

Ngati Paoa Commercial Group
Special Purpose Financial Report
For the year ended 30 June 2016

Ngati Paoa Commercial Group

Special Purpose Financial Report For the year ended 30 June 2016

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Ngati Paoa Commercial Group

Business directory
As at 30 June 2016

Nature of Business:	Iwi Investment
Registered Office:	275 Great South Road Papakura, 2110
Directors:	Richard Braddock Mark Crosbie Brett Rhind
Shareholders:	Ngati Paoa Iwi Trust <u>15,625,100</u> ordinary shares
Auditor:	RSM Hayes Audit
Bankers:	ASB Bank Auckland BNZ Bank Auckland Westpac Bank Auckland
Solicitors:	Minter Ellison Rudd Watts Auckland
Accountants:	Ernst & Young Limited Auckland


Ngati Paoa Commercial Group

**Approval of Special Purpose Financial Report
For the year ended 30 June 2016**

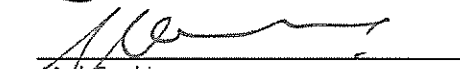
The Directors are pleased to present the approved Special Purpose Financial Report of Ngati Paoa Commercial Group for the year ended 30 June 2016.

Approved

For and on behalf of the Board of Directors of Ngati Paoa Group Holdings Limited


Richard Braddock

11.05.2017
Date


Mark Crosbie

11.05.2017
Date


Brett Rhind

11.05.17
Date

Ngati Paoa Commercial Group

Statement of Profit and Loss For the year ended 30 June 2016

	Note	2016 \$	2015 \$
Revenue	3	63,075	10,000
Other Income	4	1,537,828	-
Expenses	6	(1,504,275)	(411,742)
Net Operating Profit/(Loss) before tax		96,628	(401,742)
Share of Profit/(Loss) in Associate	5	(63,675)	(67,611)
Income tax expense	7	-	-
Net Profit/(Loss) after tax		32,953	(469,353)

This statement is to be read in conjunction with the notes to the special purpose financial statements on pages 8-14.

Ngati Paoa Commercial Group

Balance Sheet As at 30 June 2016

	Note	2016 \$	2015 \$
Equity		18,113,950	18,080,995
Represented by:			
Current Assets			
Cash at bank		101,907	4,350
Accounts Receivable		2,962	-
Withholding Tax Paid		3,111	2,101
Funds held in Solicitor's Trust Account		16,082	-
Investment Properties - held for sale	9	3,263,045	-
Prepayments		16,703	-
GST refund due		28,822	38,400
		<u>3,432,631</u>	<u>44,851</u>
Non-Current Assets			
Investment in Pouarua Farm LP	11	18,520,261	18,585,896
		<u>18,520,261</u>	<u>18,585,896</u>
Total assets		21,952,891	18,630,747
Current Liabilities			
Bank overdraft		-	113,169
Accounts payable		126,291	16,967
Shareholders current account	8	389,616	419,616
Westpac Bank Loan	10	3,323,035	-
		<u>3,838,942</u>	<u>549,752</u>
Total liabilities		3,838,942	549,752
Net assets		18,113,950	18,080,995

This statement is to be read in conjunction with the notes to the special financial statements on pages 8-14.

Ngati Paoa Commercial Group

Statement of movements in equity For the year ended 30 June 2016

	Share Capital	Retained Earnings	Share of Associate's Revaluation Reserve	Total Equity
Balance at 1 July 2015	15,625,100	(523,077)	2,978,972	18,080,995
Profit for the period	-	32,953	-	32,953
Balance at 30 June 2016	<u>15,625,100</u>	<u>(490,124)</u>	<u>2,978,972</u>	<u>18,113,950</u>
Balance at 1 July 2014	15,625,100	(53,724)	2,978,972	18,550,348
Profit for the period	-	(469,353)	-	(469,353)
Balance at 30 June 2015	<u>15,625,100</u>	<u>(523,077)</u>	<u>2,978,972</u>	<u>18,080,995</u>

This statement is to be read in conjunction with the notes to the special purpose financial statements on pages 8-14.

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2016

1 Reporting entity

The following entities are included in the Ngati Paoa Commercial Group Special Purpose Financial Statements:

Ngati Paoa Group Holdings Limited

- Company incorporated under the Companies Act 1993
- Engaged in the business of Iwi Investment

Ngati Paoa Group Investments Limited

- Company Incorporated under the Companies Act 1993
- Engaged in the business of Iwi Investment

Ngati Paoa Farming Limited

- Company incorporated under the Companies Act 1993
- Engaged in the business of Dairy cattle farming

The special purpose financial report was authorised in accordance with a resolution of the Directors of Ngati Paoa Group Holdings Limited.

2 Statement of Accounting Policies

Basis of preparation

These financial statements have been prepared in accordance with the Special Purpose Financial Reporting Framework for use by For Profit Entities (SPFR for FPEs) published by the New Zealand Institute of Chartered Accountants.

The special purpose financial statements presented are an amalgamation of the following entities, who are all 100% owned by the Ngati Paoa Iwi Trust:

- Ngati Paoa Group Holdings Limited
- Ngati Paoa Group Investments Limited
- Ngati Paoa Farming Limited

These special purpose financial statements are prepared primarily for compliance with obligations under the group's loan agreements and are prepared in accordance with the optional NZICA Special Purpose Framework, applicable to for-profit entities.

All balances and transactions between the individual entities above have been eliminated on amalgamation, in accordance with the consolidation principles applied under generally accepted accounting practice.

Historical cost

These financial statements have been prepared on a historical cost basis, except where identified in specific accounting policies below. The financial statements are presented in New Zealand dollars (NZ\$) and all values are rounded to the nearest NZ\$, except when otherwise indicated.

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2016

2 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, to the extent it is possible that the economic benefits will flow to the entity and revenue can be reliably measured.

Accounts receivable

Accounts receivable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollected amounts. Individual debts that are known to be uncollectable are written off in the period that they are identified.

Income tax

Income tax is accounted for using the taxes payable method. The income tax expense in profit or loss represents the estimated current obligation payable to Inland Revenue.

Goods and Services tax

All amounts are stated exclusive of goods and services, with the exception of accounts receivable and payable which are stated inclusive of GST.

Property, plant and equipment and investment property

Property, plant and equipment and investment property are stated at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of assets.

Investment Property includes properties held to earn rental income and/or for capital appreciation that are not occupied by the Group. Gains or losses arising from the sale of these properties are included in profit or loss in the period in which they arise.

Financial instruments – financial liabilities

Financial liabilities, including borrowings and bank overdrafts, are initially measured at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised in profit or loss on an effective yield basis.

Borrowings

Borrowings are initially measured at fair value, net of transaction costs. They are subsequently measured at amortised cost (using the effective interest method). Fees for establishing new borrowings are spread over the term of those borrowings.

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2016

2 Investment in Associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in its associate is accounted for using the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The aggregate of the Group's share of profit or loss of an associate and a joint venture is shown on the face of the statement of profit or loss outside operating profit and represents the group's share of profit or loss after tax of the associate.

The financial statements of the associate or joint venture are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of loss of an associate' in the statement of profit or loss.

Changes in accounting policy

There have been no changes in accounting policies. Policies have been applied on a consistent basis with those of the previous period.

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2016

3	Revenue	2016	2015
	Management Fees	-	10,000
	Interest Income	4,034	-
	Rental income	59,040	-
	Total revenue	63,075	10,000
4	Other Income		
	Gain on sale of Investment Properties	1,537,828	-
		1,537,828	-
5	Share of Profit/(Loss) from Associate		
	Share of Partnership Income/(Loss) from Pouarua Farm LP	(63,675)	(67,611)
		(63,675)	(67,611)
6	Expenses		
	Accounting fees	128,386	5,025
	Advertising	-	12,502
	Bank fees	48,115	3,974
	Board expenses	21,920	-
	Consultancy fees	587,516	178,736
	Directors fees	109,363	96,443
	Entertainment - deductible	4,365	445
	Entertainment - non deductible	-	474
	Government & Iwi Relations	47,124	-
	General expenses	5,475	2,793
	Insurance	7,810	-
	Interest	163,336	933
	Investment appraisals	84,576	-
	Iwi history	400	-
	Legal expenses	206,223	4,834
	Motor vehicles	-	100
	Management Fees	-	11,500
	Office expenses	4,641	8,794
	Printing and stationery	5,457	4,511
	Rent	63,837	25,769
	Subscriptions	3,555	1,039
	Telephone and tolls	-	35
	Travel	7,125	2,593
	Valuation	5,050	51,241
	Total expenses	1,504,275	411,742

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2016

7	Taxation	2016	2015
	Net profit (loss) before taxation	32,953	(469,353)
	Add (deduct)		-
	Share of Profit/(Loss) in Associate		-
	Non-deductible expenses	2,183	539
	Deferred expenses relating to revenue account property	(52,478)	52,478
	Losses brought forward	<u>(522,520)</u>	<u>(106,184)</u>
		(539,862)	(522,520)
	Losses to another company		
	Losses to carry forward	<u>(539,862)</u>	<u>(522,520)</u>

8 Related Parties

2016	Loan receivables / (payables)	Receivables / (payables)
Ngati Paoa Iwi Trust	(389,616)	
2015		
Ngati Paoa Iwi Trust	(419,616)	

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are recorded on normal commercial terms. The loan from Ngati Paoa Iwi Trust is interest free and repayable on demand.

The Group purchased fourteen properties from the Ngati Paoa Iwi Trust totalling \$8,735,281 as a result of an agreement for the sale and purchase of real estate. All but two of these properties have been sold to third parties during the 2016 financial year.

Included within legal and consultancy expenses for the financial year are costs incurred on behalf of Ngati Paoa Iwi Trust. The recovery of these costs is not confirmed to date and thus there is no corresponding recovery recorded in Ngati Paoa Commercial Group's Income for the year.

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2016

9	Investment Properties			2016	2015
		Cost	Accumulated Depn & Impairment	Net Book Value	Net Book Value
	115 Kowhai Road, Orewa	2,478,261		2,478,261	-
	105 Kowhai Road, Orewa	784,784		784,784	-
		<u>3,263,045</u>	<u>-</u>	<u>3,263,045</u>	<u>-</u>
10	Borrowings			2016	2015
	Term Loan Westpac New Zealand Limited			3,323,035	-
				<u>3,323,035</u>	<u>-</u>

The Westpac bank term loans are secured by a first and exclusive security interest over all the property owned by the group. \$10,318,000 of the entire facility of \$10,637,000 was drawn down over the financial year 2016, with \$6,994,965 worth of repayments made, leaving a balance of \$3,323,035 at balance date. This facility matures on the 4th of September 2016.

Ngati Paoa Commercial Group

Notes to the special purpose financial statements
For the year ended 30 June 2016

11 Investment in Associate

			2016	2015
Name	Country of Incorporation	Principal Activity	Proportion of Ownership	Proportion of Ownership
Pouarua Farm General Partner Limited	New Zealand	Farming	29.17%	29.17%

The following table illustrates the summarised financial information showing the movements of the Group's investment in Pouarua Farm General Partner Limited.

Opening Balance	18,585,896	18,705,795
Less:		
Loss for the year	(63,675)	(67,611)
Distribution	.	(30,549)
Tax Paid	(1,960)	(21,738)
Equity as at 30 June	<u>18,520,261</u>	<u>18,585,897</u>

The principal activity of Pouarua Farm General Limited (Pouarua) is dairy farming. Pouarua consists of 2,206 hectares of farm property just west of Ngatea. Ngati Paoa holds a 29% share in Pouarua with four other Hauraki Iwi, Ngati Maru, Ngati Tamatera, Ngati Tara Tokanui and Te Patukirikiri. Pouarua is a private entity that is not listed on any public exchange. The Group's interest in Pouarua is accounted for using the equity method in the consolidated financial statements.

This involves the Group recognising its share of the associate's surplus or deficit as well as its share of any other movements in the associate's net assets, including property revaluations.

The associate had no contingent liabilities or capital commitments as at 30 June 2016 or 2015.

12 Subsequent Events

Subsequent to balance date, on 20 December 2016, the two investment properties held by the Group were sold for \$8M, with a \$4.7M gain recognised in profit for the financial year 2017.

Independent Auditor's Report

To the Shareholder of Ngati Paoa Commercial Group

Opinion

We have audited the financial report of Ngati Paoa Commercial Group, which comprises:

- the balance sheet as at 30 June 2016;
- the statement of profit and loss for the year then ended;
- statement of statement of movements in equity; and
- the notes to the financial statements, which include significant accounting policies.

In our opinion, the accompanying financial report on pages 5 to 14 present fairly, in all material respects, the financial position of the group as at 30 June 2016, and its financial performance for the year then ended in accordance with the NZICA Special Purpose Financial Reporting Framework for For-Profit Entities.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the group in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Ngati Paoa Commercial Group.

We have assisted with formatting the financial statements of Ngati Paoa Commercial Group to which our audit opinion relates, based on the trial balance and other records of Ngati Paoa Commercial Group. We were not involved in the compilation of those records or the entries they contain. The provision of this service has not impaired our independence as auditor of Ngati Paoa Commercial Group. Except in this regard, and other than in our capacity as auditor, the firm has no other relationship with, or interests in, Ngati Paoa Commercial Group.

Emphasis of matter – Basis of accounting and restriction on distribution

We draw attention to Note 2 to the financial report, which describes the basis of accounting. The financial report is prepared in accordance with the NZICA Special Purpose Financial Reporting Framework for For-Profit Entities, and are intended for use by the shareholder and the group's bankers. As a result, the financial report may not be suitable for another purpose. Our report is also intended solely for the shareholder and the banker of Ngati Paoa Commercial Group and should not be distributed to other parties. Our opinion is not modified in respect of this matter.

Other matter

The financial report of Ngati Paoa Commercial Group for the year ended 30 June 2015, was not audited.

Other information

The directors of Ngati Paoa Commercial Group are responsible for the other information. The other information comprises the contents page, business directory and approval of special purpose financial report on pages 2 to 4 (but does not include the financial report and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial report does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of directors for the financial report

The Directors are responsible, on behalf of the group, for the preparation and fair presentation of the financial report in accordance with the NZICA Special Purpose Financial Reporting Framework for For-Profit Entities, and for such internal control as the Directors determine is necessary to enable the preparation of a financial report that is free from material misstatement, whether due to fraud or error. The Directors are also responsible for determining that the NZICA Special Purpose Financial Reporting Framework for For-Profit Entities framework is acceptable in the entity's circumstances.

In preparing the financial report, the Directors are responsible, on behalf of the group, for assessing the group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements. A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:

https://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page8.aspx

Who we report to

This report is made solely to the group's shareholder, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the group's shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

A handwritten signature in blue ink, appearing to read 'RSM', is located below the 'Who we report to' section.