

Ngati Paoa Commercial Group
Special Purpose Financial Statements
For the year ended 30 June 2017

Ngati Paoa Commercial Group

Special Purpose Financial Statements For the year ended 30 June 2017

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Ngati Paoa Commercial Group

Business directory
As at 30 June 2017

Nature of Business:	Iwi Investment
Registered Office:	275 Great South Road Papakura, 2110
Directors:	Brett Rhind
Shareholder:	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 Statements
For the year ended 30 June 2017**

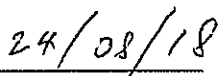
The Directors are pleased to present the approved Special Purpose Financial Statements of Ngati Paoa Commercial Group for the year ended 30 June 2017.

Approved

For and on behalf of the Board of Directors of Ngati Paoa Commercial Group



Brett Rhind



Date

Ngati Paoa Commercial Group

Statement of Profit and Loss For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue	3	32,480	63,075
Other Income	4	4,737,230	1,537,828
Expenses	6	<u>(2,163,450)</u>	<u>(1,504,275)</u>
Net Operating Profit/(Loss) before tax		2,606,260	96,628
Share of Profit/(Loss) in Associate	5	220,286	(63,675)
Income tax expense	7	-	-
Net Profit/(Loss) after tax		<u>2,826,546</u>	<u>32,953</u>

This statement is to be read in conjunction with the notes to the special purpose financial statements on pages 8-13.

Ngati Paoa Commercial Group

Balance Sheet As at 30 June 2017

	Note	2017 \$	2016 \$
Equity		20,610,494	18,113,950
Represented by:			
Current Assets			
Cash at bank & Short term investments		1,907,192	101,907
Accounts Receivable		5,261	2,962
Withholding Tax Paid		7,333	3,111
Funds held in Solicitor's Trust Account		15,992	16,082
Investment Properties - held for sale	9	-	3,263,045
Prepayments		16,703	16,703
GST refund due		64,104	28,822
		<u>2,016,585</u>	<u>3,432,631</u>
Non-Current Assets			
Property, Plant, Equipment	10	4,367	-
Investment in Pouarua Farm LP	12	18,738,813	18,520,261
		<u>18,743,180</u>	<u>18,520,261</u>
Total assets		20,759,765	21,952,891
Current Liabilities			
Accounts payable		142,937	126,291
Shareholders current account	8	6,334	389,616
Westpac Bank Loan	11	-	3,323,035
		<u>149,271</u>	<u>3,838,942</u>
Total liabilities		149,271	3,838,942
Net assets		20,610,494	18,113,950

This statement is to be read in conjunction with the notes to the special purpose financial statements on pages 8-13.

Ngati Paoa Commercial Group

Statement of movements in equity For the year ended 30 June 2017

	Share Capital	Retained Earnings	Share of Associate's Revaluation Reserve	Total Equity
Balance at 1 July 2016	15,625,100	(490,124)	2,978,972	18,113,950
Profit for the period	-	2,826,546	-	2,826,546
Drawings		(330,000)		(330,000)
Balance at 30 June 2017	<u>15,625,100</u>	<u>2,006,422</u>	<u>2,978,972</u>	<u>20,610,494</u>
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>

This statement is to be read in conjunction with the notes to the special purpose financial statements on pages 8-13.

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2017

1 Reporting entity

The following entities are included in the Ngati Paoa Commercial Group (the 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 statements were 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 Chartered Accountants Australia New Zealand.

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

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

The financial statements have been prepared for the Group's shareholder.

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.

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.

Revenue resulting from the sale of investment properties is measured as the difference between the net disposal proceeds and the carrying amount of the property.

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.

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2017

2 Statement of Accounting Policies (continued)

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. The company has elected to be treated as a Look Through Company for tax purposes so any taxes payable or losses arising are attributable to the parent.

Operating leases

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. The leased asset is included within property, plant and equipment and income recognised on a straight line basis over the life of the lease.

Financial instruments - financial assets

At initial recognition, the Group determines the classification of financial assets as either held at fair value, cost or amortised cost. Financial assets are measured initially at fair value, estimated at the transaction price less any associated costs.

Provisions

Provisions are recognised when the Group has an obligation which can be reliably measured at balance date as a result of a past event and it is probable that the Group will be required to settle the obligation.

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.

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.

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2017

2 Statement of Accounting Policies (continued)

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.

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.

Comparatives

Where necessary, comparative information has been reclassified for consistency with current year presentation and disclosure.

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2017

3	Revenue	2017	2016
	Interest Income	8,879	4,034
	Rental income	23,601	59,040
	Total revenue	<u>32,480</u>	<u>63,075</u>
4	Other income		
	Gain on sale of Investment Properties	4,737,230	1,537,828
		<u>4,737,230</u>	<u>1,537,828</u>
5	Share of Profit/(Loss) from Associate		
	Share of Partnership Income/(Loss) from Pouarua Farm LP		
		220,286	(63,675)
		<u>220,286</u>	<u>(63,675)</u>
6	Expenses		
	Accounting fees	122,918	128,386
	Advertising	960	-
	Bank fees	980	48,115
	Board expenses	13,771	21,920
	Consultancy fees	475,409	587,516
	Depreciation	688	-
	Directors fees	168,637	109,363
	Entertainment - deductible	2,032	4,365
	Entertainment - non deductible	1,326	-
	Government & Iwi Relations	89,600	47,124
	General expenses	16,257	5,475
	Insurance	-	7,810
	Interest	92,781	163,336
	Investment appraisals	10,000	84,576
	Iwi history	-	400
	Legal expenses	183,430	206,223
	Office expenses	49,499	4,641
	Printing and stationery	920	5,457
	Rent and rates	123,843	63,837
	Subscriptions	2,343	3,555
	Telephone and Internet	2,792	-
	Travel	2,459	7,125
	Valuation	(2,030)	5,050
	Tamaki project expenses	648,111	-
	TRC project expenses	156,724	-
	Total expenses	<u>2,163,450</u>	<u>1,504,275</u>

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2017

7	Taxation	2017	2016
	Net profit (loss) before taxation	2,826,546	32,953
	Prima facie @ 17.5%	494,646	5,767
	Income Tax Effect: (Add / (deduct)		
	Non-deductible expenses	232	382
	Deferred expenses relating to revenue account property	-	(9,184)
	Income tax losses brought forward	(94,476)	(91,441)
	Current tax expense	400,402	(94,476)
	Tax Expense Attributable to Parent	(400,402)	-
	Losses carried forward	-	(94,476)

The Group is taxed under the Maori Authority Tax rate of 17.5% given its LTC status as the subsidiary of Ngati Paoa Iwi Trust.

8 Related Parties

	Loan receivables / (payables)	Receivables / (payables)
2017		
Ngati Paoa Iwi Trust	(6,334)	-
2016		
Ngati Paoa Iwi Trust	(389,616)	-

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 was interest free and repayable on demand. This was substantially repaid at balance date.

The Group did not purchase any properties from the Ngati Paoa Iwi Trust (2016: fourteen properties totalling \$8,735,281) as a result of an agreement for the sale and purchase of real estate.

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.

9 Investment Properties

2017	Cost	Accumulated Depn & Impairment	Net Book Value
115 Kowhai Road, Orewa	-	-	-
105 Kowhai Road, Orewa	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
2016			
	Cost	Accumulated Depn & Impairment	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>

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2017

10 Property, Plant and Equipment

			2017	2016
	Cost	Accumulated Depn & Impairment	Net Book Value	Net Book Value
Computer equipment	3,584	(627)	2,957	-
Office equipment	1,474	(64)	1,410	-
	<u>5,058</u>	<u>(691)</u>	<u>4,367</u>	<u>-</u>

11 Borrowings

	2017	2016
Term Loan Westpac New Zealand Limited	-	3,323,035
	<u>-</u>	<u>3,323,035</u>

The Westpac bank term loans were secured by a first and exclusive security interest over all the property owned by the group. This facility was fully repaid in December 2016.

12 Investment in Associate

Name	Country of Incorporation	Principal Activity	2017 Proportion of Ownership	2016 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	18,520,261	18,585,896
Plus:		
Profit/(Loss)	220,286	(63,675)
Distribution	-	-
Tax Paid	(1,734)	(1,960)
Equity as at 30 June	<u>18,738,813</u>	<u>18,520,261</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 29.17% 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.

13 Contingent Liabilities

The Group had no contingent liabilities or capital commitments as at 30 June 2017. (2016: Nil)

14 Subsequent Events

Subsequent to balance date, the previous CEO of the Group resigned in July 2017.

RSM Hayes Audit

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Independent Auditor's Report To the Shareholder of Ngati Paoa Commercial Group

Opinion

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

- the balance sheet as at 30 June 2017;
- 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 statements on pages 5 to 13 present fairly, in all material respects, the financial position of the group as at 30 June 2017, and its financial performance for the year then ended in accordance with the Chartered Accountants Australia and New Zealand ('CA ANZ') Special Purpose Financial Reporting Framework for For-Profit Entities ('SPFR for FPEs').

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.

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

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 statements on pages 2 to 4 (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report. Our opinion on the financial statements 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 statements, 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 statements 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 statements

The Directors are responsible, on behalf of the group, for the preparation and fair presentation of the financial statements in accordance with the CA ANZ 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 financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for determining that the CA ANZ Special Purpose Financial Reporting Framework for For-Profit Entities framework is acceptable in the group's circumstances.

In preparing the financial statements, 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 statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 shareholder, 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 written over the printed name of the auditor.