,100	–	<b>8,947,100</b>
<b>Total comprehensive income for the period</b>	<b>–</b>	<b>8,821,198</b>	<b>125,902</b>	<b>68,997,796</b>	<b>77,944,896</b>	<b>2,903,989</b>	<b>80,848,885</b>
<b>Transactions with owners</b>							
Distributions	–	–	–	(7,112,695)	(7,112,695)	(665,620)	<b>(7,778,315)</b>
<b>Balance at 30 June 2021</b>	<b>20,747,148</b>	<b>58,465,600</b>	<b>160,699</b>	<b>418,331,022</b>	<b>497,704,469</b>	<b>16,128,230</b>	<b>513,832,699</b>

The above summarised statement of changes in equity should be read in conjunction with the accompanying notes.



# Summarised Balance Sheet

AS AT 30 JUNE 2022

	Group 2022 \$	Group 2021 \$
Current assets	24,115,797	18,668,664
Current liabilities	(27,797,787)	(22,885,212)
Net current assets/(liabilities)	(3,681,990)	(4,216,548)
Non-current assets	682,300,118	593,006,139
Non-current liabilities	(86,129,833)	(74,956,892)
<b>Total net assets</b>	<b>592,488,297</b>	<b>513,832,699</b>
<b>FUNDS ATTRIBUTABLE TO BENEFICIARIES</b>		
Retained earnings	460,608,232	418,331,022
Financial assets at fair value reserve	160,699	160,699
Land revaluation reserve	20,747,148	20,747,148
Carbon revaluation reserve	93,379,576	58,465,600
Beneficiaries' interests	574,895,655	497,704,469
Non-controlling interests	17,592,642	16,128,230
<b>TOTAL EQUITY</b>	<b>592,488,297</b>	<b>513,832,699</b>

For and on behalf of the Board of Trustees, who authorised the issue of these summarised financial statements on 22 December 2022. The summarised group financial statements have been extracted from the full audited group financial statements of the Trust for the year to 30 June 2022.



BINKY ELLIS  
Chairman  
22 December 2022



GREG STEBBING  
Chairperson Audit Committee  
22 December 2022

The above summarised balance sheet should be read in conjunction with the accompanying notes.

# Summarised Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2022

	Group 2022 \$	Group 2021 \$
<b>Cash flows from operating activities</b>		
Net cash inflow from operating activities	13,524,648	9,086,328
<b>Cash flows from investing activities</b>		
Net cash outflow applied to investing activities	(5,432,644)	(4,590,911)
<b>Cash flows from financing activities</b>		
Net cash outflow applied to financing activities	(6,667,932)	(6,288,747)
Net increase/(decrease) in cash held	1,424,072	(1,793,330)
Balance 1 July	5,763,109	7,556,439
<b>Balance as at 30 June</b>	<b>7,187,181</b>	<b>5,763,109</b>

The above summarised statement of cash flows should be read in conjunction with the accompanying notes.

# Notes to the Financial Statements

## 1. Statement of Compliance and Basis of Preparation

The summary financial statements of Lake Taupō Forest Trust and its subsidiaries (the 'Group') have been prepared in accordance with Financial Reporting Standard 43: Summary Financial Statements. The full financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities except for the Group's land and land improvements with a carrying value of \$84.8 million are stated at the most recent government valuations which are values based on vacant possession of the land. This is a departure from New Zealand Equivalent to International Accounting Standard 16 (NZ IAS 16) which, when property, plant and equipment assets are subject to revaluations, requires such assets to be revalued to fair value.

For the purposes of complying with NZ GAAP, the Group is eligible to apply Tier 2 For-Profit Accounting Standards (New Zealand equivalents to International Financial Reporting Standards – Reduced Disclosure Regime ('NZ IFRS RDR')) on the basis that it does not have public accountability and is not a large for-profit public sector entity. The Group has elected to report in accordance with NZ IFRS RDR and has applied disclosure concessions.

The full financial statements comply with NZ IFRS RDR, except that land leased to the Ministry for Primary Industries and other land (primarily related to trust land used in the Trust's own forestry operation) is carried at government valuation rather than fair value as required by NZ IAS 16. The Group has not made an explicit and unreserved statement of compliance with IFRS in its full financial statements.

The summary financial statements are presented in New Zealand Dollars and all values are rounded to the nearest dollar. The summary financial statements are prepared on the historical cost basis, except for forestry

assets, intangible carbon assets and certain financial assets which are carried at fair value. The specific disclosures included in these summary financial statements have been extracted from the full financial statements. No information extracted from the full financial statements has been restated or reclassified.

## 2. Summary Financial Statements

The full financial statements, which were authorised for issue on 22 December 2022, have been subject to audit by Silks Audit Chartered Accountants Limited and a qualified audit report was issued dated 22 December 2022. The summary financial statements have been examined by the auditor for consistency with the full financial statements. The audit report qualification relating to the full financial statements was in respect of non-compliance with NZ IAS 16, whereby land owned by the Trust is included in the financial statements at government valuation, which is not fair value as required by NZ IAS 16.

The summary financial statements cannot be expected to provide as complete an understanding as that provided by the full financial statements.

The full financial statements can be obtained from the office of Lake Taupō Forest Trust, Box 102, Tūrangi up on request.

## 3. Carbon Intangible Assets

The Trust has registered its 23,774 hectares of pre-1990 forest land and has received its full allocation of 1.376 m carbon credits relating to that land. During 2013–14 the Trust de-registered approximately 600 hectares of post-1989 forests from the Ministry for Primary Industries Emissions Trading Scheme. Through this de-registration process, the Trust secured net 106,186 carbon credits.

The fair value of the Group's carbon intangible assets recognised as at 30 June 2022 is \$81.5 million (2021: \$46.6 million).

## 4. Forestry Assets

	Group 2022 \$	Group 2021 \$
<b>Forest crop – Trust's share of joint venture forest</b>		
<i>Asset at 1 July</i>	5,402,850	18,905,000
Harvest	(6,832,030)	(16,158,010)
Current year increase in valuation	1,608,280	2,655,860
<b>Forest market value at 30 June</b>	<b>179,100</b>	<b>5,402,850</b>
<b>Forest crop – Trust's owned forest</b>		
<i>Asset at 1 July</i>	403,455,659	312,360,581
Harvest	(30,507,559)	(1,797,494)
Capitalised costs	1,681,012	2,435,938
<b>Forest market value at 30 June</b>	<b>462,442,964</b>	<b>403,455,659</b>
<b>Total forest crop market value at 30 June 2021</b>	<b>462,622,064</b>	<b>408,858,509</b>

The Group holds the forestry asset for the purpose of harvest.

Lake Taupō Forest Trust and the Ministry for Primary Industries have a joint venture agreement whereby land harvested each year is surrendered from the lease and returned to full Trust control. As at 30 June 2022, the Trust had full control of 100 per cent (2021: 100) of the initial Crown lease component of the forest.

Indufor Asia Pacific Limited (an independent valuer) has calculated the Trust's share of value of the remaining hectares of joint forest crop as at 30 June 2022 at \$179,100 (2021: \$5,402,850). The valuation is based on the pre-tax net present value (NPV) of the future stumpage receipts, of which 35 per cent goes to Lake Taupō Forest Trust and 65 per cent to the Crown. In calculating the value, Indufor applied a 6.5 per cent (2021: 7.0 per cent) discount rate to the future cashflows.

### FOREST CROP TRUST'S SHARE OF JOINT VENTURE FOREST

	Group 2022 \$	Group 2021 \$
<b>Valuation at 30 June</b>	<b>179,100</b>	<b>5,402,850</b>

The trees in the joint venture forest are all aged over 28 years. Sales of trees harvested during the current reporting period totalled 223,000 m<sup>3</sup> (2021: 606,000 m<sup>3</sup>). The fair value of this harvested product was \$19,500,000 (2021: \$46,200,000) of which Lake Taupō Forest Trust received a 35 per cent share.

The Trusts' own forest has a total stocked area of 31,113 hectares (2021: 23,566 hectares), ranging in age from 1 to 24 years. Indufor Asia Pacific Limited has valued these at 30 June 2022 at \$462,442,964 (2021: \$403,455,659). This value includes a share of a plantation investment, with the Lake Rotoaira Forest Trust owning the other share on Opepe Forest Trust lands. Indufor Asia Pacific Limited has valued the Trust's share of this forest at 30 June 2022 at \$15,070,000 (2021: \$7,742,000). Also included is a plantation investment with the Lake Rotoaira Forest Trust owning the other share on Hautu Rangipō Whenua Lands called Kaimanawa Forest. Indufor Asia Pacific Limited has valued the Trust's share of this forest at 30 June 2022 at \$12,970,000 (2021: \$5,397,000). As part of the original purchase a biological, asset for a forest crop of \$326,764 was recognised.

Also included is a share of a plantation investment with the Lake Rotoaira Forest Trust owning the other share on Tuwharetoa Settlement Trust lands being Taurewa, Waituhi and Pureora South Forests. These were purchased at 30 June 2018 at their fair value of \$3,300,000. At June 2022 these forests are valued at \$7,460,000 (2021: \$6,937,000).



	Group 2022 \$	Group 2021 \$
<b>Valuation at 30 June</b>	<b>462,442,964</b>	<b>403,455,659</b>

The inputs applied in the valuation of the Trust's forest crop have been categorised as level 3 in the fair value hierarchy.

The Group is exposed to financial risks in respect of agricultural activity. The agricultural activity of the Group consists of the management of forests to produce logs. The primary financial risk associated with this activity occurs due to the length of time between expending cash on the purchase or planting and maintenance of trees and on harvesting trees, and ultimately receiving cash from the sale of logs to third parties. The Group's strategy to manage this financial risk is to actively review and manage its working capital requirements. In addition, the Group maintains credit facilities at a level enough to fund the Group's working capital during the period between cash expenditure and cash inflow. The Group's investment strategy includes a Growth Portfolio of investments called the Forestry Reserve Fund, which is available to support any cash flow or financial risk from Forestry. Currently this is valued at \$24.0 million (2021: \$14.25 million).

## 5. Leases

NZ IFRS 16 *Leases* is effective for annual reporting periods beginning on or after 1 January 2021. LTFT group applies NZ IFRS 16 from 1 July 2019 for the first time. The Group has entered into forestry leases that have a duration of 35 years, with 28 years remaining from 30 June 2022. The forestry leases will be depreciated on a straight line basis across the remaining useful life.

In 2022, the lease asset was re-measured as a result of a previously recorded internal lease between Lake Taupō Forest Management and Hautu-Rangipo Limited Partnership, both of which are wholly consolidated into the group accounts. The net of this adjustment has no significant impact on opening or closing equity.

The Group has a right of use asset lease liability outstanding with Opepe Farm Trust, which has shared trustee membership with the Group.

Set out below are the carrying amounts of the right of use assets and lease liabilities recognised and the movements during the period:

### FOREST CROP – TRUST'S OWNED FOREST

	Group 2022 \$	Group 2021 \$
<b>Right-of-use asset – forestry rights</b>		
Opening carrying amount	3,819,074	7,014,837
Remeasurement	871,641	(3,144,892)
Depreciation	(161,749)	(50,871)
<b>Closing carrying amount</b>	<b>4,528,966</b>	<b>3,819,074</b>

Set out below are the carrying amounts of lease liabilities recognised and the movements during the period:

<b>Lease liability</b>		
Opening carrying amount	3,911,124	6,932,599
Remeasurement	1,243,015	(2,807,076)
Interest expense	165,912	20,080
Lease payments	(245,566)	(234,479)
<b>Closing carrying amount</b>	<b>5,074,485</b>	<b>3,911,124</b>
Current	135,200	132,654
Non-current	4,939,285	3,778,470
	<b>5,074,485</b>	<b>3,911,124</b>

# Group Directory

## Lake Taupō Forest Trust

Chief Executive Officer

JOHN BISHARA

Group Manager

AMY WALKER

Accountant

MAUREEN SMITH

Team Leader Administration and Grants

SHANYN WARENA

Executive Assistant to the CEO

SANDY GIBBISON

Assistant Accountants

JACINTA CHILDS, THERESA DERBY-HEMA

Administrators

LOGAN DAVIS, RAUKURA DUNSTER, WAKA ASHER

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Email: [general@ltft.co.nz](mailto:general@ltft.co.nz)

Website [www.ltft.co.nz](http://www.ltft.co.nz)

## Lake Taupō Charitable Trust

Kaitiaki

TRUSTEES OF LAKE TAUPŌ FOREST TRUST

81 Tūrangi Town Centre, Tūrangi 3334

Phone: 07 386 0389

Fax: 07 386 0390

Email: [general@ltft.co.nz](mailto:general@ltft.co.nz)

Website: [www.ltft.co.nz](http://www.ltft.co.nz)

## Lake Taupō Forest Management Limited

Directors

BILL LILEY, JOHN VAN DER LEDEN, CLINTON ELLIS

Managing Director

GEOFF THORP

Assistant Forest Manager

PATRICK NEPIA

Researcher

LANIA HOLT

## Tupu Angitu Ltd

Directors

TEMUERA HALL, JONATHAN CAMERON,

TRACEY HOOK, GEOFF THORP

General Manager

MAWAE MORTON

## The Weighbridge Company Limited

Director

JUDY HARRIS

Director and Operations Manager

GEOFF THORP

## LTFT Land Holdings Limited

Directors

CLINTON ELLIS, JUDY HARRIS

## Taupō Moana Investments Limited

Trading as IWIinvestor

Directors

DEBRA BIRCH (CHAIR), JOHN BISHARA,

TONI KERR, STEPHEN NAPIER, KRISTEN LUNMAN

General Manager and Adviser

LINDA MASTNY

Investment Operations Manager/Client Services

ARIANA DAIS

Financial Adviser

SARAH DELANY

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NICOLE PASK

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# The Trust Order

Governance of the Trust is carried out in accordance with the Trust Order issued by the Māori Land Court and with Te Ture Whenua Māori Act 1993 and the Trustee Act 1956. For the Trustees and owners, the Trust Order is their constitution. It provides for:

- power to carry out the Trust business;
- financial management;
- election of Trustees;
- owners' meetings.

The Trustees' duties and powers are set out in the Trust Order. Their work and the work carried out by the Trust's management and staff must comply with the Order. The Order sets out the process for the appointment of Trustees, including an election every three years by postal ballot. In 2016, the Trust changed to a rotation policy whereby five Trustees (the longest serving) retire, and the remaining six continue for a further three-year term. Those retiring may seek re-election.

In 2019, the Trust Order was amended to allow for a reduction in the number of Trustees from 11 to 7. This change will take effect at the next election in late 2022.

While the Trust Order allows for other business and development opportunities, hence the establishment of Tupu Angitu Ltd, the core business remains forestry.

The Order allows for the operations of subsidiaries, and these subsidiaries are used for the forestry, investment, and commercial arms of the Trust's business (see the Lake Taupō Trust structure in the section About the Trust). It also allows for community-purposes funding to be administered through the Lake Taupō Charitable Trust (see the Charitable Trust report).

## Financial

All authorities for payments from the Trust's funds originate in the Trust Order. Among other details, it sets out:

- provision for capital reserves for future forestry developments;
- the formulae for allocation of community purposes funding, including the annual Marae grants, the Charitable Trust's projects and grants and Pūtea Aroha;
- the formula for distributions to owners;
- provision for Trustees' fees and expenses;
- the requirements for annual financial reporting and audit.



# Land Blocks

The land blocks vested in the Trust by the Māori Land Court are listed in the schedule to the Trust Order. The original Trust Order included 58 land blocks in the Trust. Over the years, the Trust has acquired further lands so that it now holds 68 Māori land blocks under its Trust Order and 13 general land blocks.

1	Hautū 1A1	25	Opawa Rangitoto 1A	49	Tauranga Taupō 1B2B2	TE WHENUA BLOCKS	
2	Hautū 1A2	26	Opawa Rangitoto 1B	50	Tauranga Taupō 2A1	69	Lot DP 480856
3	Hautū 1A3	27	Opawa Rangitoto 1C	51	Tauranga Taupō 2A2	70	Lot DP 489535
4	Hautū 1A4	28	Opawa Rangitoto 1D	52	Tauranga Taupō 2B1A	71	Lot DP 480856
5	Hautū 1A5	29	Opawa Rangitoto 2B	53	Tauranga Taupō 2B1B		
6	Hautū 1A6	30	Opawa Rangitoto 2D2	54	Tauranga Taupō 2B1C	TREMAINE BLOCK	
7	Hautū 1A7	31	Opawa Rangitoto 2D3B2	55	Tauranga Taupō 2B1D	72	Te Whakao 1
8	Hautū 1A8	32	Opawa Rangitoto 2G	56	Tauranga Taupō 2B1E		
9	Hautū 1B1B2A1	33	Opawa Rangitoto 3	57	Tauranga Taupō 2B2M1	LTFT OFFICE	
10	Hautū 1B1B2A2	34	Opawa Rangitoto 4	58	Tauranga Taupō 2B2M5	73	Lot 1 Deposited Plan 60862
11	Hautū 1B1B2B1E1	35	Opawa Rangitoto 5	59	Tauranga Taupō 3B1B		
12	Hautū 1B1B2B1E1A–C & Hautū 1B1B2B1F	36	Pahikohuru 2	60	Tauranga Taupō D2	ENCLAVES	
13	Hautū 1B1B2B3	37	Pahikohuru 3	61	Tauranga Taupō Y	74	Section 1 SO 32019
14	Hautū 1B1B2B4	38	Pahikohuru 4	62	Te Kopiha	75	Section 1 SO 30614
15	Hautū 1B1B2B5B1	39	Pahikohuru 5	63	Te Whakao 2	76	Sections 2–3 SO 356127
16	Hautū 1B3	40	Pahikohuru 6	64	Te Whakao 3	77	Section 3 SO 36628
17	Hautū 2B1B2D2	41	Tauhara Middle 4A2B2C	65	Te Whataroa	78	Section 3 SO 33327(a)
18	Hautū A1	42	Tauhara South B1	66	Turutururoa	79	Section 3 Block XIII Waitahanui Survey District
19	Hautū A2	43	Tauhara South B2	67	Hautū 1B1B1A	80	Section 4 Block XIII Waitahanui Survey District
20	Hautū A3	44	Tauranga Taupō 1A1	68	Hautū 2B1B2B	81	Part Tauranga Taupō 2A
21	Hautū A4	45	Tauranga Taupō 1A2				
22	Hautū A5	46	Tauranga Taupō 1B1B2				
23	Hautū C	47	Tauranga Taupō 1B1C				
24	Hautū D	48	Tauranga Taupō 1B1D				















LAKE TAUPŌ *forest* TRUST

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