

Ngati Paoa Commercial Group
Special Purpose Financial Report
For the year ended 30 June 2018

Ngati Paoa Commercial Group

Special Purpose Financial Report For the year ended 30 June 2018

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Ngati Paoa Commercial Group

Business directory
As at 30 June 2018

Nature of Business:	Iwi Investment
Registered Office:	11 Britomart Place Auckland, 1010
Directors:	Brett Rhind Daniel Karehana
Shareholders:	Ngati Paoa Iwi Trust <u>15,625,100</u> ordinary shares
Auditor:	Crowe New Zealand Audit Partnership
Bankers:	ASB Bank Auckland BNZ Bank Auckland Westpac Bank Auckland
Solicitors:	Minter Ellison Rudd Watts Auckland

Ngati Paoa Commercial Group

**Approval of Special Purpose Financial Report
For the year ended 30 June 2018**

The Directors are pleased to present the approved Special Purpose Financial Report of Ngati Paoa Commercial Group for the year ended 30 June 2018.

Approved

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



Brett Rhind

23 March 2021

Date



Daniel Karehana

23 March 2021

Date

Ngati Paoa Commercial Group

Statement of Comprehensive Income For the year ended 30 June 2018

	Note	2018 \$	2017 \$
Revenue	3	322,905	32,480
Other Income	4	-	4,737,230
Expenses	6	(907,744)	(2,163,450)
Net Operating Profit/(Loss) before tax		(584,839)	2,606,260
Share of Profit/(Loss) in Pouarua LP	5	426,497	220,286
Income tax expense	7	-	-
Net Profit/(Loss) after tax		(158,342)	2,826,546
Other Comprehensive Income			
Share of Pouarua LP asset revaluation reserve		2,275,416	-
Total comprehensive income for the year		2,117,074	2,826,546

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 2018

	Note	2018 \$	2017 \$
Equity		21,958,364	20,610,494
Represented by:			
Current Assets			
Cash at bank & Short term investments		384,709	1,907,192
Accounts Receivable		334,001	5,261
Withholding Tax Paid		21,666	7,333
Funds held in Solicitor's Trust Account		-	15,992
Prepayments		7,884	16,703
GST refund due		-	64,104
		<u>748,260</u>	<u>2,016,585</u>
Non-Current Assets			
Property, Plant, Equipment	9	7,491	4,367
Investment in Pouarua Farm LP	10	21,394,659	18,738,813
		<u>21,402,150</u>	<u>18,743,180</u>
Total assets		22,150,410	20,759,765
Current Liabilities			
Accounts payable		103,906	142,937
Provision for annual leave		8,000	-
Shareholders current account	8	48,000	6,334
GST payable		32,140	-
		<u>192,046</u>	<u>149,271</u>
Total liabilities		192,046	149,271
Net assets		21,958,364	20,610,494

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 2018**

	Share Capital	Retained Earnings	Share of Limited Partnership's Revaluation Reserve	Total Equity
Balance at 1 July 2017	15,625,100	2,006,422	2,978,972	20,610,494
Profit/(loss) for the year	-	(158,342)	-	(158,342)
Other comprehensive income	-	-	2,275,416	2,275,416
Drawings	-	(732,602)	-	(732,602)
Prior period adjustments	-	(36,602)	-	(36,602)
Balance at 30 June 2018	<u>15,625,100</u>	<u>1,078,876</u>	<u>5,254,388</u>	<u>21,958,364</u>
Balance at 1 July 2016	15,625,100	(490,124)	2,978,972	18,113,948
Profit/(loss) for the year	-	2,826,546	-	2,826,546
Other comprehensive income	-	-	-	-
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>

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 2018

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

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

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 2018

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

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.

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 2018

2 Investment in Pouarua LP

The Group's investment in Pouarua LP relates to Pouarua Farm General Partner Limited (Pouarua Farm), 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 Pouarua Farm is accounted for using the equity method. Under the equity method, the investment in Pouarua Farm 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 Investment in Pouarua Farm since the acquisition date.

The aggregate of the Group's share of profit or loss in Pouarua Farm 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 Investment in Pouarua Farm.

The financial statements of the investment in Pouarua Farm are prepared for the same reporting period as the Group.

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

Changes in accounting policy

The investment in associate became an investment in a limited partnership in the current financial year. The investment is still recognised on the equity basis and therefore did not impact on the current or prior year recognition or disclosure amounts. Only the nature of the investment changed.

Except for the above no changes in accounting policy occurred. 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 2018

3	Revenue	2018	2017
	Crown Claimant Funding	287,861	-
	Interest Income	35,045	8,879
	Rental income	-	23,601
	Total revenue	<u>322,905</u>	<u>32,480</u>
4	Other Income		
	Gain on sale of Investment Properties	-	4,737,230
		<u>-</u>	<u>4,737,230</u>
5	Share of profit from Limited Partnership		
	Distribution from Pouarua LP	36,516	
	Share of Partnership Income/(Loss) from Pouarua Farm LP	389,981	220,286
		<u>426,497</u>	<u>220,286</u>
6	Expenses		
	Accounting fees	124,036	122,918
	Advertising	-	960
	Annual Leave	8,000	-
	Bank fees	624	980
	Board expenses	1,117	13,771
	Consultancy fees	208,370	475,409
	Depreciation	2,517	688
	Directors fees	49,773	168,637
	Entertainment - deductible	943	2,032
	Entertainment - non deductible	-	1,326
	Government & Iwi Relations	-	89,600
	General expenses	13,622	16,257
	Interest	259	92,781
	Investment appraisals	-	10,000
	Legal expenses	(43,544)	183,430
	Office expenses	74,459	49,499
	Printing and stationery	3,584	920
	Rent and rates	104,014	123,846
	Salaries	209,164	
	Subscriptions	4,106	2,343
	Telephone and tolls	864	2,792
	Travel	9,544	2,459
	Valuation	-	(2,030)
	Tamaki Project Expenses	136,293	648,111
	TRC project expenses	-	156,724
	Total expenses	<u>907,744</u>	<u>2,163,453</u>

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2018

7	Taxation	2018	2017
	Net profit (loss) before taxation	(158,342)	2,826,546
	Prima facie tax at 17.5%	(27,710)	494,646
	Add (deduct)		
	Non-deductible expenses	-	232
	Non-assessable income	27,710	-
	Losses not recognised	-	(94,476)
	Current tax expense	-	400,402
	Tax Expense Attributable to Parent	-	(400,402)

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

Gross tax losses \$336,594 are available to be carried forward to offset future income of the Ngati Paoa Iwi Trust.

8 Related Parties

	Loan receivables / (payables)	Receivables / (payables)
2017		
Ngati Paoa Iwi Trust	-	(6,334)
2018	(48,000)	-
Ngati Paoa Iwi Trust		

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. 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 2018

9 Property, Plant, Equipment

			2018	2017
	Cost	Accumulated Depn & Impairment	Net Book Value	Net Book Value
Computer Equipment	5,462	(2,802)	2,660	2,957
Office Equipment	5,237	(406)	4,831	1,410
	10,699	(3,208)	7,491	4,367

10 Investment in Pouarua LP

			2018	2017
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				
Opening Balance			18,738,813	18,520,261
Less:				
Profit/(Loss) for the year			431,159	220,286
Revaluation of Fixed Assets			2,275,416	-
Distribution			(35,724)	-
Tax Paid			(15,005)	(1,734)
Equity as at 30 June			21,394,659	18,738,813

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 limited partnership's surplus or deficit as well as its share of any other movements in the limited partnership's net assets, including property revaluations.

The limited partnership had no contingent liabilities or capital commitments as at 30 June 2018 or 2017.



Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2018

11 Contingent Liabilities

A contingent liability is a liability that is not sufficiently certain to qualify for recognition on the balance sheet due to an uncertainty. There were no contingent liabilities at 30 June 2018 (June 2017: \$nil).

12 Commitment

The Group has an office rental agreement with Generator New Zealand Limited for the sum of \$12,092 (Excl GST) per month. The rental agreement period covers from 1 November 2018 to 30 June 2020.

13 Subsequent Events

There are no material events subsequent to balance date.

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of the Ngati Paoa Commercial Group

Opinion

We have audited the special purpose consolidated financial statements of Ngati Paoa Commercial Group on pages 5 to 14, which comprise the consolidated balance sheet as at 30 June 2018, the consolidated statement of comprehensive income and the consolidated statement of changes in equity for the year then ended, and notes to the special purpose consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying special purpose financial statements present fairly, in all material respects, the financial position of the Ngati Paoa Commercial Group as at 30 June 2018, and its financial performance in accordance with the Special Purpose Financial Reporting Framework for use by For-Profit Entities 2018 as issued by Chartered Accountants Australia New Zealand.

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 Special Purpose Consolidated Financial Statements* section of our report. We are independent of the Ngati Paoa Commercial Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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.

Emphasis of Matter – Basis of Accounting and Restriction on Distribution

We draw attention to Note 2 (Basis of Preparation) to the special purpose consolidated financial statements, which describes the basis of accounting. The special purpose consolidated financial statements are prepared primarily for compliance under the group's loan agreements. As a result, the special purpose consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the shareholder of the Ngati Paoa Commercial Group and should not be distributed to other parties. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Special Purpose Consolidated Financial Statements

The Directors are responsible on behalf of the entity for the preparation and fair presentation of the special purpose consolidated financial statements in accordance with the Special Purpose Financial Reporting Framework for use by For-Profit Entities 2018 as issued by Chartered Accountants Australia New Zealand and for such internal control as the Directors determine is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose consolidated financial statements, the Directors are responsible for assessing the Ngati Paoa Commercial 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 the Directors either intend to liquidate the Ngati Paoa Commercial Group or to cease operations, or have no realistic alternative but to do so.



Auditor's Responsibilities for the Audit of the Special Purpose Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the special purpose consolidated financial statements as a whole are 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 ISAs (NZ) 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 special purpose consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Ngati Paoa Commercial Group's internal control.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Directors and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Ngati Paoa Commercial Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Ngati Paoa Commercial Group to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the special purpose consolidated financial statements, including the disclosures, and whether the special purpose consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Ngati Paoa Commercial Group to express an opinion on the special purpose consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on Use

This report is made solely to the shareholder of the Ngati Paoa Commercial Group, as a body. Our audit has been undertaken so that we might state to the shareholder of the Ngati Paoa Commercial Group those matters 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 company and the shareholder of the Ngati Paoa Commercial Group as a body, for our audit work, for this report, or for the opinions we have formed.

A handwritten signature in blue ink that reads "Crowe".

Crowe New Zealand Audit Partnership
CHARTERED ACCOUNTANTS

Dated at Auckland this 25th day of March 2021