

ANNUAL REPORT 2003

TE HUARAHI TIKA TRUST TE RĪPOATA



TE HUARAHI TIKA
TRUST

To Matou Matakite

- Ki te whakapakari i te rōrahi o te Māori ki te whakauru pai ki roto i te ao ohanga mātauranga, ake ki ngā rangai hangarau o te pārongo me te torotoro waea.
- Kia whiwhi huarahi te Māori ki ngā pukenga mō te whakamahi i ngā ahurewa whakapapatanga hou, ngā pūnaha parongo o te ao me ngā wā haumi a te rāngai torotoro waea, ahakoa kei hea rātou e noho ana, e mahi ana rānei ki Aotearoa.
- Ki te whakarite i tētahi haumi mō te Māori i roto i ngā torotoro waea.

Our Vision

- To develop capacity within Maori to successfully participate in the knowledge economy and in particular in the information and telecommunications technology sectors.
- For Maori to have access to and the skills to use modern communications platforms, global information systems and telecommunication sector investment opportunities, no matter where they choose to live and work in New Zealand.
- To provide an investment stake for Maori in the telecommunications sector.

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Chair's Report

Tena koutou katoa

On behalf of my fellow Trustees, it is a privilege to present this, the third Annual Report for Te Huarahi Tika Trust. This report will give a brief recap of our formation, an overview of the industry, the work plan for the year to come and the annual accounts.

To understand our vision, it is important to repeat and confirm the genesis of Te Huarahi Tika Trust.

The Māori Spectrum Trust, known as Te Huarahi Tika Trust, was established as a charitable trust in July 2000. The purpose was to increase the participation of Māori in the knowledge economy; specifically the information and telecommunications sector. This was to be made possible through the allocation of 3G spectrum and a gift from the Crown of \$5 million to assist with the establishment of the Trust and capitalisation into a commercial partnership.

A commercial arm was formed, Hautaki Limited, (acting as Trustee of Hautaki Trust) to further the commercial opportunity. In December 2001- in a very competitive and turbulent global environment - a joint venture partnership was formed with global telco Econet Wireless Ltd to form Econet Wireless New Zealand Limited (EWNZ). The staff and Directors of EWNZ and the Directors of Hautaki Limited, under the leadership of leading businessman and Chair of EWNZ Bill Osborne, continue to strive toward the roll out of a third cellular network in New Zealand.

The Electoral College, responsible for the appointment of Trustees to Te Huarahi Tika Trust, has continued to operate under the able stewardship of Chair Piripi Walker.

The environment

We have experienced a year that has seen economies struggle worldwide, corporate governance failure and a global telecommunications power struggle as new technologies develop and roll out on a regular basis. Nothing stands still. Telstra Clear has recently announced it will be entering the mobile sector that is currently dominated by Vodafone and Telecom.

The reality of the environment we find ourselves in has been particularly sobering. We received a gift from the Crown of \$5 million, with an expectation that the allocated spectrum management rights would allow us to achieve commercial participation notwithstanding the need for a further investment of \$100 million plus. This has been a steep challenge but an opportunity we remain optimistic about.

The team at EWNZ and Hautaki have worked hard to attract the substantial capital necessary for implementation. It is with some disappointment that we were not able to attract any Māori investment. This is not surprising at this time as Māori are engaged in many key issues, as well as investing in their own economic development.

It is an absolute credit to the staff and Directors of EWNZ that they resolutely push on against great odds. I wish to pass on to them the gratitude of the Trustees, and wish them ongoing success.

So what of 2003

Te Huarahi Tika Trust has continued in its support of Hautaki Ltd and EWNZ. Due to the enormity and complexity of the job, this has been a frustrating task in a frustrating environment.

Our support has been in the form of helping to identify, within Māoridom, potential investors for the implementation phase, stakeholder and ministerial communications and networking to assist EWNZ to meet its business objectives.

The on-going development of our website has given the ability for Trustees to access a secure site where interactive communication around documents, minutes and sundry articles has allowed for increased efficiencies. In this regard our quarterly meetings have been able to be reduced to three meetings for the year past. Further development of our website will create even more efficiencies in the year ahead.

The financial, policy and communications sub-committees have communicated when and as necessary.

Our annual plan has been developed and is focused on issues around risk management, further development of financial policy procedures and annual communications strategies. The Trustees acknowledge and understand the current need for stealth and patience. However, we look forward to being able to formulate planning around the positive delivery of the Trust purposes within the next 24 months.

Our deed requires us to include an assessment of performance against achievement of the purposes of the Trust. In relation to this and in line with our business plan, delivery of the Trust purposes will only be achieved on the success of the commercial operation. Therefore the ability of the Trust to deliver on the stated purposes has been limited to the matters referred to in this report.

On this note, I wish to acknowledge and pay tribute to my fellow Trustees, each a leader in their own right whom I am proud to be associated with. I am convinced they are collectively the busiest people in the country, working to strengthen the reality of Māori as entrepreneurs, as innovators and as successful contributors to this piece of paradise we all call home, Aotearoa New Zealand.

Heoi ano



Mavis Mullins
Chair
Te Huarahi Tika Trust

Our Trustees

Mavis Mullins

Chair

Rangitane, Atihaunui a Paparangi

Dannevirke-based Mavis Mullins's personal and professional interests focus strongly on the areas of economic development, particularly for Māori.

With an MBA from Massey University, Mavis is executive director of Paewai Mullins Shearing Limited, Paewai Mullins Systems and holds the position of provincial woolhandling instructor for Meat and Wool Innovations Ltd.

She has extensive interests in agribusiness, particularly the wool sector.

In 1995 she was chosen as Māori Business Woman of the Year, and in 2002 she was appointed a Member of the New Zealand Order of Merit for her services to the wool industry.

Mavis holds directorships or trusteeships with a range of government and private business bodies including Landcorp New Zealand, Poutama Trust, Wools of Aotearoa, Landcare Trust NZ and Aohanga Incorporation.

Neville Baker

Te Atiawa

Neville Baker is the Acting Director of the Waitangi Tribunal. He held the position of Deputy Secretary of Māori Affairs from 1985-87 and Māori Trustee from 1987-90.

He is currently a trustee of the Wellington Tenth Trust and chair of a number of runanga and marae organisations.

Neville is a director of Te Huarahi Tika Trust's commercial arm, Hautaki Ltd.

Sir Graham Latimer

Sir Graham Latimer is the Chair of both the New Zealand Māori Council and the Crown Forestry Rental Trust.

Paul Majurey

Ngati Kotinga, Ngati Maru, Ngati Hauauru, Ngati Whanaunga, Ngati Hape, Ngati Paoa, Ngati Rautao, Marutuahu, Ngati Awa

Auckland-based Paul Majurey is a barrister and solicitor of the High Court of New Zealand.

He has been a partner of the law firm Russell McVeagh since 1991, where he specialises in Maori and environmental law.

Paul is a director of Te Huarahi Tika Trust's commercial arm, Hautaki Ltd.

Rob McLeod

Ngati Porou

Rob is chairman of Ernst & Young New Zealand and a former Commissioner of Te Ohu Kai Moana, the Waitangi Fisheries Commission.

He has degrees in law and commerce, is a fellow chartered accountant and a barrister and solicitor of the High Court of New Zealand.

Taari Nicholas

*Ngati Ranginui, Nga Puhi,
Ngati Ruanui, Te Atiawa*

Taari Nicholas is a chartered accountant with extensive experience at senior levels in funds management and investment banking.

He has been a member of the New Zealand Computer Society for 20 years and is a member of the New Zealand Māori Internet Society.

Taari is a director of Te Huarahi Tika Trust's commercial arm, Hautaki Ltd.

Tainui Stephens

Te Rarawa

Ngaruawahia-based Tainui Stephens is the founding director of Pito One Productions Ltd., which provides specialist services to the Māori education and broadcasting sectors.

Jacqui Te Kani, CNZM

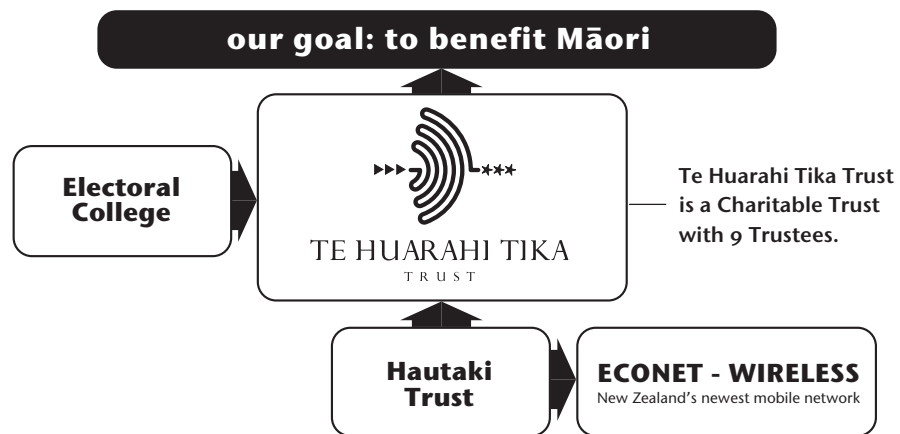
Jacqui is General Manager of the Māori Women's Welfare League. She was previously the League's National President.

Derek Kotuku Wooster

*Ngati Maniapoto
Te Atiawa*

Derek is deputy head of Māori Programmes at Television New Zealand, where he has been a television producer and director since 1979.

Te Huarahi Tika Trust Structure



Our Logo

Te Huarahi Tika Trust's logo was designed by Darcy Nicholas, a leading contemporary Maori artist.

He explains the symbolism behind the Te Huarahi Tika Trust logo: "The logo is contemporary and slightly minimalist. It is made up of in-depth Māori concepts that reach out into the future. I have picked three major symbols."



The black star

A symbol of absolute power to authority as in black holes in space and as vessels of absolute knowledge.



A golden pathway

As in a new direction or era.



Three triangular shapes

These symbolise the three baskets of knowledge. I picked the triangle because it can also be placed one above the other and this is a sign of a journey or travel.

Te Huarahi Tika Trust

Annual General Meeting

30 September 2003

The Te Huarahi Tika Trust Annual General Meeting will be held at Te Puni Kokiri House, Level 2, 12-14 Walls Road, Penrose, Auckland on 30 September from 2pm to 4pm.

Agenda

- Karakia
- Introduction of Trustees
- Chair's Report
 - Operation of Trust during the preceding income year
 - Proposed Annual Plan for following income year
- Presentation of Accounts
- Presentation on Hautaki Limited
- Open discussion
- Meeting closes

Te Huarahi Tika Trust

Trustees' Report

The Trustees present the Financial Statements for the year ended 31 March 2003.

Principal Activities

The Trust is a Charitable Trust. The Trust has been established with a view to increase Maori participation in the information and telecommunication sector in New Zealand, through promotion of educational and training opportunities, scholarships, and grants.

Accounting Policies

There have been no changes in accounting policies.

Trustees

Remuneration of Trustees

The following people held office as Trustee during the year and received the following remuneration during the year.

<i>Name</i>	<i>Remuneration</i>	<i>Current Trustee or date resigned</i>
	\$	
<i>Mavis Mullins – Chair</i>	4,200	<i>Current</i>
<i>Neville Baker</i>	1,600	<i>Current</i>
<i>Hayden Edmonds</i>	2,400	<i>Resigned January 2003</i>
<i>Gabrielle Huria</i>	2,400	<i>Resigned January 2003</i>
<i>Sir Graham Latimer</i>	-	<i>Current</i>
<i>Paul Majurey</i>	-	<i>Current</i>
<i>Rob McLeod</i>	1,350	<i>Current</i>
<i>Taari Nicholas</i>	1,600	<i>Current</i>
<i>Tainui Stephens</i>	3,600	<i>Current</i>
<i>Archie Taiaroa</i>	1,600	<i>Resigned January 2003</i>
<i>Jacqui Te Kani</i>	3,200	<i>Current</i>
<i>Derek Wooster</i>	1,600	<i>Current</i>
	\$ 23,550	

Te Huarahi Tika Trust

Trustees' Report Continued

Electoral College

Appointments

An Electoral College in accordance with the Trust's Deed appoints the Trustees.

Remuneration of Electoral College Members

The following people were members of the Electoral College during the year and received the following remuneration during the year.

<i>Name</i>	<i>Remuneration</i>	<i>Current Member or date resigned</i>
	<i>\$</i>	
<i>Kitty Bennett</i>	<i>1,600</i>	<i>Current</i>
<i>Piripi Walker</i>	<i>1,050</i>	<i>Current</i>
<i>James Nicholls</i>	<i>-</i>	<i>Current</i>
<i>Archie Tairoa</i>	<i>-</i>	<i>Current</i>
<i>Iritana Tawhiwhirangi</i>	<i>-</i>	<i>Current</i>
<i>Makere Edwards</i>	<i>-</i>	<i>Current</i>
	<i>\$ 2,650</i>	

Auditors

The Trust paid the following remuneration to the auditors, Pareārau Chartered Accountants, during the year.

Audit fee **\$4,500**

For and on behalf of the Board:



Trustee



Trustee

12 September 2003

Date

FINANCIALS

Te Huarahi Tika Trust Statement of Financial Performance For the year ended 31 March 2003

	Note	2003 \$	2002 \$
Total operating revenue	2	<u>50,016</u>	<u>4,100,000</u>
Operating surplus/(deficit) before income tax	3	(122,344)	3,955,001
Income tax		-	-
Net surplus/(deficit) for the year		<u>\$ (122,344)</u>	<u>\$ 3,955,001</u>

Te Huarahi Tika Trust Statement of Movements in Equity For the year ended 31 March 2003

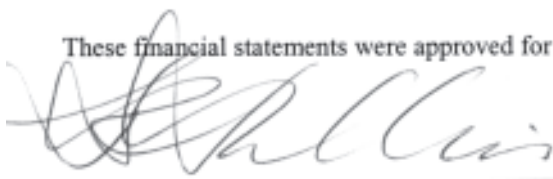
	2003 \$	2002 \$
Net surplus/(deficit) for the year	(122,344)	3,955,001
Other recognised revenue and expenses	<u>-</u>	<u>-</u>
Total recognised revenues and expenses	(122,344)	3,955,001
Distribution to beneficiaries	-	-
Movements in equity for the year	<u>(122,344)</u>	<u>3,955,001</u>
Equity at beginning of year	4,496,743	541,742
Equity at end of year	<u>\$ 4,374,399</u>	<u>\$ 4,496,743</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

**Te Huarahi Tika Trust
Statement of Financial Position
As at 31 March 2003**

	Note	2003 \$	2002 \$
Total trust equity		<u>\$ 4,374,399</u>	<u>\$ 4,496,743</u>
Current assets			
Bank balances, deposits and cash	Page 5	116,521	40
Prepayments		3,740	7,659
Taxation refund		1,483	-
Total current assets		<u>121,744</u>	<u>7,699</u>
Non-current assets			
Loan to related party	5 & 6	4,266,954	4,500,381
Total non-current assets		<u>4,266,954</u>	<u>4,500,381</u>
Total assets		<u>4,388,698</u>	<u>4,508,080</u>
Current liabilities			
Trade creditors	10	14,299	11,337
Total current liabilities		<u>14,299</u>	<u>11,337</u>
Total liabilities		<u>14,299</u>	<u>11,337</u>
Net assets		<u>\$ 4,374,399</u>	<u>\$ 4,496,743</u>

These financial statements were approved for issue for and on behalf of the Board:



Trustee

12 September 2003

Date



Trustee

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

FINANCIALS

Te Huarahi Tika Trust Statement of Cash Flows For the year ended 31 March 2003

	Note	2003 \$	2002 \$
Cash Flows From Operating Activities			
Cash was provided from:			
Grants	2	-	4,100,000
Beneficiary distribution received		46,142	-
Interest income		2,390	-
		<u>48,532</u>	<u>4,100,000</u>
Cash was disbursed to:			
Accounting fees		24,654	13,293
Audit fees		3,972	4,174
Bank charges		133	112
Insurance		6,413	13,111
Consulting fees		51,578	51,479
Legal fees - legal matters		26,860	27,805
Secretariat		2,034	207
Trustee fees		28,450	12,322
Trustee expenses		21,384	15,073
Electoral College fees		1,600	-
Other expenses		-	915
		<u>165,478</u>	<u>138,491</u>
Net cash flows from operating activities	9	<u>(116,946)</u>	<u>3,961,509</u>
Cash Flows From Financing Activities			
Cash was applied to:			
Loan to related party	5 & 6	233,427	(3,961,472)
Net cash flows used in financing activities		<u>233,427</u>	<u>(3,961,472)</u>
Net increase in cash held		116,481	37
Cash at beginning of year		40	3
Cash at end of year		<u>\$ 116,521</u>	<u>\$ 40</u>

THE ACCOMPANYING NOTES FORM AN INTEGRAL PART OF THESE FINANCIAL STATEMENTS

Te Huarahi Tika Trust
Notes to and Forming Part of the Financial Statements
For the year ended 31 March 2003

1. Statement of Accounting Policies

Statutory Base

The reporting entity is Te Huarahi Tika Trust. These financial statements have been prepared under the requirements of the Trust Deed, The Charitable Trusts Act 1957 and the Financial Reporting Act 1993.

Measurement System

The financial statements comply with generally accepted accounting practice recognised by the accounting profession in New Zealand as appropriate for financial reporting in this sector. The measurement base applied is historical cost.

The accrual basis of accounting has been used throughout the financial statements.

The following specific accounting policies have been applied in the preparation of the Financial Statements.

a) Accounts Receivable

Accounts receivable have been valued at estimated realisable value after making provision for doubtful debts.

b) Components of Cash

Cash includes current and non-current accounts with trading banks and cash held on-call at financial institutions.

c) Goods and Services Tax

The trust is not registered for GST and the Statement of Financial Performance and Position along with the Statement of Cash Flows have been prepared so that all components are stated inclusive of GST.

d) Income Tax

The Trust has been established as a Charitable Trust for tax purposes and is exempt from income tax on business income derived for charitable purposes in accordance with section CB 4 (1) (e) of the Income Tax Act 1994. This is conditional on the Trust complying with the provisions of that subsection each year.

e) Statement of Cash Flows

The following are definitions of the terms used in the Statement of Cash Flows:

- i. Cash is considered to be cash on hand and current accounts in banks.
- ii. Investing activities are those activities relating to the acquisition, holding and disposal of fixed assets and of investments. Investments can include securities not falling within the definition of cash.
- iii. Financing activities are those activities, which result in changes in the size and composition of the capital structure. Dividends paid in relation to the capital structure are included in financing activities.
- iv. Operating activities include all transactions and other events that are not investment or financing activities.

Te Huarahi Tika Trust
Notes to and Forming Part of the Financial Statements (continued)
For the year ended 31 March 2003

f) Distinction between Capital and Revenue Expenditure

Capital expenditure is defined as all expenditure on the creation of a fixed asset, and any expenditure, which results in a significant improvement to the original formation of a fixed asset.

Revenue expenditure is defined as expenditure, which restores an asset to its original condition, and all expenditure incurred on maintaining and operating the Trust.

g) Revenue

Revenue comprises the amounts received by the Trust for goods, services and grants in the ordinary course of trust activities.

h) Changes in Accounting Policies

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

2. Operating Revenue

	2003	2002
	\$	\$
<i>Continuing activities</i>		
Interest income	3,874	-
Beneficiary distribution received	46,142	-
Government grant	-	4,100,000
Total revenue	\$ 50,016	\$ 4,100,000

3. Operating Surplus/(Deficit) before Income Tax

	2003	2002
	\$	\$
After Deducting:		
Accounting fees	30,038	13,293
Auditors' remuneration	4,537	3,935
Bank fees	133	112
Consultancy fees (note 12)	51,578	51,479
Insurance	10,331	12,456
Legal fees - legal matters	27,275	30,429
Secretariat	2,034	207
Trustees' fees	23,550	17,100
Trustees' expenses	19,906	15,073
Electoral College fees	2,650	-
Electoral College expenses	326	-
Other	-	915

Te Huarahi Tika Trust
Notes to and Forming Part of the Financial Statements (continued)
For the year ended 31 March 2003

4. Equity		2003	2002
		\$	\$
Trust corpus		10	10
Retained earnings		4,374,389	4,496,733
		\$ 4,374,399	\$ 4,496,743

5. Loan to Related Party

		2003	2002
		\$	\$
Hautaki Trust		4,266,954	4,500,381
		\$ 4,266,954	\$ 4,500,381

Interest is payable on demand only if the lender makes a demand for interest on or before 31 March each year.

The loan is repayable at any time without penalty by the borrower.

6. Related Parties

During the year the Trust transacted with the following related parties:

<i>Name of related party</i>	<i>Nature of relationship</i>	<i>Type of transactions</i>	2003	2002
			\$	\$
The Hautaki Trust	100% shareholder Hautaki Limited trustee of The Hautaki Trust.	Loan	\$ 4,266,954	\$ 4,500,381

No related party debts have been written off or forgiven during the year.

7. Contingencies

The treatment of the 2002 grant income received by the trust as not being subject to GST, was accepted by the Inland Revenue. As a result there exist no contingencies at balance date (2002: \$555,555).

8. Commitments

There was no capital expenditure contracted for, or other commitments at balance date (2002: Nil).

Te Huarahi Tika Trust
Notes to and Forming Part of the Financial Statements (continued)
For the year ended 31 March 2003

9. Reconciliation of Cash Flows with Reported Net Surplus

	2003	2002
	\$	\$
Net surplus/(deficit) for the year	(122,344)	3,955,001
<i>Adjustments to reconcile Net Surplus to Cash flows from Operating Activities:</i>		
Prepayments	3,919	(655)
Creditors	2,962	7,163
Taxes	(1,483)	-
Net cash flow (used in) operating activities	<u>\$ (116,946)</u>	<u>\$ 3,961,509</u>

10. Trade Creditors

	2003	2002
	\$	\$
Accounting fees	5,384	-
Audit fees	4,500	3,935
Legal fees	3,039	2,624
Electoral College expenses	326	1,478
Electoral College fees	1,050	3,300
	<u>\$ 14,299</u>	<u>\$ 11,337</u>

11. Financial Instruments

The carrying amount of cash, short-term investments and trade receivables and payables approximates fair value due to the short maturity of these instruments. Adequate provisions are held in respect of trade receivables.

Credit Risk: Financial instruments, which potentially subject the Trust to credit risk, consist primarily of cash, short term investments and trade receivables. There is no concentration of credit risk.

The Trust places cash and short term investments with high credit quality financial institutions.

Currency and Interest Rate Risk: The Trust assets have no significant exposure to interest rate risk in respect of their financial instruments.

The Trust assets do not include any holdings of foreign currency.

Te Huarahi Tika Trust
Notes to and Forming Part of the Financial Statements (continued)
For the year ended 31 March 2003

12. Consulting Fees

	2003	2002
	\$	\$
Relating to:		
Public meeting communications	43,169	50,872
Web site design	7,807	-
Annual report design	602	607
	\$ 51,578	\$ 51,479

13. Significant Events After Balance Date

There were no significant events after balance date.



Pareārau
CHARTERED ACCOUNTANTS

AUDITOR'S REPORT

**TO THE READERS OF THE FINANCIAL STATEMENTS OF
TE HUARAHI TIKA TRUST
FOR THE PERIOD ENDED 31 MARCH 2003**

We have audited the financial statements on pages 10 to 17. The financial statements provide information about the past financial performance and financial position of Te Huarahi Tika Trust as at 31 March 2003. This information is stated in accordance with the accounting policies set out on pages 13 and 14.

Responsibilities of the Board

The Board are responsible for the preparation of financial statements which comply with generally accepted accounting practice which fairly reflect the financial position of Te Huarahi Tika Trust as at 31 March 2003, the results of its operations and cash flows for the year ended 31 March 2003.

Auditor's Responsibilities

It is our responsibility to express an independent opinion on the financial statements and report our opinion to you.

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 Trust in the preparation of the financial statements; and
- whether the accounting policies are appropriate to Te Huarahi Tika Trust's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. 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 give 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 we have no relationship with, or financial interest in, the Trust.



Pareārau
 CHARTERED ACCOUNTANTS

AUDITOR'S REPORT (continued)

**TO THE READERS OF THE FINANCIAL STATEMENTS OF
 TE HUARAHĪ TĪKA TRUST
 FOR THE PERIOD ENDED 31 MARCH 2003**

Unqualified Opinion

We have obtained all the information and explanation that we have required;

In our opinion:

- proper accounting records have been kept as far as appears from the examination of those records; and
- the financial reports on pages 10 to 17:
 - complies with generally accepted accounting practice; and
 - fairly reflect:
 - the financial position as at 31 March 2003 *and*
 - the results of its operations and cash flows for the year ended on that date.

Our audit was completed on 12 September 2003 and our unqualified opinion is expressed as at that date.

Pareārau

**PAREAARAU
 CHARTERED ACCOUNTANTS**

WELLINGTON

