

Ngati Paoa Iwi Trust

Consolidated Financial Report

Including associated investment entities

Special Purpose Financial Statements

For the year ended 30 June 2017



Ngati Paoa Iwi Trust Consolidated Financial Report

Special Purpose Financial Statements For the year ended 30 June 2017

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Ngati Paoa Iwi Trust Consolidated Financial Report

Business directory

As at 30 June 2017

Nature of Business:	Management of iwi Assets
Registered Office:	275 Great South Road Papakura, 2110
Trustees :	Gary Thompson Bryce Heron
Beneficiaries :	Ngati Paoa Iwi
Auditor:	David Knightley Accounting Newmarket, Auckland
Bankers:	ASB Bank Auckland BNZ Bank Auckland Westpac Bank Auckland
Solicitors:	Minter Ellison Rudd Watts Auckland
Accountants:	Ernst & Young Limited Auckland

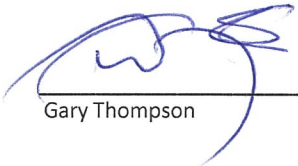
Ngati Paoa Iwi Trust Consolidated Financial Report

Approval of Special Purpose Financial Statements For the year ended 30 June 2017

The Trustees are pleased to present the approved Special Purpose Financial Statements of The Ngati Paoa Iwi Trust Consolidated Group for the year ended 30 June 2017.

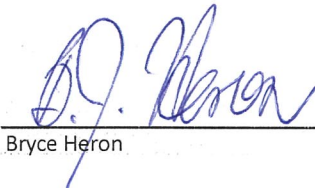
Approved

For and on behalf of the Trustees of The Ngati Paoa Iwi Trust



Gary Thompson

8 November 2018
Date



Bryce Heron

8 November 2018
Date

Ngati Paoa Iwi Trust Consolidated Financial Report

Special Purpose Financial statements Statement of Profit and Loss For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue	7	596,438	510,054
Other Income	8	4,737,230	1,537,829
Expenses	10	(3,282,375)	(2,245,419)
Net Operating Profit/(Loss) before tax		<u>2,051,293</u>	<u>(197,536)</u>
Share of Profit/(Loss) in Associate	9	220,286	(63,675)
Income tax expense	11	270,202	-
Net Profit/(Loss) after tax		<u><u>2,001,377</u></u>	<u><u>(261,211)</u></u>

These financial statements must be read in conjunction with the notes and independent Auditors Report



Ngati Paoa Iwi Trust Consolidated Financial Report

Special Purpose Financial statements

Balance Sheet

As at 30 June 2017

	Note	2017 \$	2016 \$
Equity		19,980,114	17,978,736
Represented by:			
Current Assets			
Cash at bank & Short term investments		1,558,071	-
Accounts Receivable		70,828	160,312
Withholding Tax Paid		7,333	3,111
Funds held in Solicitor's Trust Account		15,992	16,082
Investment Properties - held for sale	12	-	3,263,045
Prepayments		22,741	19,722
Bond		1,200	1,200
GST refund due		68,209	7,664
		<u>1,744,374</u>	<u>3,471,135</u>
Non-Current Assets			
Property, Plant, Equipment	13	8,480	5,429
Investment in Pouarua Farm LP	15	18,738,813	18,520,261
		<u>18,747,293</u>	<u>18,525,690</u>
Total assets		<u>20,491,667</u>	<u>21,996,824</u>
Current Liabilities			
Accounts payable		241,351	194,131
Tax Payable		270,202	-
Westpac Facilities	14	-	3,823,957
		<u>511,553</u>	<u>4,018,088</u>
Total liabilities		<u>511,553</u>	<u>4,018,088</u>
Net assets		<u>19,980,114</u>	<u>17,978,736</u>

These financial statements must be read in conjunction with the notes and independent Auditors Report



Ngati Paoa Iwi Trust Consolidated Financial Report

Special Purpose Financial statements
Statement of movements in equity
For the year ended 30 June 2017

	Funds Introduced	Retained Earnings	Share of Associate's Revaluation Reserve	Total Equity
Balance at 1 July 2016	16,125,000	(1,125,236)	2,978,972	17,978,736
Profit for the period	-	2,001,376	-	2,001,376
Balance at 30 June 2017	<u>16,125,000</u>	<u>876,140</u>	<u>2,978,972</u>	<u>19,980,112</u>
Balance at 1 July 2015	16,125,000	(864,025)	2,978,972	18,239,947
Profit for the period	-	(261,212)	-	(261,212)
Balance at 30 June 2016	<u>16,125,000</u>	<u>(1,125,237)</u>	<u>2,978,972</u>	<u>17,978,735</u>

These financial statements must be read in conjunction with the notes and independent Auditors Report



Ngati Paoa Iwi Trust Consolidated Financial Report

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

1 Reporting entity

The reporting entity is The Ngati Paoa Iwi Trust, The Trust is domiciled in New Zealand.

These Financial Statements are consolidation of the following entities :

The Ngati Paoa Iwi trust which controls:-
Ngati Paoa Group Holdings Limited
Ngati Paoa Group Investments Limited
Ngati Paoa Farming Limited

The group special purpose financial statements and the accompanying notes summarise the financial results of activities carried out by the Trust. The group financial statements may not be suitable for any other purpose. The Trust is engaged in the business of managing iwi assets.

These group financial statements have been approved and were authorised for issue by the Trustees.

2 Changes in accounting policy

There have been no change in accounting policies during the year

3 Summary of accounting policies

Significant accounting policies used in the preparation of these group financial statements are as set out below

Basis of measurement

The group financial statements have been prepared on the basis of historical cost, as modified by the fair value measurement of investment properties, non-derivative financial instruments and land and buildings which are measured at fair market value.

b. Functional and presentational currency

The group financial statements have been prepared in New Zealand Dollars (NZ\$), which is the Trust's functional currency. All financial information presented in NZ\$ has been rounded to the nearest dollar.

c. Revenue

Revenue is recognised to the extent the economic benefit will flow to the Trust and revenue can be reliably measured. Revenue is measured at the fair value of the consideration received. The following specific recognition criteria must be met before revenue is recognised.

Revenue from exchange transactions

Trading Activities

Revenue from Sales and Services is recognised when payment is invoiced and received.

Rental Income

Rental Income is recognised when received.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest method.

Ngati Paoa Iwi Trust Consolidated Financial Report

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

3 Summary of Accounting Policies (continued)

d. Cash and cash equivalents

Cash and cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

e. Short term investments

Short term investments comprise term deposits which have a term of greater than three months and therefore do not fall into the category of cash and cash equivalents.

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 in respect of each accounting period after adjusting for any variances between estimated and actual income tax payable in the prior reporting period.

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.

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.

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.

Ngati Paoa Iwi Trust Consolidated Financial Report

Notes to the special purpose financial statements

For the year ended 30 June 2017

3	Summary of Accounting Policies (continued)	2017	2016
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Investment in Associates

An associate is an entity over which the Trust has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee.

The Trust'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 Trust'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 after operating profit and represents the Trust'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 parent -Iwi Trust.

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.

Comparatives

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

4	Related Party Transactions
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Key Management Personal

The key management personal are the board of trustees and directors which constitutes the governing body. The aggregate remuneration, fees of key management personal and the number of individuals, determined on a full-time equivalent basis, receiving remuneration and fees are as follows

Total remuneration and fees	212,189	154,393
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Number of persons	6	6
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Remuneration, Compensation provided to close family members of key management personal

During the reporting period, total remuneration and compensation of \$nil was provided by the Trust to employees who are close family members of key management personal.

5	Contingent Assets and Liabilities
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There are no contingent assets and liabilities at the reporting date 30 June 2017

6	Going Concern
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The board of Trustees ("board") believe that the Trust has adequate resources to continue operations for the foreseeable future. For this reason the board continues to adapt the going concern assumption in preparing the group financial statements for the year ended 30 June 2017. This conclusion was reached after making enquiries and having regard to circumstances which the board considers likely to affect the Trust during the period of one year from the date of the group financial statements, and to circumstances which the board knows will occur after the date which could affect the validity of the going concern assumption.

Ngati Paoa Iwi Trust Consolidated Financial Report

Notes to the special purpose financial statements

For the year ended 30 June 2017

7	Revenue	2017	2016
	Interest Income	8,879	4,034
	Sales	50,400	50,400
	Sales- Environment	347,919	365,062
	Other Income	165,638	31,518
	Rental income	23,601	59,040
	Total revenue	596,437	510,054
8	Other Income		
	Gain on sale of Investment Properties	4,737,230	1,537,830
		4,737,230	1,537,830
9	Share of Profit/(Loss) from Associate		
	Share of Partnership Income/(Loss) from Pouarua Farm LP	220,286	(63,675)
		220,286	(63,675)
10	Expenses		
	Accounting fees	122,918	128,386
	Advertising	2,743	4,802
	Bank fees	12,045	52,007
	Board expenses	13,771	21,920
	Computer Expense	7,386	300
	Consultancy fees	481,644	595,474
	Contractors	659,828	565,036
	Database Marketing	7,042	-
	Depreciation	5,269	2,755
	Directors / Trustee Fees	212,189	154,393
	Entertainment	4,656	4,365
	Government & Iwi Relations	105,695	53,368
	General expenses	16,258	5,875
	Insurance	9,057	14,816
	Interest	154,070	207,285
	Investment appraisals	10,000	84,576
	Legal expenses	373,857	237,948
	Office expenses	75,980	7,431
	Printing and stationery	920	5,457
	Projects	42,793	-
	Rent and rates	123,843	73,792
	Salaries	20,290	1,200
	Subscriptions	9,340	8,975
	Telephone and internet	3,022	629
	Travel	4,954	9,577
	Valuation	(2,030)	5,050
	Tamaki project expenses	648,111	-
	TRC project expenses	156,724	-
	Total expenses	3,282,375	2,245,417

Ngati Paoa Iwi Trust Consolidated Financial Report

Notes to the special purpose financial statements

For the year ended 30 June 2017

11	Taxation	2017	2016
	Losses carried Forward	(729,589)	(432,389)
	Net profit (loss) before taxation	2,271,578	(261,212)
	Prima facie @ 17.5%	494,646	-
	Income Tax Effect: (Add / (deduct)		
	Non-deductible expenses	2,020	382
	Deferred expenses relating to revenue account property	-	(9,184)
	Current tax expense		-
	Tax Expense	<u>270,202</u>	<u>-</u>
	Losses carried forward	<u>-</u>	<u>(729,589)</u>

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.

12	Investment Properties			
	2017			
	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>

13	Property, Plant and Equipment				
		Cost	Accumulated Depn & Impairment	Net Book Value	Net Book Value
	Computer equipment	3,584	(627)	2,957	-
	Office equipment	14,122	(8,599)	5,523	5,429
		<u>17,706</u>	<u>(9,226)</u>	<u>8,480</u>	<u>5,429</u>

Ngati Paoa Iwi Trust Consolidated Financial Report

Notes to the special purpose financial statements

For the year ended 30 June 2017

	2,017	2,016
14 Borrowings		
Term Loan Westpac New Zealand Limited	-	3,323,035
Overdraft	349,121	500,922
	<u>349,121</u>	<u>3,823,957</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.

15 Investment in Associate

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	18,520,261	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.

INDEPENDENT AUDITOR'S REPORT

To the Trustees of the Ngati Paoa Iwi Trust

REPORT OF THE AUDIT OF THE GROUP FINANCIAL STATEMENTS

Opinion

I have audited the group financial statements of the Ngati Paoa Iwi Trust (the Trust), and its subsidiaries which comprise the group statement of financial position as at 30 June 2017, and the group profit and loss statement, statement of changes in net assets/equity for the year then ended, and notes to the group financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying group financial statements present fairly, in all material aspects, the financial position of the Trust as at 30 June 2017 and its financial performance for the year then ended in accordance with the special purpose of preparing consolidated financial statements of the Ngati Paoa Iwi Trust to include all the business and investment activities of the Trust. The consolidated group financial statements may not be suitable for any other purpose.

Basis for Opinion

I conducted my audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Trust 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 I have fulfilled my other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Other than in my capacity as auditor, I have no relationship with, or interests with the Trust

Responsibilities of Those Charged with Governance for the Group Financial Statements

Those charged with governance are responsible on behalf of the Trust and its group entities for the preparation and fair presentation of the group financial statements in accordance with the special purpose for which the Group Financial Statements have been prepared and for such internal control as those charged with governance determine is necessary to enable the preparation of the group financial statements that are free from material or misstatement, whether due to fraud or error.

In preparing the group financial statements, those charged with governance are responsible on behalf of the Trust for assessing the Trust'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 Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the 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 my 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 considered 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.

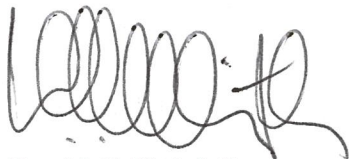
A further description of the auditor's responsibilities for the audit of the financial statements is located at the XRB's website at:

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

Who I report to

This report is made solely to the trustees, as a body. My audit has been undertaken so that I might state to the Trustees those matters I am required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, I do not accept or assume responsibility to anyone other than the Trust and the Trustees as a body, for my work, for this report, or for the opinions I have formed.

I am the engagement person of the audit resulting in this independent audit report.



David G Knightley
9 November 2018
Newmarket
Auckland