

CROWN FORESTRY RENTAL TRUST



REPORT TO APPOINTORS
2005 – 2006

CROWN FORESTRY RENTAL TRUST TRUSTEES



SIR GRAHAM LATIMER



MS JANET MASON



MR GREGORY FORTUIN



MR PAUL MORGAN



MS ANGELA FOULKES



MR KINGI SMILER

Always step forward with an

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understanding

of where you are going and why you are going there.

Report

from Trustees

Kia hiwa ra, kia hiwa ra
te tangi a te manu nei, kuui, kuui, kuui
tui, tui tuituia
tuia i runga, tuia i raro, tuia i roto, tuia i waho
ka rongo te po, ka rongo te ao
i te pu korero i te wananga
puawhio-rangi, putakataka, te marama ahunuku
te marama
ahurangi ka takoto koutou i te wa-o-tu
tu te winiwini, tu te wanawana, tu te whakaputaina
ki te whei ao
ka tu numia, ka tu rawea,
ka whakaotinuku
ka whakaotirangi
ko to manawa, ko taku manawa, ka irihia
whano, whano, whano mai te toki
haumi ee, hui ee, taiki ee.

We are pleased to present the Annual Report of Crown Forestry Rental Trust to our Appointors – the New Zealand Maori Council, the Federation of Maori Authorities and the Minister of Finance. This report covers the financial statements and activities of Crown Forestry Rental Trust (the Trust) for the period 1 April 2005 to 31 March 2006.

Over the last twelve months the Trust has worked with claimants to ensure they receive the funding support they need to progress their claims involving Crown forest licensed land.

The level of funding that the Trust provides has not always matched claimant expectations. Hence we have had to make some difficult funding



We are confident CFRT has put in place systems to deliver appropriate assistance to eligible groups in the future.

decisions at times. We believe, however, that the Trust is more responsive to claimants' needs today than ever before.

We were sorry to receive the resignation of Maryan Street following her election to Parliament in September 2005. Maryan was appointed as a Crown Trustee in August 2001 and during her time she was instrumental in guiding the direction and policies for how the Trust supported claimants with interests in Crown forest licensed land. Maryan's departure has been felt by all Trustees.

We welcome the appointment of Janet Mason as the new Crown Trustee. We look forward to working with her over the next three years.

In the first three months of this financial year, two claimant groups received accumulated rentals totalling \$18.6 million as part of their respective compensation packages negotiated with the Crown. In April 2005, the Trust transferred \$16.7 million of accumulated rentals on 9400 hectares of Crown forest licensed land in the Central North Island received by Te Runanga o Ngati Awa as part of its settlement package with the Crown. In June 2005, Te Runanga o Tuwharetoa ki Kawerau received \$1.9 million accumulated rentals from the Trust for their interests in 844 hectares of Rotoehu West forest land.

While these settlements are welcome progress we do not foresee any settlements involving Crown forest licensed land in the next two to three years. That is disappointing to us. For some time now we have indicated the need for quicker settlements and that something needs to be done to reduce the time to achieve Treaty settlements.

We are heartened by the Government's initiative to review the settlement processes and how they may be streamlined to reduce the time taken to settle Treaty claims. We welcome this initiative and are keen to be involved in this review. Meanwhile we have also identified some key issues and impediments to claimants reaching settlements of claims in general and Crown forest licensed land in particular. These are presented below.

Achieving Mandate

The Trust Deed requires us to support (within funding policy) claimant groups with interests in Crown forest licensed land through the Treaty Settlement process. In order to enter settlement negotiations with the Crown, claimants within a district must organise themselves into a Large Natural Group (a mandated body). They then need to have their mandating plan recognised by the Crown before they proceed to seek mandate from their claimant constituents to negotiate on their behalf.

The Trust is concerned by the trend over recent years in the increase in the number of Large Natural Groups recognised by the Crown within a Waitangi Tribunal district. Some of these groups have emerged as offshoots from former larger mandated groups.

The Trust is concerned about this trend for a number of reasons. Firstly, many of these groups are small and may not have the level of expertise in negotiation or leadership capabilities to engage effectively with the Crown. Secondly, the Crown has a finite number of experienced negotiating teams available to engage in Treaty negotiations.



The settlement process requires Maori to think and act collectively. Individuals are required to forego their personal interests for the good of the entire tribe.

Additional groups will need to wait in the queue to engage with the Crown with a consequential delay in commencing settlement negotiations. Thirdly, the costs to negotiate settlements are consistent regardless of the size of the mandated group. At \$1-1.5 million to support each Crown-recognised mandated group through settlement negotiations (ie. from achieving the mandate to negotiate with the Crown to ratification of its Deed of Settlement), the escalation of the number of mandated groups may have a significant impact on our ability to support and fund groups in future years. In some cases the funding provided by the Trust to mandated claimant groups in these districts will exceed the accumulated rentals held by the Trust for the forests under claim.

The way to manage this, we see, is for the Crown to advise claimants up front on how many Large Natural Groups they will deal with in any given district and to give advance notice to the Trust of how many groups with whom they will engage. This will reduce the costs and time of negotiation to both the Crown and claimants.

Resource requirements

The Trust's forward plan over the next year forecasts that it will be supporting 29 groups through settlement negotiations and 19 claimant clusters through Waitangi Tribunal hearings.

We consider the settlement negotiations are very process-orientated and as a consequence very time consuming and expensive for claimants to be able to engage and participate effectively. The Trust has allocated considerable funding to support claimants through negotiations. There are high expectations of claimants that the Crown

negotiators will be able to engage with them as they have said they would to achieve the above goals.

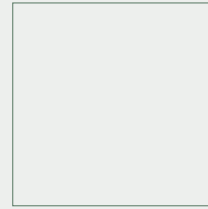
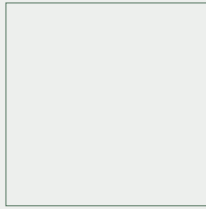
The Trust has budgeted \$5 million to fund claimants engaged in the negotiations process over the coming year. We estimate funding requirements to support claimants in settlement negotiations with the Crown to increase to \$7-9 million each year over the next two to three years. This projection is based on the assumption that more groups will be moving from receiving Crown-recognition of their respective Deeds of Mandate through to the more intensive (and expensive) negotiations processes.

Trustees are concerned that the Crown may not have the staff to engage effectively with all these claimant groups at this time. The resource requirements are further exacerbated by the increase in individual groups wanting to settle their claims directly with the Crown.

Expansion of Waitangi Tribunal Inquiries

We are becoming increasingly concerned with the way the Waitangi Tribunal hearings expand both in hearing timeframes and the number of claimants that wish to be heard at these inquiries. Using the National Park Inquiry District as an example; we were informed that four weeks of hearings for National Park were initially scheduled and that the hearings would be concluded by March 2006. The number of hearing weeks has now been increased to nine weeks, the last of which is scheduled to conclude in November 2006.

Waitangi Tribunal hearings are costly exercises which must be carefully planned and managed as they have a direct financial implication for all concerned.



Another aspect of the Waitangi Tribunal process which is of concern to us and claimants is the length of time between the completion of hearings and the release of the Tribunal's report. Claimants are reluctant to enter negotiations with the Crown until the report is released which is typically two to three years after hearings are completed. We appreciate inquiries are complex but would like to see the Waitangi Tribunal consider ways it could undertake report writing more quickly.

Achieving durable Settlements more quickly

The Trust has funded three claimant groups to settlement since 2000. They are Te Uri o Hau in 2003, Te Runanga o Ngati Awa in April 2005 and Te Runanga o Tuwharetoa ki Kawerau in June 2005. This is very slow progress.

Furthermore, prospects of further settlements involving Crown forest licensed land and the hand-over of accumulated rentals from these forests are unlikely until late 2008. This is based on a forecast of two claimant groups ratifying their respective Deed of Settlement by the end of 2006 and of these settlements being passed into legislation within two years.

The settlement process could be materially improved by developing sensible and robust solutions in a number of areas. In particular, we believe the process could be improved by:

- Having a clear explanation of what constitutes a mandating plan and the process required to become a Crown-recognised mandated body.
- Giving claimant groups the certainty that the Waitangi Tribunal or the Office of Treaty Settlements can deal with them when they are ready to proceed.
- More timely preparation and release of Waitangi Tribunal reports to claimants.
- Involving Ministers in key points of negotiations thereby demonstrating the Crown's commitment to achieving an early settlement.
- Claimant groups having the requisite leadership, organisation and skills required to negotiate and settle claims.
- Providing more information about how the Crown conducts its settlement negotiations so claimant groups can prepare for the process before they commence negotiations rather than learning as they go.
- Providing claimant groups early in their negotiations with the Crown with benchmarks of Treaty settlement redress packages for particular aspects of a claim.
- Giving priority to the passage of Treaty Settlement Bills.

Progress towards the settlement of claims ultimately depends on the quality of the people leading the claimant group and the Crown negotiating team. Thus, while the Trust is ready to play its part by providing funding assistance to claimants, it cannot speed up the overall settlement process. This is something that only the Crown and Maori can do.

Nevertheless the Trust has a duty to the claimants we support to review settlement progress and look at ways that settlements could be accelerated. In the coming year we will be looking at how we can expedite the settlements of specific claims against Crown forest licensed land. In the meantime we will continue to support eligible claimants through the current Crown settlement framework.



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Report

from the Chief Executive

It has been an important and successful year for Crown Forestry Rental Trust (the Trust) – the first complete year that the Trust has operated under its new business planning environment. In 2004 we transformed the Trust into a smaller and more focussed organisation.

We acknowledge the contribution of all Trust staff in their efforts over the year. Without their commitment and professionalism the Trust would never be able to provide the support to claimants to engage in the Treaty settlement process effectively.

During 2005 we focussed on fine-tuning the way the Trust delivers funding support to claimants and how that assistance is communicated. The Trust recently published a comprehensive booklet explaining its funding policies and criteria for claimant assistance and research services. This has proved to be a valuable source of information which underpins the advice provided by Trust staff to claimants.

We have now published and distributed the Trust's Business Plan for the year ending 31 March 2007. The Business Plan sets out the goals and activities to be undertaken by eligible claimant groups to progress the settlement of claims involving Crown forest licensed land.

The next three to four years are projected to be very busy for the Trust. While the Trust can supply eligible and organised claimant groups with funding to prepare for and engage in the process of settling their claims, claimants are also dependant upon the preparedness and resources



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of the Waitangi Tribunal and the Office of Treaty Settlements. These agencies are aware of this issue and they are looking at ways that they can build up staff experience to engage and negotiate with claimants.

Financial Performance

Income from investments and other sources of income for the year to 31 March 2006 was \$36.5 million which is up by \$10.2 million from the previous year. This significant increase is due to the settlement of disputed licence fees for the Central North Island Crown Licensed forests which earned the Trust \$3.6 million. Higher short term interest rates and investments through Repurchase Agreements, whereby banks repurchase some of the Trust's Government Securities for short periods, earned the Trust \$2.6 million. The increase in capital funds to invest provided a further \$4 million income to the Trust.

In the year to 31 March 2006, the Trust spent \$10 million on assistance to claimants including direct funding to claimant groups, research and mapping projects and facilitation costs. Approximately \$3.3 million was spent on the Trust's administration. This has resulted in \$23.2 million transferred to retained earnings and available to support claimants in future years.

Claimant expenditure for the year was much lower than originally forecast in the 2005/06 Business Plan. This reflects the difficulty the Crown sector agencies and claimant groups have

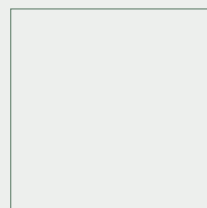
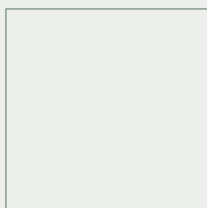
experienced in gaining momentum and traction in certain key areas.

This slower progress can be attributed to a number of factors including:

- Time lags between phases of the settlement negotiations can be many months. The Trust cannot contract a claimant group through the next stage of the settlement process until the Crown has formally signed off on the previous stage (eg. Deed of Mandate to Agreement-in-Principle).
- Claimants in some regions have taken some time to organise themselves into clusters in preparation of Waitangi Tribunal hearings or Large Natural Groups for settlement negotiations.
- Settlement negotiations are taking longer than anticipated in most regions.

On 31 March 2006 the total Forest Rental Proceeds held in trust totalled \$435 million. A further \$85.4 million is currently held as Retained Earnings which is available for funding claimant groups in future years.

Our investment strategy is based on maximising interest income whilst maintaining utmost protection of our capital funds. Over the last two years our investment focus has shifted from NZ Government Securities to short-term bank deposits (3 months or less). This has been due to the attractive cash rates compared to NZ Government Bond yields on offer.



The focus of the Trust remains with supporting eligible claimant groups through the Treaty settlement process. The Trust has strengthened its funding policies and benchmark costs which are now better aligned to claimant funding requirements. The Trust is anticipating an increase in its work load over the next two to three years and is prepared for this increased activity.

While the Trust is confident of its own resources, a note of caution should be sounded concerning the capacity within the sector as a whole. The lack of key skills within the Treaty sector can limit progress and sector agencies often compete for the same personnel. A comprehensive cross-sector settlement strategy is required in order to make the most effective use of the resources at our collective disposal for the benefit of all parties involved in the settlement process.

Progress of Claimants

Trust staff have worked with claimants to ensure that groups meet the Trust's eligibility and capability requirements and to develop their research requirements before they receive funding from the Trust. Staff are also working with a number of groups that feature lower down the Office of Treaty Settlements and Waitangi Tribunal work programmes to ensure that they are in a position to respond when the Crown is ready to engage with them.

It is pleasing, therefore, to report that Tainui Taranaki ki te Tonga and Tanenuiarangi Manawatu Incorporated (who a year ago were

not expected to be in a position to engage with the Office of Treaty Settlements) submitted their respective Deeds of Mandate earlier this year to the Office of Treaty Settlements for Crown recognition.

It is also heartening to see that Nga Kaihautu o Te Arawa has signed its Agreement-in-Principle with the Crown and is now aiming towards achieving a draft Deed of Settlement in September 2006. This is encouraging given the diversity of opinions of the iwi and hapu constituting this group. The Trust looks forward to further progress in Te Arawa.

The Trust is hopeful that a number of Muriwhenua iwi will finalise their respective draft Deeds of Settlement within the next six months.

A considerable body of research has been either completed or commissioned over the last six months in a number of districts. The Trust's largest research programme resides in Northland and covers five Waitangi Tribunal Inquiry Districts. The research covers the claims of eight claimant clusters representing approximately 165 individual claims. The Trust has worked hard to ensure high levels of claimant participation in the research programme through regular, publicly advertised claimant research hui and the establishment of Te Tai Tokerau Roopu Whakapiripiri (a group elected by claimants) who review technical research reports from a Northland Maori perspective and inform claimants of progress with the Northland research programme.

A number of Waitangi Tribunal hearings have been completed, namely Te Urewera and the Central North Island. National Park hearings commenced in February 2006. Supporting claimants through these hearings is a large and key part of the Trust's work and will continue to be so in the next two to three years.

Other claimant groups that the Trust supports are moving through the settlement process, as shown in the claimant summary in the next section. The Trust looks forward to reporting claimant progress at year end.

Conclusion

The Trust continues to play a lead role of coordination and integration of claimants within the Treaty settlement process. The Trust can (and does) provide claimant groups with advice and information on how the Waitangi Tribunal and the Office of Treaty Settlement processes work and the implications to claimant groups of choosing one path over another.

The Trust is committed to maintain staff and financial resources to deliver assistance to claimants when they are ready. It remains committed to supporting eligible and organised claimant groups by assisting them through the settlement process. Success, however, depends on the claimant groups and the Crown coming together to resolve their claims.



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Progress of Claimants

This year the Trust has established its funding priorities based on its assessment of the readiness of claimants in engaging in the process and the anticipated work programmes of the Waitangi Tribunal and the Office of Treaty Settlements.

Below is the summary of progress of the claimant groups which the Trust has funded over the last year.

Northland

This region contains over 165 Waitangi Tribunal claims spread over six different Waitangi Tribunal districts from Cape Reinga to Auckland. These districts include Muriwhenua (which completed the Waitangi Tribunal process in 1997), Whangaroa, Hokianga, Bay of Islands, Whangarei and Mahurangi & Gulf Islands.

Claimant groups began research in late 2004 and this is expected to be completed in 2007. The Northland Research Programme for the remaining five Northland Waitangi Tribunal Inquiry districts, approved by Trustees at their November 2004 meeting, is gathering momentum. Fifteen major research projects have been contracted and are expected to be completed over the next year. Te Tai Tokerau Roopu Whakapiripiri has met regularly to inform claimants of the research work underway and planned for Northland.

There were some initial objections to the work that the Trust is funding in Northland, in particular, the Northland Research Programme, Te Tai Tokerau Roopu Whakapiripiri, and choice of historians contracted to do the work. Trust staff have listened to claimant concerns and have taken steps to improve communication.



In 2004 the Waitangi Tribunal reported on its hearings into the raupatu and other land claims for the Tauranga Inquiry District prior to 1886.

The Waitangi Tribunal has convened two Judicial Conferences (December 2005 and March 2006) to discuss how the Northland claims should be heard. It was agreed that a Ngapuhi Design Group would be convened to develop a process by which all the claims in Ngapuhi-nui-Tonu would be heard. A further Judicial Conference is scheduled in Waitangi for late September 2006 to discuss and confirm how the hearings will proceed.

After a pause in settlement negotiations last year, the Trust is now hopeful that Te Aupouri will be in the position to initial its Deed of Settlement within the next few months. Te Aupouri negotiators are currently developing a post-settlement entity to receive and administer the settlement package. Hopefully both the settlement package and the governance body will be presented to Te Aupouri beneficiaries for ratification by December 2006.

Te Rarawa and Ngati Kahu are working towards their respective Agreements-in-Principle with the Office of Treaty Settlements. The Trust anticipates that both these claimant groups will have achieved this settlement milestone by the end of 2006.

Finally the Trust has been advised that Ngati Whatua, Ngati Kuri and Ngai Takoto are preparing their respective mandating plans which they hope to progress over the next year. The Trust anticipates that it will soon be approached by these groups for funding to help them through this process.

Tauranga

In 2004 the Waitangi Tribunal reported on its hearings into the raupatu and other land claims for the Tauranga Inquiry District prior to 1886. Ngai Te Rangi, Ngati Ranginui and Ngati Pukenga wish to have the remainder of their claims heard by the Waitangi Tribunal at the Tauranga Moana Stage 2 Inquiry before entering into settlement negotiations with the Crown. Ngati Hinerangi and the Hauraki Maori Trust Board will also be participating in the Tauranga Inquiry. The Trust has funded these claimant groups to prepare for and participate in the Stage 2 hearings. Four weeks of hearings are scheduled commencing at the end of May 2006.

Central North Island

Claimants from the Rotorua, Kaingaroa, Taupo, Urewera and National Park Inquiry districts are included in this section of the report. This region has by far the largest area of Crown forest licensed land and proportion of accumulated rentals held by the Trust.

Waitangi Tribunal hearings were completed for Te Urewera in June 2005. This has been a monumental task as reflected by the announcement that the Waitangi Tribunal report will take two years to complete. A new group, Te Kotahi a Tuhoe, has recently formed and is currently seeking support from Tuhoe whanui as the body to enter negotiations with the Crown. However, the most immediate task for Te Kotahi a Tuhoe is to secure agreement from the Office of Treaty Settlements for their mandating plan. At that time the

The Trust has funded additional research to assist with their negotiations and continues to provide funding support these negotiating teams.

Trust will be in the position to provide funding assistance to support them in achieving a Deed of Mandate.

Central North Island (taking in the Rotorua, Kaingaroa and Taupo Inquiry districts) Stage 1 hearings were completed in November 2005. The Waitangi Tribunal expects that a report on the claims will be released in the next few months. Hearings commenced in the National Park Inquiry District in February 2006. Nine weeks of hearings are scheduled and are expected to be completed by November 2006. The Trust is supporting seven claimant groups through the hearings process. Map books and major historical reports have been commissioned by the Trust and are available to assist claimants at the hearings.

Nga Kaihautu o Te Arawa signed an Agreement-in-Principle with the Crown in September 2005. It is now negotiating the details of its settlement with the Crown which it hopes to have finalised in September 2006.

After a slow start Ngati Manawa and Ngati Whare negotiators are now well on their way to achieving their respective Agreements-in-Principle. The Trust has funded additional research to assist with their negotiations and continues to provide funding support to these negotiating teams.

The Office of Treaty Settlements disengaged with the Tuwharetoa Hapu Forum in early 2005 and is waiting until Ngati Tuwharetoa has completed its Waitangi Tribunal hearings in the National Park at the end of 2006. At that point Ngati Tuwharetoa will be in a better position to determine its settlement strategy.

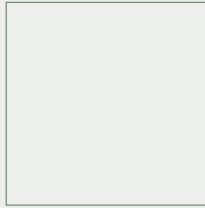
Whanganui

Whanganui claimants were scheduled for hearings in early 2006, but due to the Waitangi Tribunal changing its schedule they will not be participating in hearings until late 2006. All four clusters formed in the Whanganui District have interests in the National Park Inquiry. Trust staff are working closely with these Whanganui claimants to ensure that they are able to participate effectively in both the Whanganui and the National Park hearings. The research casebook for this district is currently being reviewed.

Rangitikei/Manawatu

Ngati Apa is working steadily through settlement negotiations with the Office of Treaty Settlements. This resulted in its Terms of Negotiations being agreed to by the parties in July 2005. Ngati Apa leadership, organisation and drive to settle has seen it move forward with confidence into the settlement negotiations process. The completion of Ngati Apa historical redress report has been delayed until September 2006 which in turn will delay the achievement of its Agreement-in-Principle to late 2006.

Tanenuiarangi Manawatu Incorporated resubmitted its Deed of Mandate to the Office of Treaty Settlements for recognition in early January 2006. The Minister in Charge of Treaty of Waitangi Negotiations is likely to be in a position to make a decision on Tanenuiarangi's Mandate in mid 2006.



Northern South Island

Kurahaupo ki te Waipounamu Trust and Te Runanga o Toa Rangatira submitted their respective Deeds of Mandate to the Crown in June 2005. Their Deeds of Mandate were formally recognised by the Crown in November 2005.

The remaining Northern South Island claimant group, Tainui Taranaki ki te Tonga, completed its mandating hui with its constituent claimants and submitted its Deed of Mandate to the Office of Treaty Settlements in December 2005. Submissions on its mandate closed in April 2006 and a decision on Crown recognition of its mandate is expected by mid 2006.

The high level of organisation and leadership of all the Northern South Island groups has seen the area elevated as a priority district firstly with the Waitangi Tribunal then more latterly, with the Office of Treaty Settlements. The Northern South Island contains the second largest area of Crown forest licensed land after the Central North Island.

East Coast / Gisborne / Wairoa

Progress of claimants towards forming clusters on the East Coast has been slow. However, five clusters have now been formed and recognised by the Trust for funding purposes. The Waitangi Tribunal has established a Research Co-ordinating Committee comprised of claimant, Waitangi Tribunal and Trust representatives to progress research. Research will commence this year in preparation for Waitangi Tribunal hearings which are expected to commence in late 2007.

Claimants in the Gisborne region have organised themselves as three mandated bodies. Te Pou a Haokai, Nga Tamanuhiri and Rongowhakaata had their respective Deeds of Mandate confirmed by the Crown in August 2005. The Trust is currently funding Te Pou a Haokai and Nga Tamanuhiri to complete their respective Terms of Negotiation with the Crown. The Trust is unable in terms of its Trust Deed to fund Rongowhakaata as this group does not have a claim to a Crown forest licensed land.

The Wairoa Working Group has had some difficulty in making preparations to engage with the Office of Treaty Settlements to commence the negotiation process. There have been a number of reasons for this, including changes in management personnel and new groups that have only recently joined whose members are not familiar with the settlement negotiations process. The Trust has funded a Project Manager to coordinate the Wairoa Working Group's mandating plan. The Wairoa Working Group aims to submit its Deed of Mandate by late 2006.

Other Groups

We have also assisted other claimant groups during 2005/06. The Southern Hawke's Bay and King Country claimants have been funded to organise their claims infrastructure and prepare a plan for managing their research requirements and respective settlement negotiations strategies. Work has proceeded rapidly and the Trust expects to see good progress over the coming year. We will continue to work with these and other groups in the coming year.

Financial Statements

For the Year Ended 31 March 2006

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STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 \$	2005 \$
INCOME			
Interest income		36,457,924	26,122,463
IRD Use of Money Interest		–	123,696
Other income		98,642	62,149
Total Income		36,556,566	26,308,308
Less			
Operating expenses			
Administration expenses	6	3,336,084	3,623,464
Assistance to claimants			
Disbursements to claimants	7,16	3,023,670	6,324,693
Research services for claimants	7	4,976,732	5,778,284
Facilitation and formation of claimant groups	7	1,971,006	2,290,443
Total Assistance to Claimants		9,971,408	14,393,420
Total Expenditure		13,307,492	18,016,884
NET OPERATING SURPLUS BEFORE AND AFTER TAX		23,249,074	8,291,424

STATEMENT OF MOVEMENTS IN CAPITAL
FOR THE YEAR ENDED 31 MARCH 2006

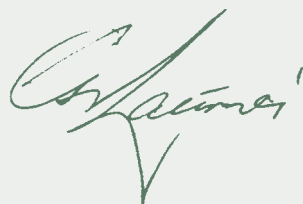
	Note	2006 \$	2005 \$
FOREST RENTAL PROCEEDS			
Balance at beginning of year		396,706,129	372,993,637
Receipts for the year	17	56,963,153	23,712,492
Less distributions to confirmed beneficiaries	13	(18,609,626)	–
Balance at end of year		435,059,656	396,706,129
RETAINED EARNINGS			
Balance at beginning of year		62,140,995	53,849,571
Net surplus for the year		23,249,074	8,291,424
Total recognised gains and losses		23,249,074	8,291,424
Balance at end of year		85,390,069	62,140,995
TOTAL CAPITAL FUNDS		520,449,725	458,847,124

The attached notes and schedules form part of these financial statements.

STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2006

	Note	2006 \$	2005 \$
CAPITAL FUNDS			
Forest rental proceeds		435,059,656	396,706,129
Retained earnings		85,390,069	62,140,995
TOTAL CAPITAL		\$520,449,725	\$458,847,124
Total Capital is represented by:			
CURRENT ASSETS			
Bank balance	3	4,446,585	3,444,836
Short term deposits	3	190,000,000	103,500,000
Government securities	3	192,076,452	25,226,794
Sundry receivables		175,066	2,512
Accrued interest		7,956,580	7,146,840
		<u>394,654,683</u>	<u>139,320,982</u>
NON CURRENT ASSETS			
Fixed assets	4	653,028	817,934
Government securities	3	126,155,397	321,749,036
		<u>126,808,425</u>	<u>322,566,970</u>
TOTAL ASSETS		\$521,463,108	\$461,887,952
CURRENT LIABILITIES			
Employee payables		152,911	154,988
Other payables		860,472	2,885,840
		<u>1,013,383</u>	<u>3,040,828</u>
NET ASSETS		\$520,449,725	\$458,847,124

These financial statements were approved on the 16th of May 2006 signed for and on behalf of the Board of Trustees.



Sir Graham Latimer
 Chairman
 Crown Forestry Rental Trust



Kingi Smiler
 Chairman
 Finance & Risk Committee

The attached notes and schedules form part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2006

	Note	2006 \$	2005 \$
CASH FLOWS FROM/(USED IN)			
OPERATING ACTIVITIES			
Cash was provided from:			
Interest on investments		39,133,917	31,647,810
Tax refund		–	50,253,701
Other income		98,642	74,149
		39,232,559	81,975,660
Cash was applied to:			
Payment of administration expenses and services to claimants		11,634,331	9,400,900
Disbursements to claimants		3,239,380	6,324,693
		14,873,711	15,725,593
NET CASH IN FLOWS FROM OPERATING ACTIVITIES	5	24,358,848	66,250,067
CASH FLOWS FROM/(USED IN)			
INVESTING ACTIVITIES			
Cash was provided from:			
Proceeds from investment maturities		25,000,000	123,536,046
Proceeds from sale of fixed assets		–	2,440
		25,000,000	123,538,486
Cash was applied to:			
Purchase of fixed assets		210,626	273,170
Purchase of investments		–	129,383,669
		210,626	129,656,839
NET CASH (OUT)/IN FLOWS FROM INVESTING ACTIVITIES		24,789,374	(6,118,353)
CASH FLOWS FROM/(USED IN)			
FINANCING ACTIVITIES			
Cash was provided from:			
Rental proceeds received		56,963,153	23,712,492
Cash was applied to:			
Disbursements to confirmed beneficiaries	13	18,609,626	–
NET CASH IN/(OUT) FLOWS FROM FINANCING ACTIVITIES		38,353,527	23,712,492
NET INCREASE IN CASH HELD		87,501,749	83,844,206
Cash at beginning of the year		106,944,836	23,100,630
CASH AT END OF THE YEAR		194,446,585	106,944,836
Composition of cash:			
Bank balances		4,446,585	3,444,836
Short-term deposits		190,000,000	103,500,000
		194,446,585	106,944,836

The attached notes and schedules form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

1. STATEMENT OF ACCOUNTING POLICIES

These financial statements are presented for the reporting entity Crown Forestry Rental Trust.

The financial statements have been prepared in accordance with the Trust Deed 1990 and the Financial Reporting Act 1993. The financial statements have been prepared on the basis of historical cost with the exception of certain items for which specific accounting policies are identified.

(i) Investments

Investments include government securities and short-term deposits with registered banks. Interest bearing securities of the New Zealand Government are recorded at cost adjusted for the amortisation of any premium or discount using the yield to maturity method.

(ii) Recognition of income

Interest income is recognised on an accrual basis. The premiums or discounts arising on the purchase of New Zealand Government interest-bearing securities are amortised using the yield to maturity method and are recorded as interest income.

Interest earned on Repurchase Agreements are accounted for as net interest income.

(iii) Fixed assets

All fixed assets are recorded at historical cost. Assets have been depreciated on a basis to spread the cost over their estimated useful life. Depreciation of fixed assets is calculated on the following rates:

Computer equipment	33.0% SL
Furniture and fittings	25.0% SL
Leasehold improvements	10.0% SL
Office equipment	25.0% SL
Other equipment	25.0% SL

(iv) Receivables

Receivables are valued at anticipated realisable value.

(v) Rental Proceeds

The cash method of accounting is used to record the rental proceeds from licensed Crown forest land. These proceeds are treated as a capital item in the Trust's financial statements in accordance with the Trust Deed. Rentals in dispute are held by Land Information NZ and are accounted for as Contingent Assets (Refer to Note 10).

(vi) Income tax

During the year ending 31 March 2004 the Trust was successful in its case before the Privy Council to have it deemed a Charitable Trust for tax purposes. As a result the Trust is not liable for income tax on its earnings.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

(vii) Goods and services tax

These financial statements have been prepared on a GST exclusive basis to the extent that GST is payable or recoverable from the Inland Revenue Department. The majority of the Trust's income does not meet the requirements of a taxable supply in the terms of the Goods and Services Tax Act 1985.

(viii) Changes in accounting policies

There have been no changes in accounting policies during the year to 31 March 2006.

2. NATURE OF ACTIVITIES

The Crown Forestry Rental Trust was established on 30 April 1990 to receive rental proceeds from the Crown forestry licenses.

The rental proceeds received by the Trust are treated as capital in accordance with the Trust Deed and must be invested in either New Zealand Government-issued securities or in short-term interest-bearing deposit accounts with registered banks.

The interest earned from investments is accumulated by the Trust and applied against the administration expenses of the Trust and to assist any claimant in the preparation, presentation and negotiation of claims which involve, or could involve, licensed Crown forest land.

The rental proceeds of the Trust are distributed when the beneficiaries are confirmed and the settlement is enacted via the passing of an Act of Parliament.

3. FINANCIAL INSTRUMENTS

(a) Foreign exchange risk

The Trust has no exposure to foreign exchange risk. All payments on behalf of claimants are made in New Zealand currency.

(b) Credit risk

Financial instruments, which are potentially subject to credit risk, consist primarily of short-term deposits and government securities. The Trust may be subject to losses up to the value of these instruments in the event of non-performance by counter-parties, however it does not expect losses to occur as most of these instruments are comprised of sovereign debt, the balance being held with registered banks. Consequently no collateral is held by the Trust to support these financial instruments.

(c) Interest rate risk

The Trust's primary interest rate risk is on government securities and can be measured as the differential between yield to maturity and the current market interest rate.

The trust regularly monitors interest rates and manages financial assets when required to limit interest rate risk. Quotes for short term deposit rates are sought from at least three banking institutions and highest quotes receive deposits accordingly.

(d) Repurchase transactions

During the year to 31 March 2006 the Trust has entered into Repurchase Agreements with ANZ National, whereby no more than half of the total Government Securities were Repurchased by the Bank for short periods. There were no Repurchase transactions active as at 31 March 2006.

These notes are to be read in conjunction with the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

Fair values

Estimated fair values of the Trust's financial instruments, excluding accrued interest, as at 31 March are as follows:

The fair value of the financial instruments has been determined using quoted market prices.

	Carrying Amount 2006 \$	Estimated Fair Value 2006 \$	Carrying Amount 2005 \$	Estimated Fair Value 2005 \$
Cash and Bank	4,446,585	4,446,585	3,444,836	3,444,836
Short-term deposits	190,000,000	190,000,000	103,500,000	103,500,000
Government Securities	318,231,849	325,773,839	346,975,830	352,771,883
	512,678,434	520,220,424	453,920,666	459,716,719

(A) CURRENT

Maturity	Yield %	Face Value 2006 \$	Carrying Amount 2006 \$	Carrying Amount 2005 \$
Short-term deposits	7.53	190,000,000	190,000,000	103,500,000
		190,000,000	190,000,000	103,500,000
Government Securities				
15.02.06	5.55	-	-	25,226,794
15.11.06	6.83	188,500,000	192,076,452	-
TOTAL CURRENT		188,500,000	192,076,452	25,226,794

(B) NON-CURRENT

Maturity	Yield %	Face Value 2006 \$	Carrying Amount 2006 \$	Carrying Amount 2005 \$
Government securities				
15.11.06	5.89	-	-	195,457,168
15.07.08	6.04	51,000,000	50,764,372	50,849,557
15.07.09	5.85	40,600,000	41,276,340	41,444,660
15.11.11	5.78	35,000,000	34,114,685	33,997,651
TOTAL NON-CURRENT		126,600,000	126,155,397	320,749,036

	2006 Actual	2005 Actual
Average monthly return on investments	6.61%	6.06%

These notes are to be read in conjunction with the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

4. FIXED ASSETS

2006	Cost	Accumulated Depreciation	Net Book Value	Current Yr Depreciation
	\$	\$	\$	\$
Computer equipment	2,821,113	2,602,752	218,361	263,880
Furniture & fittings	188,683	63,829	124,854	25,125
Leasehold improvements	333,237	118,306	214,931	37,184
Office equipment	236,370	143,401	92,969	33,229
Other equipment	22,303	20,390	1,913	611
	<u>3,601,706</u>	<u>2,948,678</u>	<u>653,028</u>	<u>360,029</u>

2005	Cost	Accumulated Depreciation	Net Book Value	Current Yr Depreciation
	\$	\$	\$	\$
Computer equipment	3,635,199	3,319,731	315,468	411,233
Furniture & fittings	345,732	280,982	149,979	20,368
Leasehold improvements	333,237	112,731	252,115	41,462
Office equipment	307,299	209,451	97,848	22,765
Other equipment	22,303	19,779	2,524	586
	<u>4,643,770</u>	<u>3,825,836</u>	<u>817,934</u>	<u>496,414</u>

5. RECONCILIATION OF STATEMENT OF CASH FLOWS WITH OPERATING SURPLUS

	2006	2005
	\$	\$
NET OPERATING SURPLUS FOR THE YEAR	23,249,074	8,291,424
Items not involving cash		
Depreciation expense	360,029	496,414
Amortisation of premium on government securities	3,743,981	4,946,476
Impact of changes in working capital		
Decrease/(Increase) in accrued interest	(809,740)	578,871
Increase/(Decrease) in accounts payable	(2,027,445)	1,644,181
Decrease/(Increase) in prepayments & Sundry receivables	(173,682)	11,590
(Increase)/decrease in taxation payable	1,128	50,128,093
Items classified as investing activities		
Fixed Assets write offs and Loss on Sale	15,503	153,018
Net cash flow from operating activities	24,358,848	66,250,067

These notes are to be read in conjunction with the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

6. OTHER STATEMENT OF FINANCIAL PERFORMANCE DISCLOSURES

Incorporated within the operating expenditure of the Statement of Financial Performance.

Administration Expenses:	2006	2005
	\$	\$
Rent	319,721	331,300
Depreciation	360,029	496,414
Trustee Fees	90,876	97,262
Audit Fees	50,625	39,316
Fees paid to auditors for other services	12,037	–
Legal Costs: Tax case	1,059	(298,386)
Organisational Restructure	–	718,269
Fixed Asset write downs	–	150,696

The total Administration expenses for the 2005/06 were lower than that of the 2004/05 year due to the one-off extraordinary costs incurred during the 2004/05 year, i.e. the organisational restructure and fixed asset write downs. In 2005, the legal costs associated with the Tax Case are shown as a credit due to a refund of court costs awarded.

7. CLAIMANT SERVICES DISCLOSURES

Assistance to Claimants:	2006	2005
	\$	\$
Disbursements to Claimants:		
Waitangi Tribunal hearings	760,708	1,246,186
Direct Negotiations with the Crown	2,262,962	5,078,507
Total Disbursements to Claimants	3,023,670	6,324,693
Research Services for Claimants:		
Personnel Costs	387,908	628,392
Research & Mapping contracts	3,519,835	3,862,497
Other Research Costs	1,068,989	1,287,395
Total Research Services	4,976,732	5,778,284
Facilitation, Formation Claimant Groups:		
Personnel Costs	567,470	550,571
Central North Island Regional Office costs	137,981	245,816
Northland Regional Office costs	293,452	214,459
District hearing costs	366,219	311,590
Other Facilitation costs	605,884	968,007
Total Facilitation	1,971,006	2,290,443

Disbursements to claimants:

Total disbursements were lower than the previous year, however, a total of \$2,777,369 has been committed, i.e. contracted but not spent in the current financial year (total commitments in Note 11 of \$3,392,262 includes Research contract commitments). Delays in finalising contracts were due to factors beyond CFRT's control, for instance, Deeds of Mandate were not completed and there were time delays in the formation of cluster groups for Waitangi Tribunal hearings.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

8. TRUSTEE FEES

	2006 \$	2005 \$
Trusteeship/Governance	86,151	87,587
Services to claimants	4,725	9,675
	90,876	97,262

The rates for Trustee fees are set by the Minister of Finance in accordance with the Government's standard "Fees Framework for Members of Statutory and Other Bodies Appointed by the Crown". From 1 July 2005 the fees are a daily rate of \$595 for the Chairperson capped to an annual maximum of \$29,750. Other Trustees have been set a daily rate of \$540, capped to an annual maximum of \$14,875. The Trustees attend regular meetings during the year to deal with governance issues of the Trust, such as strategic and business planning issues, as well as considering proposals relating to the assistance programmes for claimant groups. In addition, the Trustees spend time working alongside claimant groups to assist them with their affairs as well as working on projects and initiatives at district and national levels.

Fees received by individual Trustees are as follows:

	2006 \$	2005 \$
Sir Graham Latimer	29,687	28,373
Mrs Titewhai Harawira (as Proxy)	-	1,125
Ms Maryan Street	6,750 #	17,225 *
Mr Gregory Fortuin	17,685 **	18,375 *
Mr Paul Morgan	11,441	9,926
Mr Kingi Smiler	16,200 **	11,775
Ms Angela Foulkes	9,112	10,463
	90,876	97,262

Ms Maryan Street resigned as a Trustee in September 2005, upon her appointment as Member of Parliament.

* Fees received included claims for days worked for the previous financial year.

** The Trustee Fee calendar year runs 1 July to 30 June each year, compared to the Financial year which runs 1 April to 31 March each year. The Trustees have not exceeded their annual Trustee Fees Allocation of \$14,875 from July 2005 to June 2006. The reason for the apparent excess is due to the type of specialist work undertaken by Trustees at different times during the year. For the 2005/06 year, proportionately more hours have been worked in the April 2005 to March 2006 period. This will be offset in the next financial year as reduced hours will be claimed for the April 2006 to June 2006 period.

In addition to the above Trustee Fees, Gregory Fortuin and Paul Morgan undertook non-governance roles during the year to 31 March 2006.

These notes are to be read in conjunction with the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

9. CONTINGENT LIABILITIES

There were no contingent liabilities at 31 March 2006, and there were none at 31 March 2005.

10. CONTINGENT ASSETS

Land Information New Zealand (LINZ) manages the collection of licence fees on behalf of the Trust. Every three years the licence fees are reviewed and the licensees are able to dispute the Crown's assessments. As a consequence LINZ holds the disputed portion of the licence fees until the dispute is resolved. As at 31 March 2006 the disputed licence fees held by LINZ amounted to \$1.7 million and interest earned on these balances amounted to \$0.05 million (At 31 March 2005 the disputed licence fees were \$29.1million with interest \$3.7million).

When disputes are resolved LINZ forwards to the Trust the balance of the licence fees and any interest earned on the balances. The Trust is unable to estimate the final outcome of the licence fee disputes and therefore unable to quantify the probable financial effect on these financial statements.

In addition to the disputed licence fees, the Trust is owed \$820,314 and interest from LINZ due to an overpayment relating to the Ngati Awa settlement. This amount has not been brought into the accounts as the accounting policy for rental proceeds states the Trust uses the cash basis.

11. COMMITMENTS

(i) Assistance to Claimants

The Trust has commitments totalling \$3,392,262 as at 31 March 2006 (\$4,962,731 at 31 March 2005) relating to assistance to claimants which has been approved by Trustees at balance date. The release of these amounts is subject to the claimant groups meeting the various terms and conditions of funding and the completion of research contracts in progress.

(ii) Capital Commitments

The Trust has capital commitments of \$275,625 relating to the development of a customised client-contract management system. At 31 March 2005 total capital commitments totalled \$8,775 relating to the development of customised contacts database software.

(iii) Lease Commitments

Future operating lease rentals of premises and motor vehicles are not recognised in the financial statements. The minimum lease rental commitments at balance date are as follows:

	2006 \$	2005 \$
Less than one year	226,148	309,339
One to two years	–	216,332
Three to five years	–	–
Total	226,148	525,671

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

12. RELATED PARTY TRANSACTIONS

A number of Trustees have affiliations to certain tribal groups that are represented by claimant groups recognised by the Trust. Where Trustees are considering providing assistance to particular claimant groups to which the Trustees are affiliated, the Trustees have declared and minuted these affiliations and have taken action they consider appropriate to deal with any potential conflict of interest that may arise during the year ended 31 March 2006.

Sir Graham Latimer is the Chairman of Tai Tokerau District Maori Council, which received \$7,200 during the year to 31 March 2006. The contract followed the same milestone reporting process as all other projects funded by the Trust.

Mr Gregory Fortuin, a Trustee, is a Director of New Zealand Post. During the year to 31 March 2006, the Trust spent \$17,609 on postage with New Zealand Post (\$25,371 during the year to 31 March 2005).

Gregory Fortuin received an additional \$13,427 for executive support during the Chief Executive's absence during the year. The Federation of Maori Authorities received \$3,375 for a presentation by Paul Morgan to the Treaty Sector Wananga.

13. DISTRIBUTIONS TO CONFIRMED BENEFICIARIES

On the 26th of April 2005, the settlement between the Crown and Ngati Awa took place, which resulted in the transfer of Forestry Rental Proceeds totalling \$16,700,852 being a portion of the Rotoehu and Kaingaroa forests.

During July 2005 the settlement between the Crown and Tuwharetoa ki Kawerau took place, which allowed CFRT to transfer \$1,908,774 of accumulated rentals for their interest in the Rotoehu West forest.

14. SUBSEQUENT EVENTS FOR THE YEAR ENDED 31 MARCH 2006

There are no subsequent events to report on for the year ending 31 March 2006.

15. ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002 the New Zealand Accounting Standards Review Board announced that New Zealand equivalents of International Financial Reporting Standards ("NZ IFRS") will apply to all New Zealand reporting entities for the periods commencing on or after 1 January 2007. Entities have the option to adopt NZ IFRS for periods beginning on or after 1 January 2005.

In preparation for adoption of NZ IFRS, the Trustees' intend to investigate the impact of changes required in accounting policies and the impact on the Trust's financial statements. Until this investigation is completed the Trustees will be unable to conclude if the impact of the adoption of NZ IFRS will result in a material variation to the financial statements of Trust.

The Trust is required to adopt NZ IFRS no later than for the year ending 31 March 2008. Further information, including the Trust's planned date of adoption, will be provided in the financial statements for the year ended 31 March 2007.

These notes are to be read in conjunction with the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

16. TOTAL DISBURSEMENTS TO CLAIMANTS TO 31 MARCH 2006

Total Disbursements Since 1990		2006 \$	2005 \$	2004 \$
Muriwhenua				
399,580	Muriwhenua Negotiations Management Committee	-	-	13,500
75,000	Ngati Kuri Trust Board	-	-	-
361,380	Te Aupouri Negotiations Coy	181,380	60,000	-
277,879	Te Runanga o Muriwhenua – direct disbursement	-	-	-
1,413,957	Te Runanga o Muriwhenua – disbursed for administration by third parties	-	-	-
340,800	Te Runanga o Te Rarawa	59,800	176,000	60,000
2,868,596	Total Direct Assistance	241,180	236,000	73,500
Bay of Islands/Hokianga/Whangarei				
83,050	Hokianga Claims Alliance	18,050	15,000	15,000
11,200	Mahurangi & Gulf Islands	(58,800)	* 70,000	-
161,200	Ngati Hine Health Trust Board	-	93,200	33,000
52,711	Ngati Wai Maori Trust Board	-	-	-
50,000	Pu Hao Rangī (on behalf of a national claim)	-	-	-
77,600	Puhipuhi Maruata Forestry Claim	(17,400)	* 45,000	15,000
7,200	Tai Tokerau District Maori Council	(37,800)	* 45,000	-
252,500	Te Runanga a Iwi o Ngati Kahu	-	230,000	22,500
574,834	Te Taumata o Tangitu	-	-	-
95,200	Te Waimate-Taiamai Alliance	(80,000)	* 122,000	18,000
59,000	Whangarei Core Collective Claimant Group	18,870	7,200	15,000
37,000	Whangaroa Papa Hapu	23,000	14,000	-
1,478,565	Total Direct Assistance	(134,080)	641,400	118,500
* accruals made for the 2004/05 year were not actually paid, the reversal of these accruals resulted in the negative expenditure amounts in the 2005/06 year.				
Kaipara (Stage I)				
950,260	Otamatea Maori Trust Board	-	-	-
1,074,330	Te Uri o Hau o Te Wahapu o Kaipara	-	-	-
857,210	TUOH Limited	-	-	-
2,881,800	Total Direct Assistance	-	-	-

These notes are to be read in conjunction with the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

Total Disbursements Since 1990		2006 \$	2005 \$	2004 \$
Kaipara (Stage 2)				
80,300	Awaroa Claims Management Committee	-	-	-
36	Awaroa ki Manuka	-	-	-
177,085	Kaipara Cooperative Claimant Forum	-	-	-
124,510	Kawerau a Maki Trust	-	-	-
135,995	Manukau Whanau	-	-	-
225,680	Ngati Tahinga/Ngati Mauku	-	-	-
713,549	Ngati Whatua o Kaipara ki Te Tonga	-	-	-
167,500	Te Runanga o Ngati Whatua	-	27,500	-
252,012	Te Tao U	-	-	-
1,876,667	Total Direct Assistance	-	27,500	-
Kaipara (Stage 3)				
409,023	Nga Hapu o Whangarei Claims Committee	-	-	-
26,048	Nga Hapu o Nga Puhi o Whangarei	-	-	-
204,108	Ngati Kahu o Torongare Te Parawhau Hapu	-	-	-
5,000	Te Uri o Tautohe	-	-	-
247,071	Te Waiariki Ngati Korora Hapu	-	-	-
891,250	Total Direct Assistance	-	-	-
9,996,878	Total Northland Direct Assistance	107,100	904,900	192,000
	Northland District Research costs	2,216,674	618,911	39,227
	Northland District Facilitation costs	314,095	261,375	256,259
	Total Northland Claimant costs	2,637,869	1,785,186	487,486
South Auckland				
316,736	Ngaati Te Ata Incorporated	-	-	-
316,736	Total Direct Assistance	-	-	-
Tainui				
202,281	Tainui Maori Trust Board	-	-	-
113,402	Wi Taka Whanau o Ngati Koheriki	-	-	-
315,683	Total Direct Assistance	-	-	-
Hauraki				
280,635	Gregory-Mare Whanau	-	-	-
72,130	Hakipene Hura Whanau	-	-	-
1,840,535	Hauraki Maori Trust Board	-	-	-
528,000	Marutuahu Confederation	-	-	-
144,197	Ngati Hei	-	-	-
4,899	Ngati Koheriki	-	-	-
101,058	Ngati Koi Claimant Committee	-	-	-
20,900	Ngati Maru Iwi Authority	-	-	-
12,048	Ngati Paoa	-	-	-
37,210	Ngati Pukenga	-	-	-
3,963	Ngai Tai ki Tamaki	-	-	-

These notes are to be read in conjunction with the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

Total Disbursements Since 1990		2006 \$	2005 \$	2004 \$
2,863	Nga Uri o Horowhenua	-	-	-
179,999	Ngati Whanaunga	-	-	-
130,000	Taipari Whanau	-	-	-
75,717	Te Kupenga o Ngati Hako	-	-	-
152,500	Te Rakahurumai Claims Committee	-	-	-
53,240	Te Rangatira o Tamatera	-	-	-
327,317	Ngati Pu	-	-	-
272,877	Te Whanau o Hamiora Mangakahia	-	-	-
4,240,088	Total Direct Assistance	-	-	-
	District Research Costs	131,669	134,223	-
	District Facilitation Costs	22	2,299	5,851
	Total Hauraki Claimant costs	131,691	136,522	5,851
	Tauranga			
545,659	Athenree Lands ki Tauranga Moana	-	-	-
721,349	Pirirakau/Ngati Ranginui	-	-	-
1,537,668	Te Kahui Raupatu o Tauranga Tangata	-	-	-
2,804,676	Total Direct Assistance	-	-	-
	District Research Costs	6,008	6,575	-
	District Facilitation Costs	8,047	1,117	2,449
	Total Tauranga Claimant costs	14,055	7,692	2,449
	Ngati Awa/Eastern Bay of Plenty			
200,000	Ngati Awa Maori Trust Board	-	100,000	100,000
1,091,091	Ngati Makino Claims Committee	-	-	-
179,184	Ngati Pikiaro Forest Claims Committee	-	-	-
2,075,568	Te Runanga o Ngati Awa	-	-	-
1,164,220	Te Runanga o Tuwharetoa ki Kawerau	-	28,500	38,000
4,710,063	Total Direct Assistance	-	128,500	138,000
	King Country			
331,357	Maniapoto Maori Trust Board	-	-	-
186,604	Raukawa Kaumatua Kaunihera	-	-	-
50,625	Te Maru o Rereahu Trust	-	-	-
23,625	Te Nehenehenui Claims	-	-	-
24,750	Te Whanui Kohinga	-	-	-
66,200	Tuhua Hikurangi Claimants	-	-	-
683,161	Total Direct Assistance	-	-	-
	District Research Costs	2,272	476	-
	District Facilitation Costs	90,309	157	1,874
	Total King Country Claimant costs	92,581	633	1,874

These notes are to be read in conjunction with the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

Total Disbursements Since 1990		2006 \$	2005 \$	2004 \$
Central North Island				
102,305	Haparangi A4	-	-	-
438,185	Horohoro Crown Forest Claims Committee	-	-	-
171,881	Lake Taupo Forest Trust	-	-	-
1,989,407	Nga Kaihautu o Te Arawa Structure	782,630	992,689	214,088
35,000	Ngati Rangitahi	-	-	-
124,959	Ngati Tuara/Kearoa	-	-	-
718,621	Ngati Tuwharetoa	20,000	419,828	278,793
1,329,352	Ngati Whare Iwi Claims	10,966	870,948	64,479
34,552	Rangiuru Sports Club Inc	-	34,552	-
110,938	Rotomahana Parekarangi 6N2B & 6O2B Trusts	-	-	-
24,000	Te Papa-i-ouru Trustee Board	-	24,000	-
6,023	Te Runanga o Ngati Tahu	-	-	-
2,563,501	Te Runanganui o Te Ikawhenua	-	-	-
200,000	Te Whakarewarewatanga o Te Ope Taua a Wahiao	-	-	-
718,959	Whakarewarewa Forest Trust	-	-	-
11,752,913	Volcanic Interior Plateau Project	-	60,000	1,111,373
20,320,596	Total Direct Assistance	813,596	2,402,017	1,668,733
	District Research Costs	557,906	2,629,119	712,894
	District Facilitation Costs	361,221	349,050	825,877
	Total Central North Island Claimant costs	1,732,723	5,380,186	3,207,504
Urewera				
24,438	Manutaki Trust	6,469	17,969	-
88,450	Mataatua Marae Hearing Committee	-	88,450	-
30,000	Maungapohatu Marae Committee	-	30,000	-
48,000	Murumurunga Marae	-	48,000	-
1,125,090	Nga Rauru o Nga Potiki	35,920	243,251	97,869
8,940	Ngati Kahungunu ki Waikeremoana	-	-	-
10,000	Ngati Rangitahi Manawhenua Project	-	-	10,000
1,000,703	Te Runanga o Ngati Manawa	33,500	834,274	118,829
44,000	Rangiahua Marae	-	44,000	-
40,000	Rangitahi Marae	-	40,000	-
247,000	Panekiri Tribal Trust Board	-	35,750	59,250
56,824	Tauarau Marae Committee	-	56,824	-

These notes are to be read in conjunction with the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

Total Disbursements Since 1990		2006 \$	2005 \$	2004 \$
50,000	Te Kahungunu Collective	-	-	50,000
74,475	Te Rangiratanga o Ngati Rangitahi	15,000	50,975	8,500
33,000	Te Rewarewa Marae	33,000	-	-
85,500	Te Whanau a Kai Trust	20,000	43,750	21,750
749,399	Tuhoe Waikaremoana Maori Trust Board	-	66,000	138,000
44,000	Waimako Trust	-	44,000	-
3,759,819	Total Direct Assistance	143,889	1,643,243	504,198
	District Research Costs	280,667	559,076	397,703
	District Facilitation Costs	47,036	52,522	246,460
	Total Urewera Claimant costs	471,592	2,254,841	1,148,361
	East Coast			
319,626	Ngati Porou Mt Hikurangi Lands Claim Committee	-	-	-
359,796	Te Kura Takai Puni	-	(183,968)	-
726,477	Te Runanga o Ngati Porou	-	-	-
1,405,899	Total Direct Assistance	-	(183,968)	-
	District Research Costs	12,964	4,225	213,073
	District Facilitation Costs	48,361	57,819	2,167
	Total East Coast Claimant costs	61,325	(121,924)	215,240
	Gisborne			
87,018	Nga Uri o Te Kooti Rikirangi	-	-	-
444,042	Ngai Tamanuhiri Whanui Charitable Trust	50,250	-	-
67,144	Ngariki Kaiputahi Whanui Trust	-	-	-
113,344	Rongawhakaata Charitable Trust	-	-	-
537,847	Te Aitanga-a-Mahaki	-	-	-
260,900	Te Pou-a-Haokai & Ngai Tamanuhiri	-	57,500	203,400
51,000	Te Pou a Haokai Central Progression Team	51,000	-	-
73,500	Te Whanau a Kai	-	-	-
32,500	Wi Pere Whanau Trust	-	-	-
1,667,295	Total Direct Assistance	101,250	57,500	203,400
	District Research Costs	1,400	492	359
	District Facilitation Costs	27,395	6,821	6,603
	Total Gisborne Claimant costs	130,045	64,813	210,362

These notes are to be read in conjunction with the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

Total Disbursements Since 1990		2006 \$	2005 \$	2004 \$
Wairoa				
372,101	Nga Uri o Te Wharerata Forestry Claims Committee	-	-	-
44,843	Ngai Tama Te Rangi Claim Committee	-	-	-
382,225	Panekiri Tribal Trust Board	-	-	-
42,500	Te Iwi o Rakaipaaka	-	-	-
42,500	Te Whanau o Rongomaiwahine	-	-	-
13,460	Wairoa Waikaremoana Maori Trust Board	-	-	-
303,300	Wairoa Working Group	-	30,000	146,300
42,500	Whakaki Marae Committee	-	-	-
1,243,429	Total Direct Assistance	-	30,000	146,300
	District Research Costs	102,536	506,518	161,774
	District Facilitation Costs	3,315	10,312	24,443
	Total Wairoa Claimant costs	105,851	546,830	332,517
Mohaka ki Ahuriri				
1,012,923	Maungaharuru Tangitu Society Inc.	-	-	-
269,100	Nga Hapu o Te Ahuriri	-	-	-
1,075,171	Ngati Pahauwera	-	-	-
43,148	Te Whanganui a Orotu	-	-	-
2,400,342	Total Direct Assistance	-	-	-
	District Facilitation Costs	1,118	4,957	3,026
	Total Mohaka ki Ahuriri Claimant costs	1,118	4,957	3,026
Southern Hawkes Bay				
129,743	Nga Tukemata o Ruahine	-	-	-
103,969	He Toa Takitini	103,969	-	-
233,712	Total Direct Assistance	103,969	-	-
	District Research Costs	99,372	-	-
	District Facilitation Costs	11,634	-	-
	Total Southern Hawkes Bay Claimant costs	214,975	-	-
Taranaki				
313,292	Nga Iwi o Taranaki/Ngati Maru	-	-	-
313,292	Total Direct Assistance	-	-	-
National Park				
62,600	Ngati Rangi Trust	62,600	-	-
4,000	Southern Whanganui Cluster	4,000	-	-
24,000	Whanganui Central Claims Charitable Trust	24,000	-	-
2,000	Whanganui Northern Cluster	2,000	-	-
92,600	Total Direct Assistance	92,600	-	-

These notes are to be read in conjunction with the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

Total Disbursements Since 1990		2006 \$	2005 \$	2004 \$
District Research Costs		641,653	-	-
District Facilitation Costs		17,319	-	-
Total National Park Claimant costs		751,572	-	-
Whanganui				
51,476	Ngati Rakeipoho/Hikairo	-	-	-
312,875	Ngati Rangi Trust	104,750	96,875	75,625
298,750	Southern Whanganui Cluster	110,000	96,625	56,500
1,099,820	Te Runanga o Ngati Apa	220,000	198,450	295,988
269,750	Whanganui Central Claims Charitable Trust	81,000	77,500	63,750
276,750	Whanganui Northern Cluster	88,000	77,500	87,500
805,067	Whanganui River Maori Trust Board	-	-	-
3,114,488	Total Direct Assistance	603,750	546,950	579,363
	District Research Costs	105,375	119,411	225,390
	District Facilitation Costs	15,462	6,398	8,639
	Total Whanganui Claimant costs	724,587	672,759	813,392
Rangitikei / Manawatu				
52,452	Ngati Tamarangi	-	-	-
717,542	Tanenuiarangi Manawatu Incorporated	70,400	-	-
40,000	Te Runanga o Mua Upoko	-	-	-
425,698	Te Runanga o Raukawa	-	-	-
1,235,692	Total Direct Assistance	70,400	-	-
	District Facilitation Costs	-	5,000	-
	Total Rangitikei/Manawatu Claimant costs	70,400	5,000	-
Wairarapa				
459,400	Nga Hapu Karanga o Wairarapa	10,000	123,500	134,000
772,706	Ngai Tumapuhia a Rangi Claims Committee	-	-	-
173,500	Ngati Hinewaka	-	53,500	55,000
4,250	Ngati Te Hore	-	-	-
8,500	Owahanga Roopu	-	-	-
441,529	Rangitane o Tamaki Nui a Rua	10,000	136,279	126,500
88,355	Te Ropu Whenua Ngai Tumapuhiri	-	67,355	21,000
606,480	Te Runanga o Rangitane o Wairarapa	10,000	139,867	120,000
10,000	Wairarapa Moana ki Pouakani Inc	-	10,000	-
2,564,720	Total Direct Assistance	30,000	530,501	456,500
	District Research Costs	2,773	117,322	37,269
	District Facilitation Costs	2,085	92,790	14,575
	Total Wairarapa Claimant costs	34,858	740,613	508,344

These notes are to be read in conjunction with the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

Total Disbursements Since 1990		2006 \$	2005 \$	2004 \$
	Te Tau Ihu			
572,666	Kurahaupo ki te Waipounamu Trust	452,666	120,000	-
697,716	Ngati Apa ki Te Waipounamu Trust	-	33,500	144,000
594,399	Ngati Koata no Rangitoto ki Te Tonga Trust	-	-	95,000
631,313	Ngati Kuia Trust Claim Committee	-	17,500	94,750
854,097	Ngati Rarua Trust	-	-	105,000
587,974	Ngati Tama Manawhenua ki Te Tau Ihu Trust	-	-	95,000
321,750	Tainui Taranaki ki te Tonga Ltd	321,750	-	-
902,608	Te Atiawa Manawhenua ki Te Tau Ihu Trust	-	-	123,000
182,700	Te Runanga a Ngati Toa Rangatira	182,700	-	-
717,476	Te Runanga o Toa Rangatira Incorporated	-	78,300	220,000
601,536	Te Runanga o Rangitane o Wairau	-	15,750	141,750
52,500	Wakatu Incorporated	-	-	52,500
6,716,735	Total Direct Assistance	957,116	265,050	1,071,000
	District Research Costs	136,828	5,584	124,694
	District Facilitation Costs	6,566	22,783	9,762
	Total Te Tau Ihu Claimant costs	1,100,510	293,417	1,205,456
	Southern South Island			
1,149,337	Ngai Tahu Maori Trust Board	-	-	-
1,149,337	Total Direct Assistance	-	-	-
69,355,621	TOTAL DIRECT ASSISTANCE TO CLAIMANTS	3,023,670	6,324,693	4,959,494
	Total District Research Costs	4,298,097	4,702,996	1,912,707
	Total District Facilitation Costs	953,985	872,365	1,407,710
	TOTAL DIRECT SERVICES TO CLAIMANTS	8,275,752	11,900,054	8,279,911
	Plus:			
	Other Research costs	678,635	1,075,288	2,469,336
	Other Facilitation costs	1,017,256	1,418,078	685,889
	TOTAL ASSISTANCE TO CLAIMANTS	9,971,408	14,393,420	11,435,136

These notes are to be read in conjunction with the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2006

17. FOREST RENTAL PROCEEDS HELD IN TRUST TO 31 MARCH 2006

	Forest No.	Current Year Received	Current Year Paid to Confirmed Beneficiaries (Note 13)	Total held in Trust
		\$	\$	\$
Northland				
Aupouri	1	500,000		8,463,108
Otangaroa	2	152,000		2,099,165
Waitangi	3	101,000		1,350,955
Glenbervie	4	458,572		6,236,825
Auckland				
Mangawhai	6	57,660		960,720
Woodhill	7	1,002,700		17,424,302
Riverhead	8	243,532		7,612,230
Maramarua	11	293,881		8,670,138
Whangapoua	12	199,500		4,834,734
Kauaeranga	13	8,214		212,206
Waihou	14	51,047		1,339,652
Tairua	15	337,505		10,689,639
Athenree	16	41,555		1,772,679
Central North Island				
Rotoehu	17	3,106,213	7,095,172	11,402,913
Horohero	18	273,414		1,448,338
Whakarewarewa	19	1,537,700		9,237,671
Crater	20	319,668		1,571,854
Kaingaroa	21	35,682,376	11,514,454	188,604,552
Waimihia	22	3,901,397		22,863,564
Marotiri	23	41,774		279,717
Pirongia	24	24,859		272,885
Tawarau	25	106,584		1,243,305
Mangaokewa	26	63,625		719,447
Pureora	27	100,501		1,405,911
Waituhi	28	42,511		538,202
Taurewa	29	52,290		635,208

These notes are to be read in conjunction with the financial statements.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2006

	Forest No.	Current Year Received	Current Year Paid to Confirmed Beneficiaries (Note 13)	Total held in Trust
		\$	\$	\$
East Coast				
Ruatoria	32	325,000		4,726,301
Tokomaru	33	335,000		4,347,757
Mangatu	34	532,315		6,356,939
Wharerata	35	505,000		6,101,751
Patunamu	36	286,000		3,297,779
Hawkes Bay				
Mohaka	37	743,600		11,414,686
Esk	38	368,890		5,670,983
Kaweka	39	241,240		3,783,521
Gwavas	40	296,270		5,113,669
Southern North Island				
Erua	41	3,421		44,876
Karioi	42	330,980		6,457,247
Te Wera	43	120,000		1,462,056
Lismore Hill	44	244,500		3,101,577
Lismore Sand	45	80,219		1,175,417
Santoft	46	132,255		3,420,829
Tangimoana	47	16,888		532,955
Waitarere	48	108,336		1,844,493
Manakau	49	22,237		258,491
Ngaumu	51	702,000		8,270,505
Nelson				
Golden Bay	52	9,520		150,451
Motueka	53	174,600		2,018,605
Golden Downs East	54	764,958		12,507,888
Golden Downs West	54	831,172		13,349,002
Waimea	55	148,300		2,527,510
Rai	56	349,242		5,689,329
Hira	57	196,700		3,244,359
Queen Charlotte	58	55,332		717,075
Wairau	59	339,100		5,583,686
TOTAL CAPITAL		56,963,153	18,609,626	435,059,657

These notes are to be read in conjunction with the financial statements.

AUDITOR'S REPORT

TO THE TRUSTEES OF THE CROWN FORESTRY RENTAL TRUST

We have audited the financial statements on pages 18 to 38. The financial statements provide information about the past financial performance of the Crown Forestry Rental Trust and its financial position as at 31 March 2006. This information is stated in accordance with the accounting policies set out on pages 21 to 22.

Trustees Responsibilities

The Trustees are responsible for the preparation, in accordance with New Zealand law and generally accepted accounting practice, of financial statements which fairly reflect the financial position of the Crown Forestry Rental Trust as at 31 March 2006 and the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express to you an independent opinion on the financial statements presented by the Trustees.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

- the significant estimates and judgements made by the Trustees in the preparation of the financial statements, and
- whether the accounting policies are appropriate to the Trust's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Other than in our capacity as auditor and the provision of benchmarking advisory services, we have no relationship with or interests in the Crown Forestry Rental Trust.

Unqualified Opinion

We have obtained all the information and explanations that we have required.

In our opinion the financial statements on pages 18 to 38, fairly reflect the financial position of the Crown Forestry Rental Trust as at 31 March 2006 and the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 16 May 2006 and our unqualified opinion is expressed as at that date.

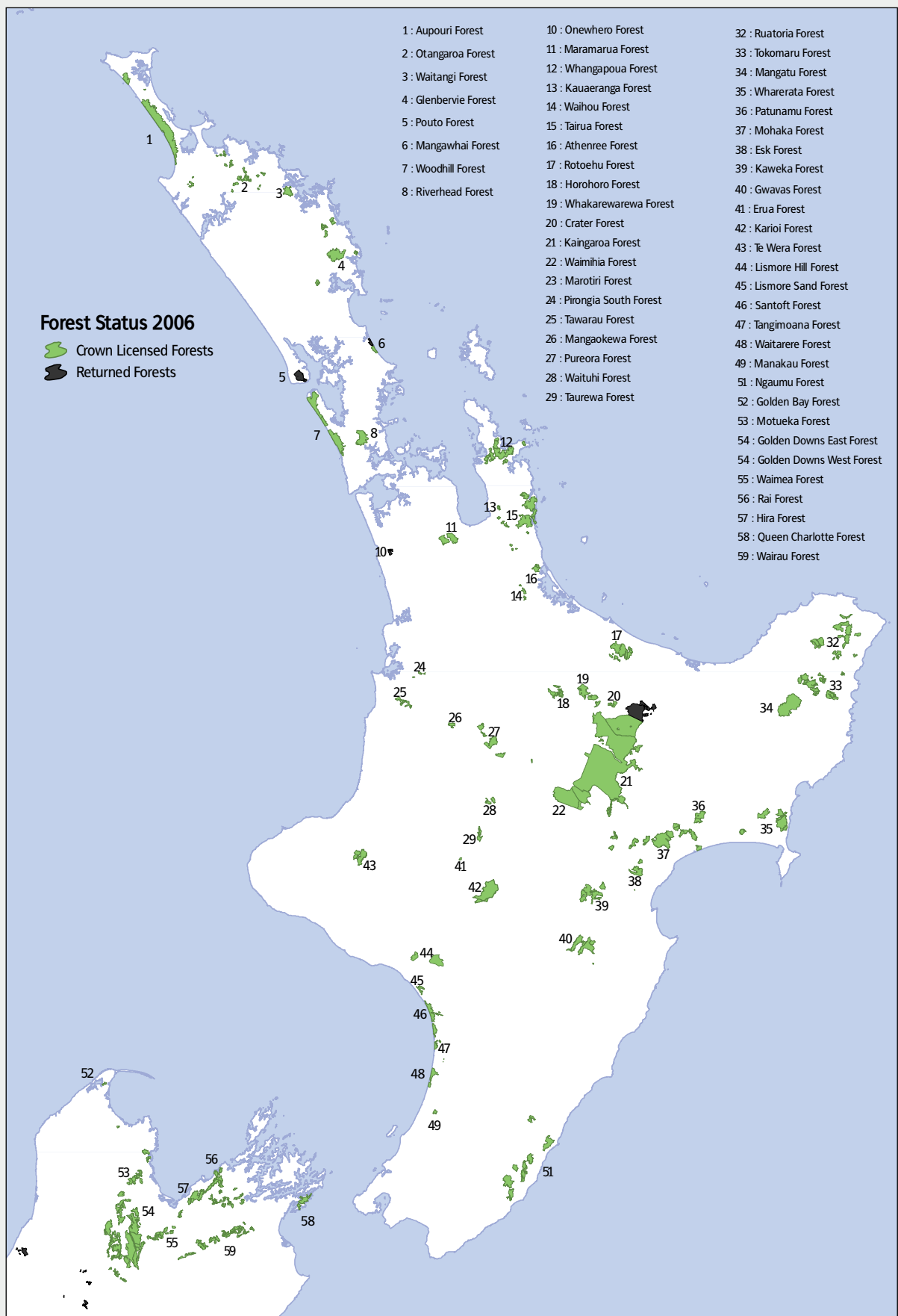


CHARTERED ACCOUNTANTS

WELLINGTON, NEW ZEALAND

This audit report relates to the financial statements of Crown Forestry Rental Trust for the year ended 31 March 2006 included on Crown Forestry Rental Trust's website. The Trustees are responsible for the maintenance and integrity of the Trust's website. We have not been engaged to report on the integrity of Trust's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyperlinked to/from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 16 May 2006 to confirm the information included in the audited financial statements presented on this website. Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

CROWN FOREST LICENSED LAND



DIRECTORY

TRUSTEES

Sir Graham Latimer (Chairman)
Gregory Fortuin
Angela Foulkes
Janet Mason
Paul Morgan
Kingi Smiler

SENIOR MANAGEMENT

Ben Dalton
Jacqui Ngapera
Leah Campbell
Coby van Rijswijk
Sothi Kanagasabai

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