

**FORESTRY EMISSION UNIT TRUST
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

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**FORESTRY EMISSION UNIT TRUST
STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 \$	2015 \$
INCOME			
Grant Revenue for Administration		157,033	177,000
Other Income		4	119
Expenses			
Administration Expenses	2	(121,547)	(144,984)
Operating Surplus		<u>35,490</u>	<u>32,135</u>
NZ Units			
Reversal of Impairment of NZ Units	5	2,913,344	3,693,112
Reversal of Impairment of NZ Units held in Trust	6	(2,913,344)	(3,693,112)
Total Impairment of NZ Units		<u>-</u>	<u>-</u>
Surplus before tax		35,490	32,135
Tax Expense	4	11,911	16,185
SURPLUS FOR THE PERIOD		<u>23,579</u>	<u>15,950</u>
Other Comprehensive Revenue and Expense		-	-
TOTAL COMPREHENSIVE REVENUE AND EXPENSE FOR THE PERIOD		<u>23,579</u>	<u>15,950</u>

**FORESTRY EMISSION UNIT TRUST
STATEMENT OF NET ASSETS/EQUITY
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	\$	\$	\$
		Trust Capital	Accumulated Revenue and Expense	Total Equity
OPENING BALANCE AT 1 APRIL 2014 AS PREVIOUSLY REPORTED	11	10	67,177	67,187
Amendments Upon Adoption of PBE Standards (RDR)	11		1,337	1,337
Amended Opening Balance	11	10	68,514	68,524
Surplus/Total Comprehensive Revenue and Expense		-	15,950	15,950
BALANCE AT 31 MARCH 2015		10	84,464	84,474
Surplus/Total Comprehensive Revenue and Expense		-	23,579	23,579
BALANCE AT 31 MARCH 2016		10	108,043	108,053

**FORESTRY EMISSION UNIT TRUST
STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2016**

	Note	2016 \$	2015 \$
NET ASSETS/EQUITY			
Trust Capital		10	10
Accumulated Revenue and Expense		108,043	84,464
TOTAL NET ASSETS/EQUITY		<u>108,053</u>	<u>84,474</u>
Total Net Assets/Equity Represented by:			
CURRENT ASSETS			
Cash & Cash Equivalents		134,087	95,587
Intangible Assets - NZ Units	5	5,371,836	2,560,008
GST Refundable		-	6,195
		<u>5,505,923</u>	<u>2,661,790</u>
NON CURRENT ASSETS			
Intangible Assets - NZ Units	5	8,228,396	8,214,920
Intangible Assets - website development		-	-
Deferred Tax Asset	4	2,310	4,143
		<u>8,230,706</u>	<u>8,219,063</u>
TOTAL ASSETS		<u>13,736,629</u>	<u>10,880,853</u>
CURRENT LIABILITIES			
Trade Payables		13,472	14,176
Current Taxation	4	873	7,275
GST Payable		13,999	-
NZ Units held in Trust	12	5,371,836	2,560,008
		<u>5,400,180</u>	<u>2,581,459</u>
NON CURRENT LIABILITIES			
NZ Units held in Trust	12	8,228,396	8,214,920
TOTAL LIABILITIES		<u>13,628,576</u>	<u>10,796,379</u>
NET ASSETS		<u>108,053</u>	<u>84,474</u>

These financial statements were approved on 21 July 2016. Signed for and on behalf of the Board of Trustees.



Angela Foukes
Chairperson
Forestry Emission Unit Trust



John Wilson
Trustee
Forestry Emission Unit Trust

**FORESTRY EMISSION UNIT TRUST
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2016**

	Note	2016 \$	2015 \$
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES			
Cash was provided from:			
Grant Income		157,033	177,000
Interest Income		4	119
Cash was applied to:			
Payment of Administration Expenses		(122,159)	(137,040)
Payment of Income Tax		(16,480)	(12,366)
GST received (net)		20,102	39
NET CASH FROM OPERATING ACTIVITIES	3	<u>38,500</u>	<u>27,752</u>
NET INCREASE IN CASH HELD		38,500	27,752
Cash and Cash Equivalents at Beginning of the Period		95,587	67,835
CASH AND CASH EQUIVALENTS AT END OF THE YEAR		<u>134,087</u>	<u>95,587</u>
Represented by:			
Cash & Cash Equivalents		134,087	95,587
		<u>134,087</u>	<u>95,587</u>

**FORESTRY EMISSION UNIT TRUST - NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1 STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

These financial statements are presented for the reporting entity Forestry Emission Unit Trust ("the Trust"). The Trust is a public benefit entity for the purposes of the Financial Reporting Act 2013. The Trust is domiciled in New Zealand and the trustees perform their trustee duties in accordance with the Trustee Act 1956.

The financial statements have been prepared in accordance with the Trust Deed dated 19 April 2011.

Nature of Activities

The Forestry Emission Unit Trust was established on 19 April 2011 to hold NZ Units issued in relation to Crown forest licensed land.

The NZ Units received from the Ministry for Primary Industries and are held in trust on behalf of future beneficiaries. They are recorded as a Trust asset with a corresponding liability to beneficiaries within the Statement of Financial Position.

The NZ Units of the Trust are distributed when the beneficiaries are confirmed and the settlement is enacted under an Act of Parliament.

Statement of Compliance

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice. They comply with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR"), as appropriate for Tier 2 not-for-profit public benefit entities. This is the Trust's first set of financial statements prepared in accordance with PBE Standards RDR. On transition to PBE Standards RDR on 1 April 2014 there were adjustments arising from first time application of PBE Standards, the impact on equity at the date of transition to PBE Standards RDR and at the end of the prior year are provided per note 12.

The Trust has elected to report in accordance with Tier 2 PBE Accounting Standards and has applied disclosure concessions. The trust is eligible to report in accordance with Tier 2 PBE Accounting Standards because it does not have public accountability and it not large (i.e. total expenses is under \$30 million).

These financial statements were authorised for issue by the Trustees on 21 July 2016.

Basis of Preparation

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

The measurement base is historical cost.

These financial statements are presented in New Zealand dollars, which is the Trust's presentation and functional currency, rounded to the nearest dollar.

Significant Accounting Policies

Revenue

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Trust, and measured at the fair value of consideration received or receivable.

The following specific recognition criteria in relation to the Trust's revenue streams must also be met before revenue is recognised.

(i) Grant Revenue

The recognition of non-exchange revenue from government grants depends on the nature of any stipulations attached to the inflow of resources received, and whether this creates a liability (i.e. present obligation) rather than the recognition of revenue.

Stipulations that are 'conditions' specifically require the Trust to return the inflow of resources received if they recognised as non-exchange revenue as and when the 'conditions' are satisfied.

Stipulations that are 'restrictions' do not specifically require the Trust to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue.

Grant Revenue - For Administration

Government funding for administration is recognised based on the amount receivable for the financial year under the terms of the funding agreement

**FORESTRY EMISSION UNIT TRUST - NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1 STATEMENT OF ACCOUNTING POLICIES (cont.)

(ii) Finance Income

Finance income comprises interest income on financial assets, [for the trust this comprises bank account balances]. Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period (including all fees and points paid or received between the parties to the contract that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount of the financial instrument.

(iii) Income Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Current tax also includes any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

In determining the amount of current and deferred tax the entity takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The entity believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the entity to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

(iv) Goods and Services Tax

All amounts are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

(v) Intangible Assets

Intangible assets are initially measured at cost, except for intangible assets acquired through non-exchange transactions.

All of the Trust's intangible assets are subsequently measured in accordance with the cost model, being cost (or fair value for items acquired through non-exchange transactions) less accumulated amortisation and impairment.

The Trust does not have any goodwill or intangible assets with indefinite useful lives.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed intangible assets includes the following:

- The cost of materials and direct labour.
- Costs directly attributable to bringing the assets to a working condition for their intended use, and
- Capitalised borrowing costs.

**FORESTRY EMISSION UNIT TRUST - NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1 STATEMENT OF ACCOUNTING POLICIES (cont.)

Asset Category

NZ Units and NZ Units Held on Trust

The NZ Units relating to forests that were Crown forest licensed land on 19th July 2010 are recorded when the NZ Units are registered in the name of the Trust. The NZ Units received are initially recorded at fair value.

As the NZ Units are held in trust on behalf of future claimants a corresponding liability is recorded as the Trust has a contractual obligation to hold all NZUs in Trust on behalf of beneficiaries until the settlement is enacted under an Act of Parliament at which time the NZU's must be transferred to them.

Subsequent to initial recognition, the NZ Units are recorded at cost (being fair value at date of registration). The NZ Units are not amortised and not impairment tested as the Trust is only holding the NZ Units in trust for transfer to future claimants, and the Trust is not the land owner.

(vi) Employee Benefits

The employee entitlements to salaries and wages, annual leave, sick leave and other similar benefits are recognised in the surplus or deficit when they accrue to employees.

Employee entitlements to be settled within 12 months are reported at the amount expected to be paid.

The liability for any long term employee entitlements is reported as the present value of the estimated future cash outflows.

(vii) Other Liabilities and Provisions

A provision is recognised if, as a result of a past event, the Trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Other liabilities and provisions are recorded at the best estimate of the expenditure required to settle the obligation. Liabilities and provisions to be settled beyond 12 months are recorded at their present value of those estimates.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost within surplus or deficit.

**FORESTRY EMISSION UNIT TRUST - NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

1 STATEMENT OF ACCOUNTING POLICIES (cont).

(viii) Financial Instruments

The Trust initially recognises financial instruments when the trust becomes a party to the contractual provisions of the instrument.

The Trust derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. The Trust derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

The Trust classifies all its financial assets as loans and receivables, which comprise mainly of cash and cash equivalents and receivables. Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market.

The Trust classifies all its financial liabilities at amortised cost.

Financial instruments are initially measured at fair value, plus directly attributable transaction costs.

Loans and receivables are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables are assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset than can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a counterparty, restructuring of an amount due to the Trust's on terms that the Trust would not consider otherwise, indications that a counterparty or issuer will enter bankruptcy, adverse changes in the payment status of borrowers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

The Trust considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment the Trust uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash held in bank accounts that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value with maturities of three months or less.

Accrued Interest

Accrued interest comprises the interest earned but not yet received on bank accounts. Accrued interest is recorded separately to the underlying bank accounts on the Statement of Financial Position.

Receivables

Receivables are initially measured at fair value and subsequently measured at amortised cost using the effective interest method and are stated at their expected realisable value after providing for doubtful debts. Receivables issued with duration of less than 12 months are recognised at their nominal value, unless the effect of discounting is material. Allowances for estimated irrecoverable amounts are recognised when there is objective evidence that the asset is impaired. Impairment losses are recognised in surplus or deficit.

Payables

Payables are recognised when the Trust becomes obliged to make future payments resulting from the purchase of goods and services.

(ix) Comparatives

Comparative figures represent the 12 month period ended 31 March 2015. Comparative information has been reclassified, where necessary, to achieve consistency in disclosure with the current year.

(x) Changes in Accounting Policies

There have been no changes in accounting policy during this year.

**FORESTRY EMISSION UNIT TRUST - NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

2 ADMINISTRATIVE EXPENDITURE

Incorporated within surplus or deficit are the following operating expenditures:

Administrative Expenditure:	2016	2015
	\$	\$
Administrative and Office Support	79,864	80,755
Amortisation	-	1,978
Audit Fees	7,000	10,500
Technical Advice	-	16,860
Trustee Fees	31,500	31,500
Trustee Travel and Meeting Costs	3,183	3,053
Other	-	338
	<u>121,547</u>	<u>144,984</u>

3 RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO NET SURPLUS

	2016	2015
	\$	\$
NET SURPLUS FOR THE PERIOD	<u>23,579</u>	<u>15,950</u>
Items Not Involving Cash		
Amortisation Expense	-	1,978
Deferred Tax	1,833	(2,806)
Impact of Changes in Working Capital		
Movement in Trade and Other Payables	(704)	6,861
Movement in GST Payable	20,194	(856)
Movement in Income Tax Payable	(6,402)	6,625
Net Cash Flow from Operating Activities	<u>38,500</u>	<u>27,752</u>

4 TAXATION

	2016	2015
	\$	\$
Income Tax Recognised in Revenue and Expense		
Current tax	10,078	18,991
Deferred tax	1,650	(2,806)
Deferred tax prior period adjustment	183	-
	<u>11,911</u>	<u>16,185</u>
Reconciliation of Effective Tax Rate		
Surplus before tax	35,490	32,135
Income tax using the Trust tax rate (33%)	<u>11,712</u>	<u>10,605</u>
Adjustments		
Non-assessable income	-	-
Non-deductible expenses	16	5,580
Prior period adjustment	183	-
Income tax expense	<u>11,911</u>	<u>16,185</u>
Current Tax		
Opening balance	7,275	650
Income tax expense	10,078	18,991
Tax Paid	(16,480)	(12,366)
Closing balance	<u>873</u>	<u>7,275</u>
Deferred Tax		
Opening Balance	(4,143)	(1,337)
Deferred tax expense	1,650	(2,806)
Prior period adjustment	183	-
Closing Balance	<u>(2,310)</u>	<u>(4,143)</u>

**FORESTRY EMISSION UNIT TRUST - NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

5 INTANGIBLE ASSETS - NZ UNITS

	2016	2015
	\$	\$
Cost at Beginning of Year	13,713,225	18,730,055
Adjustment	-	(557,921)
Transfers Out - 11 July 2014	-	(586,213)
Transfers Out - 29 August 2014	-	(3,050,023)
Transfers Out - 4 December 2014	-	(787,305)
Transfers Out - 26 March 2015	-	(35,368)
Transfers Out - 19 February 2016	(88,040)	-
Cost at End of Year	<u>13,625,185</u>	<u>13,713,225</u>
Accumulated Impairment at Beginning of Year	2,938,297	6,631,409
Disposed NZUs	-	-
Impairment/(Impairment Reversal)	(2,913,344)	(3,693,112)
Accumulated Impairment/(Revaluation) at End of Year	<u>24,953</u>	<u>2,938,297</u>
Carrying Value	<u>13,600,232</u>	<u>10,774,928</u>
Current	5,371,836	2,560,008
Non-current	<u>8,228,396</u>	<u>8,214,920</u>
	<u>13,600,232</u>	<u>10,774,928</u>

NZ Units are emissions units used in New Zealand to comply with the emissions trading scheme. Each NZ Unit represents one metric tonne of carbon dioxide, or the equivalent of any other greenhouse gas.

6 TRUSTEE FEES AND KEY MANAGEMENT PERSONNEL

	2016	2015
	\$	\$
Trusteeship/Governance	<u>31,500</u>	<u>31,500</u>

The Trustee fees are determined by the Minister for the Environment. The fees for the first year for the Chairperson are set at an annual maximum of \$9,000, with other Trustees capped to an annual maximum of \$4,500.

The Trustees attend regular meetings during the period to deal with governance issues of the Trust.

Fees received by Trustees	2016	2015
	\$	\$
Ms Angela Foulkes (Chairperson)	<u>9,000</u>	<u>9,000</u>
Mr Paul Majurey (appointed 1 January 2015)	4,500	1,125
Hon Sir Taihākurei (Edward) Durie	4,500	4,500
Mr Alan Haronga (term ended 31 December 2014)	-	3,375
Mr Alexander (John) Wilson	4,500	4,500
Mr C Maanu Paul (term ended 31 December 2014)	-	3,375
Ms Hinerangi Raumati-Tu'ua (appointed 1 January 2015)	4,500	1,125
Mr Rakihia Tau	<u>4,500</u>	<u>4,500</u>
	<u>31,500</u>	<u>31,500</u>

Key Management Personnel

The Trust maintains an active register which records potential conflicts of interest whereby both the Secretary and Trustees are required to disclose any interests associated with their Iwi group or affiliations.

**FORESTRY EMISSION UNIT TRUST - NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

7 RELATED PARTY TRANSACTIONS

Trustee Affiliations	Role	2016 \$	Provision for
All trustees	Trustees of Crown Forestry Rental Trust	60,000	Administration Services
Ministry for the Environment	Minister is the appointor of trustees	157,033	Grant Income

Trustee Affiliations	Role	2015 \$	Provision for
All trustees	Trustees of Crown Forestry Rental Trust	63,000	Administration Services
Ministry for the Environment	Minister is the appointor of trustees	177,000	Grant Income

All trustees of the Trust are also trustees of Crown Forestry Rental Trust which received \$60,000 during the period to 31 March 2016 (2015: \$63,000) for the provision of administration and secretarial services.

The Minister for Climate Change has the power to appoint and remove trustees of the Trust. The Minister for Climate Change is also the Minister for the Environment. The Ministry for the Environment provided \$157,033 in Grant Income to the Trust during the period to 31 March 2016 (2015: \$177,000).

A number of Trustees have affiliations to certain Iwi that may receive NZ Units from the Trust. As noted in Note 6 the Trust maintains an active register which records potential conflicts of interest and Trustees are required to disclose such potential interests at Board meetings in order to reduce risks surrounding their association with their Iwi group.

8 CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2016 (2015: Nil).

9 COMMITMENTS

The Trust has no capital commitments at 31 March 2016 (2015: Nil).

**FORESTRY EMISSION UNIT TRUST - NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

10 DEEDS OF SETTLEMENT

Ngāti Mākino

On 2 April 2011, the Crown and Ngāti Mākino signed a Deed of Settlement. The Ngāti Mākino Claims Settlement Act 2012 gives effect to the settlement and came into force on 1 August 2012. Accumulated rentals associated with Rotoehu West Crown Forest Licensed Land were transferred to Ngāti Mākino Iwi Authority on 29 August 2012.

The impact of the settlement is that as soon as reasonably practicable after the Rotoehu West CFL land has been transferred to Ngāti Mākino Iwi Authority, the Forestry Emission Unit Trust (FEUT) must determine the number of eligible New Zealand Units (NZUs) and transfer the NZUs to Ngāti Mākino Iwi Authority, once FEUT has been advised of their NZ Emission Unit Register Holding Account.

As at 31 March 2016, 41,742 NZUs are held in Trust for Ngāti Mākino Iwi Authority.

Ngāti Whātua o Kaipara

On 9 September 2011, the Crown and Ngāti Whātua o Kaipara signed a Deed of Settlement. The Ngāti Whātua o Kaipara Claims Settlement Act 2013 gives effect to the settlement and came into force on 13 June 2013. The settlement provided for the transfer of part Woodhill Crown Forest Licensed Land at settlement date and an election to purchase Unit 5 of Riverhead Crown Forest Licensed Land and associated accumulated rentals to the Confirmed Beneficiary (Ngā Maunga Whakahii o Kaipara Development Trust) at a later settlement date.

Accumulated rentals associated with part Woodhill CFL land were transferred to Ngā Maunga Whakahii o Kaipara Development Trust on 11 July 2013. On 17 December 2013, Ngāti Whātua o Kaipara issued a 'Notice Electing to Purchase' Unit 5 of Riverhead CFL pursuant to their Deed of Settlement. Accumulated rentals associated with Unit 5 Riverhead CFL land were transferred to Ngā Maunga Whakahii o Kaipara Development Trust on 5 February 2014.

The impact of the Ngāti Whātua o Kaipara settlement is that as soon as reasonably practicable after part Woodhill CFL land and Unit 5 Riverhead CFL land has been transferred to Ngā Maunga Whakahii o Kaipara Development Trust, the Forestry Emission Unit Trust (FEUT) must determine the number of eligible New Zealand Units (NZUs) and transfer the NZUs to Ngā Maunga Whakahii o Kaipara Development Trust, once FEUT has been advised of their NZ Emission Unit Register Holding Account.

As at 31 March 2016, 191,952 NZUs for part Woodhill CFL land and 9,430 NZUs for Unit 5 Riverhead CFL are held in Trust for Ngā Maunga Whakahii o Kaipara Development Trust.

Te Kawerau ā Maki

On 22 February 2014, the Crown and Te Kawerau ā Maki signed a Deed of Settlement. The Te Kawerau ā Maki Claims Settlement Act came into force on 15 September 2015. Accumulated rentals associated with Riverhead Crown Forest Licensed Land were transferred to the Confirmed Beneficiary (Te Kawerau Iwi Settlement Trust) on 11 November 2015.

The impact of the settlement is that as soon as reasonably practicable after the Riverhead CFL land has been transferred to Te Kawerau Iwi Settlement Trust, the Forestry Emission Unit Trust (FEUT) must determine the number of eligible New Zealand Units (NZUs) and transfer the NZUs to Te Kawerau Iwi Settlement Trust. The transfer of NZUs will occur once FEUT has been advised of the owner's NZ Emission Unit Register Holding Account.

As at 31 March 2016, 58,124 NZUs are held in Trust for Te Kawerau Iwi Settlement Trust.

Maungaharuru-Tangitū Hapū

On 25 May 2013, the Crown and Maungaharuru-Tangitū signed a Deed of Settlement. The Maungaharuru-Tangitū Hapū Claims Settlement Act 2014 gives effect to the settlement and came into force on 17 April 2014. Accumulated rentals associated with eastern part of Esk Crown Forest Licensed Land were transferred to the Confirmed Beneficiary (Maungaharuru-Tangitū Hapu Trust) on 20 May 2014.

The impact of the settlement is that as soon as reasonably practicable after the eastern part of Esk CFL land has been transferred to Maungaharuru-Tangitū Hapu Trust, the Forestry Emission Unit Trust (FEUT) must determine the number of eligible New Zealand Units (NZUs) and transfer the NZUs to Maungaharuru-Tangitū Hapu Trust, once FEUT has been advised of their NZ Emission Unit Register Holding Account.

As at 31 March 2016, 50,625 NZUs are held in Trust for Maungaharuru-Tangitū Hapu Trust .

**FORESTRY EMISSION UNIT TRUST - NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

10 DEEDS OF SETTLEMENT (cont.)

Ngāti Tama ki Te Waipounamu

On 20 April 2013, the Crown and Ngāti Tama ki Te Tau Ihu signed a Deed of Settlement. The Ngāti Kōata, Ngāti Rārua, Ngāti Tama ki Te Tau Ihu, and Te Ātiawa o Te Waka-a-Māui Claims Settlement Act 2014 gives effect to the settlement and came into force on 23 April 2014.

Accumulated rentals associated with certain Te Tau Ihu Crown Forest Licensed Land (Golden Bay Forest, Golden Downs West 12A and 12C Forest, Rai 6 Forest) were transferred to the Confirmed Beneficiary (Ngāti Tama ki Te Waipounamu Trust) on 1 August 2014.

The impact of the settlement is that as soon as reasonably practicable after the relevant Te Tau Ihu CFL land has been transferred to the owner and Confirmed Beneficiary, the Forestry Emission Unit Trust (FEUT) must determine the number of eligible New Zealand Units (NZUs) and transfer the NZUs to Ngāti Tama ki Te Waipounamu Trust, once FEUT has been advised of their NZ Emission Unit Register Holding Account.

As at 31 March 2016, 98,774 NZUs are held in Trust for Ngāti Tama ki Te Waipounamu Trust.

Te Ātiawa o Te Waka-a-Māui

On 21 December 2012, the Crown and Te Ātiawa o Te Waka-a-Māui signed a Deed of Settlement. The Ngāti Kōata, Ngāti Rārua, Ngāti Tama ki Te Tau Ihu, and Te Ātiawa o Te Waka-a-Māui Claims Settlement Act 2014 gives effect to these settlements and came into force on 23 April 2014.

Accumulated rentals associated with certain Te Tau Ihu Crown Forest Licensed Land (Golden Downs West 14 Forest, Rai 5 Forest, and part Queen Charlotte Forest) were transferred to the Confirmed Beneficiary (Te Ātiawa o Te Waka-a-Māui Trust) on 1 August 2014.

The impact of the settlement is that as soon as reasonably practicable after the relevant Te Tau Ihu CFL land has been transferred to the owner and Confirmed Beneficiary, the Forestry Emission Unit Trust (FEUT) must determine the number of eligible New Zealand Units (NZUs) and transfer the NZUs to Te Ātiawa o Te Waka-a-Māui Trust, once FEUT has been advised of their NZ Emission Unit Register Holding Account.

As at 31 March 2016, 97,186 NZUs are held in Trust for Te Ātiawa o Te Waka-a-Māui Trust.

Ngāti Tama ki Te Waipounamu and Te Ātiawa o Te Waka-a-Māui Jointly

On 21 December 2012, the Crown and Te Ātiawa o Te Waka-a-Māui signed a Deed of Settlement. On 20 April 2013, the Crown and Ngāti Tama ki Te Tau Ihu signed a Deed of Settlement. The Ngāti Kōata, Ngāti Rārua, Ngāti Tama ki Te Tau Ihu, and Te Ātiawa o Te Waka-a-Māui Claims Settlement Act 2014 gives effect to these settlements and came into force on 23 April 2014. Accumulated rentals associated with certain Te Tau Ihu Crown Forest Licensed Land (Golden Downs West 11 Forest, Motueka 15 Forest) were transferred to the two joint owners and Confirmed Beneficiaries (Ngāti Tama ki Te Waipounamu Trust and Te Ātiawa o Te Waka-a-Māui Trust) on 1 August 2014.

The impact of the settlement is that as soon as reasonably practicable after the relevant Te Tau Ihu CFL land has been transferred to the two joint owners, the Forestry Emission Unit Trust (FEUT) must determine the number of eligible New Zealand Units (NZUs) and transfer the NZUs to Ngāti Tama ki Te Waipounamu Trust and Te Ātiawa o Te Waka-a-Māui Trust, once FEUT has been advised of their joint NZ Emission Unit Register Holding Account.

As at 31 March 2016, 118,398 NZUs are held in Trust for Ngāti Tama ki Te Waipounamu Trust and Te Ātiawa o Te Waka-a-Māui Trust.

Ngāti Rārua and Te Ātiawa o Te Waka-a-Māui and Ngāti Tama ki Te Waipounamu Jointly

On 13 April 2013, the Crown and Ngāti Rārua signed a Deed of Settlement. On 21 December 2012, the Crown and Te Ātiawa o Te Waka-a-Māui signed a Deed of Settlement. On 20 April 2013, the Crown and Ngāti Tama ki Te Tau Ihu signed a Deed of Settlement.

Legislation to give effect to the settlement is expected to come into force on 23 April 2014. The Ngāti Kōata, Ngāti Rārua, Ngāti Tama ki Te Tau Ihu, and Te Ātiawa o Te Waka-a-Māui Claims Settlement Act 2014 gives effect to the settlements and came into force on 23 April 2014.

Accumulated rentals associated with certain Te Tau Ihu Crown Forest Licensed Land (Motueka 16 and 17 Forest) were transferred to the three joint owners and Confirmed Beneficiaries (Ngāti Rārua Settlement Trust, Te Ātiawa o Te Waka-a-Māui Trust and Ngāti Tama ki Te Waipounamu Trust) on 1 August 2014.

The impact of the settlement is that as soon as reasonably practicable after the relevant Te Tau Ihu CFL land has been transferred to the three joint owners, the Forestry Emission Unit Trust (FEUT) must determine the number of eligible New Zealand Units (NZUs) and transfer the NZUs to Ngāti Rārua Settlement Trust, Te Ātiawa o Te Waka-a-Māui Trust and Ngāti Tama ki Te Waipounamu Trust, once FEUT has been advised of their joint NZ Emission Unit Register Holding Account.

**FORESTRY EMISSION UNIT TRUST - NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

10 DEEDS OF SETTLEMENT (cont.)

As at 31 March 2016, 19,046 NZUs are held in Trust for Ngāti Rārua Settlement Trust, Te Atiawa o Te Waka-a-Maui Trust and Ngāti Tama ki Te Waipounamu Trust.

Te Aupouri

On 28 January 2012, the Crown and Te Aupouri signed a Deed of Settlement and a deed to amend on 14 December 2013. Te Aupouri Claims Settlement Act 2015 gives effect to the Deed of Settlement and came into force on 23 September 2015.

The settlement provided for certain Aupouri Crown Forest Licensed Land (Waiparariki) to be transferred to the owner and Confirmed Beneficiary of accumulated rentals (Te Rūnanga Nui o Te Aupouri) on 17 December 2015.

The impact of the settlement is that as soon as reasonably practicable after the relevant Aupouri CFL land has been transferred to the owner, the Forestry Emission Unit Trust (FEUT) must determine the number of eligible New Zealand Units (NZUs) and transfer the NZUs to Te Rūnanga Nui o Te Aupouri. The transfer of NZUs will occur once FEUT has been advised of the owner's NZ Emission Unit Register Holding Account.

As at 31 March 2016, 819 NZUs are held in Trust for Te Rūnanga Nui o Te Aupouri.

Te Rarawa, Te Aupouri, Ngāi Takoto, Ngāti Kuri Jointly

The Crown has signed Deeds of Settlement with four Te Hiku iwi:

- (a) On 28 October 2012, the Crown and Te Rarawa signed a Deed of Settlement and a deed to amend on 12 March 2014;
- (b) On 28 January 2012, the Crown and Te Aupouri signed a Deed of Settlement and a deed to amend on 14 December 2013;
- (c) On 27 October 2012, the Crown and Ngāi Takoto signed a Deed of Settlement and a deed to amend on 6 February 2014; and
- (d) On 7 February 2014, the Crown and Ngāti Kuri signed a Deed of Settlement.

Five Settlement Acts came into force on 23 September 2015 and give effect to the above four Deeds of Settlement, and provide for a future Deed of Settlement with Ngāti Kahu:

- (a) Te Rarawa Claims Settlement Act 2015;
- (b) Te Aupouri Claims Settlement Act 2015;
- (c) Ngāi Takoto Claims Settlement Act 2015;
- (d) Ngāti Kuri Claims Settlement Act 2015; and
- (e) Ngāti Kahu Accumulated Rentals Trust Act 2015.

Accumulated rentals associated with Aupouri Crown Forest Licensed Land were transferred to the following Confirmed Beneficiaries on 17 December 2015:

- (a) Te Rūnanga o Te Rarawa;
- (b) Te Rūnanga Nui o Te Aupouri;
- (c) Te Rūnanga of Ngāi Takoto;
- (d) Te Manawa o Ngāti Kuri; and
- (e) Ngāti Kahu Accumulated Rentals Trust.

The settlements provided for certain Aupouri Crown Forest Licensed Land (Peninsular Block) to be transferred to four joint owners and Confirmed Beneficiaries of accumulated rentals (Te Rūnanga o Te Rarawa, Te Rūnanga Nui o Te Aupouri, Te Rūnanga of Ngāi Takoto, and Te Manawa o Ngāti Kuri) on 17 December 2015.

The impact of the settlements is that as soon as reasonably practicable after the relevant Aupouri CFL land has been transferred, the Forestry Emission Unit Trust (FEUT) must determine the number of eligible New Zealand Units (NZUs) and transfer the NZUs to Te Rūnanga o Te Rarawa, Te Rūnanga Nui o Te Aupouri, Te Rūnanga of Ngāi Takoto, and Te Manawa o Ngāti Kuri. The transfer of NZUs will occur once FEUT has been advised of the joint owners' NZ Emission Unit Register Holding Account.

As at 31 March 2016 352,470 NZUs are held in Trust for Te Rūnanga o Te Rarawa, Te Rūnanga Nui o Te Aupouri, Te Rūnanga of Ngāi Takoto, and Te Manawa o Ngāti Kuri.

**FORESTRY EMISSION UNIT TRUST - NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016**

11 TRANSITION TO PBE STANDARDS (RDR)

The impacts of adopting PBE Standards (RDR) on the total equity and profit after tax as reported under previous NZ IFRS (Differential Reporting) are illustrated below.

Reconciliation of 2015 Closing Equity to 2016 Closing Equity

	2016
	\$
Total Equity Under Previous NZ IFRS (Differential Reporting) as at 31 March 2015	80,331
Deferred Tax - Adjusted in Opening Equity	4,143
Total Comprehensive Revenue and Expense for the year ended 31 March 2016	<u>23,579</u>
Total Equity Under PBE Standards (RDR)	<u>108,053</u>

Reconciliation of Total Equity as Presented Under Previous NZ IFRS (Differential Reporting) to that Under PBE Standards (RDR)

	Note	2015	2014
		\$	\$
Total Equity Under Previous NZ GAAP		80,331	67,187
Deferred Tax	A	<u>4,143</u>	<u>1,337</u>
Total Equity Under NZ IFRS (RDR)		<u>84,474</u>	<u>68,524</u>

Reconciliation of Net Profit After Tax as Presented Under Previous NZ IFRS (Differential Reporting) to that Under PBE Standards (RDR)

	Note	2015
		\$
Prior Period Net Profit After Tax Under Previous NZ GAAP		13,144
Deferred Tax	A	<u>2,806</u>
Prior Period Net Profit After Tax Under NZ IFRS (RDR)		<u>15,950</u>

Notes:

(A) Previously the Group applied the taxes payable method for income tax as allowed under previous NZ IFRS (Differential Reporting). Under PBE Standards (RDR) deferred tax must be accounted for. Deferred tax has been recognised on timing differences.

FORESTRY EMISSION UNIT TRUST - NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

12 NZ UNITS HELD IN TRUST TO 31 MARCH 2016

	Forest No.	Opening Balance Units	Current Period Disbursed Units	Closing Balance Units	Total held in Trust \$
Northland					
Aupouri*	1	373,068	(7,896)	365,172	1,917,200
Otagaroa	2	49,356	-	49,356	219,141
Waitangi	3	36,162	-	36,162	160,560
Glenbervie	4	130,176	-	130,176	577,981
Auckland					
Woodhill *	7	192,546	-	192,546	1,034,935
Riverhead *	8	67,554	-	67,554	299,939
Maramarua	11	94,284	-	94,284	506,777
Whangapoua	12	154,890	-	154,890	687,712
Kauaeranga	13	5,220	-	5,220	22,423
Waihou	14	27,486	-	27,486	122,038
Tairua	15	189,558	-	189,558	1,018,875
Athenree	16	17,568	-	17,568	94,428
Whangamata	60	4,572	-	4,572	24,575
Central North Island					
Rotoehu *	17	41,742	-	41,742	185,334
Pirongia	24	4,914	-	4,914	26,413
Tawarau	25	24,264	-	24,264	130,419
Mangaokewa	26	13,590	-	13,590	73,047
Pureora North	27	16,178	-	16,178	40,883
East Coast					
Mangatu	34	202,716	-	202,716	900,059
Patunamu	36	70,632	-	70,632	313,606
Hawkes Bay					
Esk *	38	113,364	-	113,364	503,336
Kaweka	39	122,364	-	122,364	543,296
Gwavas	40	123,048	-	123,048	546,333

FORESTRY EMISSION UNIT TRUST - NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2016

12 NZ UNITS HELD IN TRUST TO 31 MARCH 2016 (cont.)

	Forest No.	Opening Balance Units	Disbursed Units	Closing Balance Units	Total held in Trust \$
Southern North Island					
Erua	41	1,512	-	1,512	8,127
Karioi	42	174,582	-	174,582	352,752
Te Wera	43	58,428	-	58,428	259,421
Lismore Hill*	44	84,186	-	84,186	120,516
Lismore Sand*	45	17,064	-	17,064	96,222
Santoft	46	24,696	-	24,696	186,504
Tangimoana	47	14,724	-	14,724	79,142
Waitarere	48	36,126	-	36,126	160,400
Manakau	49	5,292	-	5,292	28,445
Ngaumu	51	223,884	-	223,884	994,045
Nelson					
Golden Bay *	52	5,868	-	5,868	31,540
Motueka *	53	65,203	-	65,203	298,428
Golden Downs West *	54	103,895	-	103,895	235,842
Rai *	56	144,270	-	144,270	775,452
Queen Charlotte *	58	14,168	-	14,168	24,086
Total NZ Units Held in Trust		3,049,150	(7,896)	3,041,254	13,600,232

* Forests or part of forests expected to be settled in the following financial year.

The NZ Units held in trust in relation to these forests are recognised as a current liability.

	2016 \$	2015 \$
Current/Non Current Split of NZ Units Held		
Current	5,371,836	2,560,008
Non Current	8,228,396	8,214,920
	13,600,232	10,774,928

**INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF
FORESTRY EMISSION UNIT TRUST**

Report on the Financial Statements

We have audited the accompanying financial statements of Forestry Emission Unit Trust on pages 2 to 18, which comprise the statement of financial position as at 31 March 2016, and the statement of financial position, statement of comprehensive revenue and expense, statement of net assets/equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Trustees' Responsibility for the Financial Statements

The Trustees are responsible on behalf of the entity for the preparation and fair presentation of these financial statements, in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements on pages 2 to 18 present fairly, in all material respects, the financial position of Forestry Emissions Unit Trust as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.



Chartered Accountants
21 July 2016
Wellington, New Zealand

FORESTRY EMISSION UNIT TRUST

Directory

TRUSTEES

Angela Foulkes (Chairperson)

Rakihia Tau

Paul Majurey

Hon Sir Taihākurei (Edward) Durie

Hinerangi Raumati-Tu'ua

John Wilson

TRUST SECRETARY

Darrin Sykes

FORESTRY EMISSION UNIT TRUST

Level 9

16 Willis Street

P O Box 2219

Wellington

NEW ZEALAND

Toll Free: 0800 CFRT CFRT

0800 2378 2378

Email: contact@feut.org.nz

Website: www.feut.org.nz