

Ngati Paoa Commercial Group
Special Purpose Financial Report
For the year ended 30 June 2019

Ngati Paoa Commercial Group

Special Purpose Financial Report For the year ended 30 June 2019

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Ngati Paoa Commercial Group

Business directory

As at 30 June 2019

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

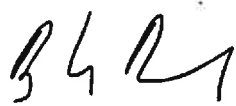
Ngati Paoa Commercial Group

**Approval of Special Purpose Financial Report
For the year ended 30 June 2019**

The Directors are pleased to present the approved Special Purpose Financial Report of Ngati Paoa Commercial Group for the year ended 30 June 2019.

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 2019

	Note	2018 \$	2017 \$
Revenue	3	511,441	322,905
Expenses	5	(701,710)	(907,744)
Net Operating Profit/(Loss) before tax		(190,269)	(584,839)
Share of Profit/(Loss) in Pouarua LP	4	(177,751)	426,497
Income tax expense	6	-	-
Net Profit/(Loss) after tax		(368,020)	(158,342)
Other Comprehensive Income			
Share of Pouarua LP asset revaluation reserve		-	2,275,416
Total comprehensive income for the year		(368,020)	2,117,074

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 2019

	Note	2019 \$	2018 \$
Equity		21,540,344	21,958,364
Represented by:			
Current Assets			
Cash at bank & Short term investments		89,110	384,709
Accounts Receivable		366,237	334,001
Withholding Tax Paid		94,086	21,666
Prepayments		7,882	7,884
		<u>557,315</u>	<u>748,260</u>
Non-Current Assets			
Property, Plant, Equipment	8	5,601	7,491
Investment in Pouarua Farm LP	9	21,107,306	21,394,659
		<u>21,112,907</u>	<u>21,402,150</u>
Total assets		21,670,222	22,150,410
Current Liabilities			
Accounts payable		49,568	103,906
Provision for annual leave		24,815	8,000
Shareholders current account		45,127	48,000
GST payable		10,368	32,140
		<u>129,878</u>	<u>192,046</u>
Total liabilities		129,878	192,046
Net assets		21,540,344	21,958,364

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 2019

	Share Capital	Retained Earnings	Share of Limited Partnership's Revaluation Reserve	Total Equity
Balance at 1 July 2018	15,625,100	1,078,876	5,254,388	21,958,364
Profit/(loss) for the year	-	(368,020)	-	(368,020)
Other comprehensive income	-	-	-	-
Drawings	-	(50,000)	-	(50,000)
Prior period adjustments	-	-	-	-
Balance at 30 June 2019	<u>15,625,100</u>	<u>660,856</u>	<u>5,254,388</u>	<u>21,540,344</u>
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>

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 2019

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 2019

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 2019

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

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

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2019

3	Revenue	2019	2018
	Crown Claimant Funding	507,403	287,861
	Interest Income	4,038	35,045
	Total revenue	511,441	322,905
4	Share of profit from Limited Partnership		
	Distribution from Pouarua LP	-	36,516
	Share of Partnership Income/(Loss) from Pouarua Farm LP	(177,751)	389,981
		(177,751)	426,497
5	Expenses		
	Accounting fees	13,267	124,036
	Annual Leave	16,816	8,000
	Bank fees	484	624
	Board expenses	831	1,117
	Consultancy fees	151,026	208,370
	Depreciation	3,477	2,517
	Directors fees	31,120	49,773
	Entertainment - deductible	5,136	943
	General expenses	32,264	13,622
	Interest	337	259
	Legal expenses	52,085	(43,544)
	Office expenses	399	74,459
	Printing and stationery	428	3,584
	Rent and rates	145,324	104,014
	Salaries	195,110	209,164
	Subscriptions	5,138	4,106
	Telephone and tolls	303	864
	Travel	9,334	9,544
	Tamaki Project Expenses	38,831	136,293
	Total expenses	701,710	907,744

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2019

6 Taxation	2019	2018
Net profit (loss) before taxation	(368,020)	(158,342)
Prima facie tax at 17.5%	(64,404)	(27,710)
Add (deduct)		
Non-deductible expenses	-	-
Non-assessable income	64,404	27,710
Losses not recognised	-	-
Current tax expense	-	-
Tax Expense Attributable to Parent	-	-

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 \$758,884 are available to be carried forward to offset future income of the Ngati Paoa Iwi Trust.

7 Related Parties

	Loan receivables / (payables)	Receivables / (payables)
2018		
Ngati Paoa Iwi Trust	(48,000)	-
2019		
Ngati Paoa Iwi Trust	(45,127)	-

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 2019

8 Property, Plant, Equipment

			2019	2018
	Cost	Accumulated Deprn & Impairment	Net Book Value	Net Book Value
Computer Equipment	6,278	(5,382)	896	2,660
Office Equipment	6,008	(1,303)	4,705	4,831
	<u>12,286</u>	<u>(6,685)</u>	<u>5,601</u>	<u>7,491</u>

9 Investment in Pouarua LP

			2019	2018
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			21,394,659	18,738,813
Less:				
Profit/(Loss) for the year			(177,751)	431,159
Revaluation of Fixed Assets			-	2,275,416
Distribution			-	(35,724)
Capital Gain on sale of fixed asset			-	-
Tax Paid			(109,602)	(15,005)
Equity as at 30 June			<u>21,107,306</u>	<u>21,394,659</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 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 2019 or 2018.

Ngati Paoa Commercial Group

Notes to the special purpose financial statements For the year ended 30 June 2019

10 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 about the amount or timing of the liability. There were no contingent liabilities at 30 June 2019 (June 2018: \$nil).

11 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.

12 Subsequent Events

There are no material events subsequent to balance date.





INDEPENDENT AUDITOR'S REPORT

To the Shareholder of the Ngati Paoa Commercial Group

Crowe New Zealand Audit Partnership

Member Crowe International

Level 29, 188 Quay Street
Auckland 1010 New Zealand

PO Box 158, Shortland Street
Auckland 1140 New Zealand

Tel +64 9 303 4586

Fax +64 9 309 1198

www.crowe.nz

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 2019, 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 2019, 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