



Te Runanganui o Ngati Porou

FULL FINANCIAL STATEMENTS
1 JULY 2016 – 30 JUNE 2017



Financial Statements

**TE RUNANGANUI O
NGATI POROU GROUP**

30 June 2017

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Independent Auditor's Report

To the Trustees of Te Runanganui o Ngati Porou

Opinion

We have audited the financial statements of Te Runanganui o Ngati Porou and its subsidiaries ('the Group'), which comprise the consolidated statement of financial position as at 30 June 2017, and the consolidated statement of comprehensive revenue and expense, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements, on pages 6 to 44, present fairly, in all material respects, the consolidated financial position of the group as at 30 June 2017, and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ('ISAs') and 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 Consolidated Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assignments for the group in the area of social services consultancy. These services have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the entity or any of its subsidiaries.

Board of Trustee's responsibilities for the consolidated financial statements

The Board of Trustees are responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards, and for such internal control as the Board of Trustees determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Board of Trustees 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 the Board of Trustees 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 consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the 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 and 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 economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located on the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7>

This description forms part of our auditor's report.

Restriction on use

This report is made solely to the Board of Trustees. Our audit has been undertaken so that we might state to the Board of Trustees 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 Board of Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

A stylized, handwritten-style signature of 'Deloitte Limited' in black ink.

Deloitte Limited

Wellington, New Zealand

16 October 2017

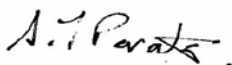
STATEMENT OF RESPONSIBILITY

We are responsible for the preparation of Te Runanganui o Ngati Porou Group financial statements and for the judgements made in them.

We have the responsibility for establishing and maintaining a system of internal control designed to provide reasonable assurance as to the integrity and reliability of financial reporting.

In our opinion, these financial statements and statement of performance fairly reflect the financial position and operations of Te Runanganui o Ngati Porou Group for the year ended 30 June 2017.

Signed on behalf of the Board:



Board member

16 October 2017



Board member

16 October 2017

**STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR
ENDED 30 JUNE 2017**

	Notes	2017 NZ\$'000	2016 NZ\$'000
Revenue			
Service delivery	A1	12,428	12,355
Commercial trading revenue	A2	6,449	6,070
Forestry income	A3	6,828	5,698
Rental income		829	908
Interest income		125	268
Dividend income		2,122	3,468
Unrealised gains/(losses) on asset valuation		12,364	(1,973)
Share income from Associate Entities	H1	2,372	2,575
Other income	A4	1,963	1,601
<i>Total revenue</i>		45,480	30,970
Expenditure			
Employee benefit expense		13,394	14,541
Cost of sales from commercial operations	J2	9,090	3,696
Depreciation expense	E	701	586
Finance cost		557	1,061
Rental expense		335	469
Other expenses	J3	10,533	10,269
<i>Total expenses</i>		34,611	30,622
Net surplus/(deficit) for the period		10,869	348
Other Comprehensive Income		–	–
<i>Total Comprehensive revenue and expenditure before taxation</i>		–	–
Taxation Expense/(benefit)	G	850	(93)
Total comprehensive revenue and expense after taxation		10,019	441

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Notes	2017 NZ\$'000	2016 NZ\$'000
Assets			
Current assets			
Bank accounts	C1	8,509	9,205
Trade and other receivables	C3	4,561	3,863
Inventories		353	435
Work in progress		394	8
Taxation		876	745
<i>Total current assets</i>		14,693	14,256
Non-current assets			
Investments	C2	134,488	122,349
Carbon credits	B4	3,346	7,084
Biological assets	B3	7,146	7,540
Quota shares	B2	19,011	19,011
AFL income shares	B1	16,886	16,886
Property, plant and equipment	E	36,493	36,140
Deferred taxation	G	–	191
<i>Total non-current assets</i>		217,370	209,201
Total assets		232,063	223,457
Liabilities			
Current liabilities			
Bank accounts	C1	–	224
Trade and other payables	F2	3,279	3,365
Borrowings	F1	9,604	716
Employee benefits	F3	1,239	1,260
Deferred Taxation	G	636	–
<i>Total current liabilities</i>		14,758	5,565
Non-current liabilities			
Borrowings	F1	5,993	16,599
<i>Total non-current liabilities</i>		5,993	16,599
Total liabilities		20,751	22,164
Net assets		211,312	201,293

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2017

	Notes	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Retained earnings			
Balance at 1 July 2016		198,590	198,149
Total comprehensive revenue and expenses for the year		10,019	441
Balance at 30 June 2017		208,609	198,590
Reserves			
Balance at 1 July 2016		2,703	2,703
Balance at 30 June 2017		2,703	2,703
Total equity		211,312	201,293

STATEMENT OF CASHFLOWS FOR THE YEAR 30 JUNE 2017

	Notes	2017 NZ\$'000	2016 NZ\$'000
Cash flows from operating activities			
Cash was provided from:			
Service delivery		11,807	13,177
Commercial trading operations (incl. forestry)		12,058	4,232
Interest received		120	268
Dividends received		2,122	2,884
Share of Income from associates		2,813	2,455
Other income		2,958	2,509
		31,878	25,525
Cash was applied to:			
Payment to suppliers and operating expenses		16,596	12,838
Payment to employees, directors and trustees		14,199	15,227
GST paid		(52)	(255)
Interest paid		557	1,061
Tax payable		154	(143)
		31,454	28,728
<i>Net cash flow from operating activities</i>		424	(3,203)
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment		154	21
Cardon credits		3,570	–
Sale of listed investments		–	2,600
		3,724	2,621
Cash was applied to:			
Purchase of investments		166	6,731
Purchase of share in associates		594	–
Purchase of property, plant and equipment		1,208	1,736
Purchase of biological assets		548	523
Project expenditure		386	–
		2,902	8,990
<i>Net cash flow from investing activities</i>		822	(6,369)
Cash flows from financing activities			
Cash was provided from:			
Loan advances		1,300	10,994
		1,300	10,994
Cash was applied to:			
Loan repayments		3,018	5,210
		3,018	5,210
<i>Net cash flow from financing activities</i>		(1,718)	5,784
Net (decrease)/increase in cash and cash equivalents			
		(472)	(3,788)
Cash and cash equivalents at beginning of the year		8,981	12,769
Cash and cash equivalents at end of the year	C1	8,509	8,981

1. ABOUT THIS REPORT

This is the financial report for Te Runanganui o Ngati Porou Trustee Limited acting in its capacity as the trustee of the Te Runanganui o Ngati Porou Trust (Te Runanganui o Ngati Porou or TRONPnui) for the year ended 30 June 2017.

TRONPnui is a post-settlement governance entity under the Ngati Porou Claims Settlement Act 2012 and a Maori Authority in accordance with the Income Tax Act 2007

The principal activities of the Group are the support and development of Ngati Porou through the delivery of various services to Ngati Porou and the prudent management of Ngati Porou cultural and commercial assets for the benefit of Ngati Porou.

The financial statements are the consolidated financial statements for TRONPnui and its subsidiaries and controlled entities (together referred to as the 'Group'). The consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZ GAAP'). They comply with Public Benefit Entity Accounting Standards ("PBE Standards") as appropriate for Tier 1 not-for-profit public benefit entities.

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated group, being TRONPnui (the parent entity) and its subsidiaries.

The consolidated financial statements have been prepared using historical cost, except for the revaluation of certain non-current assets and financial instruments, on a going concern basis.

The financial statements have been prepared in New Zealand dollars, and have been rounded to the nearest one thousand dollars (\$000).

2. KEY JUDGEMENTS AND ESTIMATES

In the process of applying the Group's accounting policies the Group has made a number of judgements and estimates. All material judgements and estimates are disclosed throughout the notes to the financial statements.

3. ACCOUNTING POLICIES

Accounting policies that are relevant to an understanding of the financial statements are provided throughout the notes to the financial statements.

4. RESTATEMENT OF PRIOR YEAR COMPARATIVES

There has been some restatement of prior year comparatives, these have had no impact on retained earnings.

SECTION A – REVENUE

A1 SERVICE DELIVERY REVENUE

	2017 NZ\$'000	2016 NZ\$'000
Government contracts – exchange	12,428	12,355
Government contracts – non exchange	-	-
Total service delivery revenue	12,428	12,355

Service delivery income is categorised by Government and other (non-Government) contracts. Service delivery income is also further categorised by exchange or non-exchange contract income. Exchange contracts require the provision of services and the fulfilment of substantive conditions to the satisfaction of the funder. Non exchange contracts require the provision of services with no substantive conditions.

Service delivery revenue is recognised by reference to the relevant specified service period and fulfilment of a contracts substantive conditions or stage of completion of the contract. Judgement is often required in determining the timing of revenue recognition for contracts that span a balance date and multi-year funding arrangements.

A2 COMMERCIAL REVENUE

	2017 NZ\$'000	2016 NZ\$'000
Fishing revenue	1,688	2,035
Farming revenue	3,786	3,926
Honey revenue	975	109
Total commercial revenue	6,449	6,070

Fishing revenue includes revenue derived from:

- the sale of fish, shellfish and related produce (revenue is recognised upon receipt by the customer when the risks and rewards of ownership have been transferred)
- contract processing income (recognised at the time the processing is completed)
- Annual Catch Entitlement (ACE) income that the Group manages itself, in contrast to ACE that is managed by the Iwi Collective Partnership's (ICP) which is recognised under revenue from associates

Farming revenue includes revenue derived from:

- the sale of livestock and sales of other agriculture produce (revenue is recognised upon receipt by the customer when the risks and rewards of ownership have been transferred)
- net increases due to births, growth and losses of livestock
- changes in the fair value of livestock due to changes in market values

Honey revenue includes income derived from:

- Sale of honey (revenue is recognised upon receipt by the customer when the risks and rewards of ownership have been transferred)
- Changes in the fair value of honey due to changes in market values

		2017 NZ\$'000	2016 NZ\$'000
Livestock sales		2,088	1,905
Net increases due to births/growth/losses		1,502	1,258
Changes in the fair value due to market value of livestock sold	B3	339	368
Change in the fair value due to change in numbers		(543)	-
Other revenue		400	395
Total farming revenue		3,786	3,926

A3 FORESTRY REVENUE

		2017 NZ\$'000	2016 NZ\$'000
Revenue derived from harvesting		6,828	633
Revenue derived from changes in forest valuations		185	665
Revaluation and net sales of carbon		(185)	4,400
Total forestry revenue		6,828	5,698

Forestry revenue includes revenue derived from:

- the sale of logs (revenue is recognised on a FOB basis)
- changes in the value of forest holdings which is valued at independent market fair values
- Sale of carbon credits net of revaluation.
- changes in the value of carbon credits which are valued at independent market fair values

The Group also derives revenue from the leasing of forest land to Ernslaw One Limited and this is disclosed as rental income.

A4 OTHER REVENUE

	2017	2016
	NZ\$'000	NZ\$'000
Administration fees and charges	126	763
Other revenue	1,837	838
Total other revenue	1,963	1,601

Other revenue includes revenue derived from:

- the provision of administration, accountancy and financial services to associates and third parties (revenue is recognised as the services are provided)
- other incidental income, derived in the course of business, including grants, service fees and cost recoveries

SECTION B – FISHERIES, FARMING AND FORESTRY ASSETS

B1 AFL REVENUE SHARES

The Group holds 18,732 (2016: 18,732) shares or 7.49% of the revenue shares in Aotearoa Fisheries Limited (AFL). These revenue shares entitle the Group to receive a dividend from AFL.

	2017 NZ\$'000	2016 NZ\$'000
Aotearoa Fisheries Limited revenue shares	16,886	16,886
	16,886	16,886

AFL revenue shares are classed as “available-for-sale financial asset”. As these shares contain a number of restrictions and do not have a readily available market value, the Board of Ngati Porou Seafoods Group has exercised its judgement in determining the value of the AFL revenue shares. Using a net tangible asset valuation methodology, the AFL revenue share values on allocation from TOKM were initially written down by \$5.6m (or 25%) to reflect the restrictions attached to these shares (such as no voting rights and restrictions on the sale of shares). Due to the absence of a readily available market, as noted above, the shares have not been re-valued since the original impairment was recorded. The shares are subject to an annual impairment review that considers the value of the Group’s 7.49% share of net assets of AFL based on the most recent financial statements. No indicators of impairment were identified based on this review. During 2017, the Group received from AFL a net dividend of \$579,909 with \$101,484 of Maori Authority Tax Credits (2016: net dividend of \$748,104 with \$130,918 of Maori Authority Tax Credits).

B2 FISHING QUOTA

Fishing Quota is an intangible asset with an indefinite useful life. The Te Ohu Kaimoana allocation was recognised at (deemed cost) being fair value on initial recognition with subsequent quota acquisitions recorded at cost. Fishing quota is subsequently carried at cost and tested annually for impairment.

	Fishing Quota Te Ohu Kaimoana allocated	Other Fishing Quota	Total Fishing Quota
	Deemed Cost NZ\$'000	Deemed Cost NZ\$'000	Deemed Cost NZ\$'000
Balance at 1 July 2015	10,181	8,830	19,011
Additions (acquired externally)	-	-	-
Balance at 30 June 2016	10,181	8,830	19,011
Balance at 1 July 2016	10,181	8,830	19,011
Additions (acquired externally)	-	-	-
Balance at 30 June 2017	10,181	8,830	19,011

The Board of Ngati Porou Seafoods Group in conjunction with the board of Te Runanganui o Ngati Porou Trustee Limited undertook an annual review of the carrying value of fish quota for impairment at 30 June 2017. Independent valuations were undertaken to review the carrying values for impairment as at 30 June 2017. Using market quoted prices, no indicators of impairment were identified based on this review.

Restrictions

Te Ohu Kaimoana quota is a settlement asset and any transactions to do with this asset are subject to the Maori Fisheries Act 2004.

B3 FARMING AND FORESTRY BIOLOGICAL ASSETS

Biological assets include livestock (sheep and cattle), forestry and honey. Biological assets are initially measured at cost, except those acquired through non-exchange transactions which are instead measured at fair value as their deemed cost at initial recognition. Biological assets are subsequently measured at fair value less costs to sell, with any change therein recognised in surplus or deficit. Costs to sell include all costs that would be necessary to sell the assets, including transportation costs. Biological assets transferred to inventory are done so at fair value less estimated costs to sell.

	Livestock	Forestry	Total
	NZ\$'000	NZ\$'000	NZ\$'000
Balance at 1 July 2016	3,762	3,778	7,540
Purchases	43	547	590
Net increase due to births/deaths/losses and physical changes	1,502	35	1,537
Sales livestock	(2,088)	-	(2,088)
Forest harvest	-	(922)	(922)
<i>Change in fair value less costs to sell</i>			
Due to change in market prices	A2 339	150	489
Balance at 30 June 2017	3,558	3,588	7,146

Livestock

Livestock valuations at 30 June 2017 were provided by PGG Wrightson Ltd. These market values reflect livestock of similar age, breed and genetic merit throughout New Zealand. At 30 June 2017, livestock comprised 11,060 sheep (2016: 12,251) and 1,793 beef cattle (2016: 1,949).

Forestry

At reporting date, forestry land comprised of 25,064 hectares (2016: 25,064 hectares) of which 20,465 hectares (2016: 20,465) was leased to Ernslaw One Limited. At reporting date, forest land planted with trees owned by the Group totalled 3,088 hectares (2016: 3,008 hectares) of which 572.3 hectares (2016: 209.6 hectares) is forest older than 5 years. Forest older than 5 years is required to be valued at fair value. The fair value of forestry has been determined by use of the expectation method. The expectation method employs a conventional discounting approach to determine the present value of future cash flows. Previous expenditure on the forest is treated as sunken costs and are excluded from the value determination. The valuation has been prepared by Interpine Group Limited.

The forest land forms part of property, plant and equipment and has a value of \$12,560 thousand (2016: \$11,503 thousand). The forest is not subject to any restriction of title, use or capacity to sell.

B4 CARBON CREDITS

Carbon Credits are intangible assets with indefinite useful lives. They are carried at fair value, with the annual change in fair value recognised as a surplus/(deficit) in the statement of comprehensive revenue and expense. Fair value is based on published market prices.

	2017 NZ\$'000	2016 NZ\$'000
Balance as at 1 July 2016	7,084	2,684
Additions (acquired externally)	-	-
Sales	(3,573)	-
Changes in fair value	(165)	4,400
Balance as at 30 June 2017	3,346	7,084

SECTION C – CASH, INVESTMENTS AND RECEIVABLES

C1 – CASH AND CASH EQUIVALENTS

	2017 NZ\$'000	2016 NZ\$'000
Cash at bank	5,746	1,519
Short term deposits	2,763	7,686
	8,509	9,205
Bank overdraft – secured	-	(224)
Total cash and cash equivalents	8,509	8,981

Cash and cash equivalents comprise cash on hand; cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

The Group's primary bankers are The ANZ Banking Group (ANZ). Surplus funds forecast not to be required for short-term operational requirements are invested in various short - term interest earning deposit accounts ranging from call accounts to 120-day term deposits.

C2 INVESTMENT PORTFOLIO

The Group's investment portfolio comprises:

	2017 NZ\$'000	2016 NZ\$'000
Investments at fair value through profit and loss	133,594	122,007
Investment in Associates	773	287
Other investments – NZ Equities	121	55
	134,488	122,349

Investments at fair value through the profit and loss are on the following page.

Investment in associates is detailed in note D2.

Other investments – NZ Equities relate to direct investments of Pakihiroa Farms into un-listed agriculture equities.

The Group's investments at fair value through profit and loss portfolio comprises:

	2017 NZ\$'000	2016 NZ\$'000
Growth assets		
- Trans-Tasman equities		
- Milford Funds	15,234	13,379
- Devon Funds Management	15,374	13,974
- Developed market equities		
- Blackrock/ ANZ Investment	16,717	13,838
- Artisan Partners Global Funds	9,478	8,003
- Harding Loevner Fund	10,311	8,623
- Emerging market equities		
- Blackrock Investment Management	6,423	5,471
- Somerset Capital Management	7,743	6,672
Total growth assets	81,280	69,960
Income assets		
- Van Eck Global	4,338	4,871
- Lazard Asset Management	2,413	2,164
- AMP Capital	25,874	26,316
- Standard Life Global	13,100	12,425
- Blackrock Multi Opportunity	6,589	6,271
Total income assets	52,314	52,047
Total investments at fair value	133,594	122,007

The investment portfolio is classified as fair value through profit or loss and is measured at fair value with related distributions, dividends and gains or losses being recognised in surplus or deficit. The value of the investments is obtained directly from Fund Manager Statements at balance date. These reflect the market value of the underlying investments at balance date. The fair value of these investments is classified as Level 2 for reporting purposes, as the values of the investments are not directly observable in active markets however are based on unit rates derived from inputs that are observable either directly or indirectly (i.e. based on the market prices of the underlying investments in the fund).

The investments portfolio is managed in accordance with the Ngati Porou Holding Company Statement of Investment Policies and Objectives (SIPO). The SIPO details the organisations objectives, asset classes, target allocations, portfolio benchmarks and currency hedging.

Growth Assets include Trans-Tasman, Developed Market and Emerging Market listed equities. It is recognised that a portfolio biased to Growth Assets could be severely impacted during periods of unanticipated inflation or prolonged deflation. The objective of the allocations to Income Assets is to protect the portfolio of Financial Assets during such environments. These allocations should also offer portfolio diversification benefits that would moderate portfolio volatility.

The Group's investments are predicated on a currency strategy to reduce portfolio volatility from exposure to foreign exchange rate risk by managing the foreign exchange exposure via hedging strategies.

The currency strategy states that:

- Australian dollar (AUD) shall be used as a proxy for the New Zealand dollar (NZD) where NZD investment vehicles are not available.
- Trans-Tasman equities are either investments that are NZD domiciled or hedged to the NZD.
- Developed market equities have a benchmark hedged position of 50% to the NZD.
- Emerging market equities is un-hedged and is fully exposed to emerging markets currencies at all times because currency exposure is part of the long term thesis in this asset class and it is costly and difficult to hedge emerging markets currencies.
- Inflation sensitive assets have a benchmark hedged position of 50% to the NZD.
- Deflation sensitive assets are NZD domiciled.
- Diversifiers have a benchmark hedged position of 50% to the NZD.

Section I – Financial Risk Management provides further detail with regard to market price risk and foreign currency exposure risk, along with sensitivities.

C3 RECEIVABLES

	2017 NZ\$'000	2016 NZ\$'000
Trade receivables	3,286	1,840
Related party receivables	1,142	1,735
	4,428	3,575
Prepayments	133	288
	4,561	3,863
Total receivables comprises		
Receivables from exchange transactions	4,561	3,863
	4,561	3,863
60-90 days	14	28
90-120 days	115	310
Total past due date	129	338

All receivables greater than 60 days in age are considered to be past due.

Due to the large number of receivables, the impairment assessment is generally performed on a collective basis, based on an analysis of past collection history and write-offs.

SECTION D – THE TRONPnui GROUP

D1 SUBSIDIARIES

The consolidated financial statements include the information and results of each subsidiary from the date on which Te Runanganui o Ngati Porou obtains control and until such time as Te Runanganui o Ngati Porou ceases to control the subsidiary.

The following sets out a list of all of the subsidiary entities that form part of the Group financial statements. The reporting date of all Subsidiary & Associate entities is 30 June.

	Place of incorp. and operation	Ownership %	Voting Right	Principal Activity
Ngati Porou Holding Company Limited	NZ	100%	100%	Management of Group commercial activities
Toitu Ngati Porou Trust	NZ	100%	100%	Administers cultural development activities
Ngati Porou Hauora Charitable Trust	NZ	100%	100%	Provision of health services to the community
Ngati Porou Seafoods Limited	NZ	100%	100%	Fisheries asset holding company and management
Ngati Porou Fisheries Limited	NZ	100%	100%	Fish processing, distribution, wholesale and retail
Pakihiroa Farms Limited	NZ	100%	100%	Commercial farming operation

Te Runanganui o Ngati Porou is the 100% shareholder in Ngati Porou Holding Company Limited. On 31 October 2012, Te Runanganui o Ngati Porou transferred assets to Ngati Porou Holding Company Limited at fair value for \$171.3m. The investment is carried at cost totalling \$136.9m in Te Runanganui o Ngati Porou.

D2 ASSOCIATES

Associates are those entities which Te Runanganui o Ngati Porou has significant influence but no control over the operating policies. The consolidated financial statements include Te Runanganui o Ngati Porou's share of the total recognised gains and losses on an equity accounted basis from the date significant influence commences until the date significant influence ceases. Investments in associates are recorded using the equity method included in the Group's financial statements.

	2017 NZ\$'000	2016 NZ\$'000
ICP Koura Facilities Limited Partnership	287	287
Amanti Tourism Limited	414	-
Ngati Porou Miere LP	-	-
Hautupua LP Ltd	72	-
Investment in Associates	773	287

The \$287 thousand investment in the ICP Koura Facilities Limited Partnership relates to the Group's share of property costs on establishment of the Limited Partnership (\$270 thousand) and the Group's share of other costs incurred on establishment of the Limited Partnership of (\$17 thousand).

The Group has formed an alliance with 13 (2016: 11) other Iwi in the central North Island to manage their respective Annual Catch Entitlements (ACE) collectively. These entities are deemed associates of the Group.

Amanti Tourism Ltd relates to the 40% share of the investment plus/(less) the value of profit/(loss) for the year.

Ngati Porou Miere LP relates to the 16.67% share of the investment in Ngati Porou Miere LP.

Hautupua LP Ltd relates to the 3.7% share of the investment in Hautupua LP.

	Voting rights	
	2017	2016
ICP ACE Holdings Limited Partnership	33%	33%
ICP Inshore ACE Limited Partnership	33%	33%
ICP Koura Operations Limited Partnership	33%	33%
ICP Koura Facilities Limited Partnership	33%	33%
Amanti Tourism Limited	40%	0%
Ngati Porou Miere LP	16.67%	0%
Hautupua LP Ltd	3.70%	0%

	Total assets		Total liabilities	
	2017	2016	2017	2016
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
ICP ACE Holdings Limited Partnership	124	534	123	534
ICP Inshore ACE Limited Partnership	137	746	137	746
ICP Koura Operations Limited Partnership	1,486	1,688	1,486	1,688
ICP Koura Facilities Limited Partnership	1,887	1,727	1,887	501
Amanti Tourism Limited	278	-	51	-
Ngati Porou Miere LP	442	-	442	-
Hautupua LP Ltd	-	-	-	-
	4,354	4,695	4,126	3,469

	Revenue		Surplus/ (Deficit)	
	2017	2016	2017	2016
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
ICP ACE Holdings Limited Partnership	3,303	3,082	1	2
ICP Inshore ACE Limited Partnership	1,572	1,367	-	2
ICP Koura Operations Limited Partnership	1,391	1,608	338	455
ICP Koura Facilities Limited Partnership	210	139	207	134
Amanti Tourism Limited	31	-	(272)	-
Ngati Porou Miere LP	310	-	-	-
Hautupua LP Ltd	-	-	-	-
	6,817	6,196	274	593

ICP

All Associates have the same reporting date as the Group, being 30 June.

There are no significant restrictions regarding the distribution of dividends from ICP associates.

The General Partner of the above named ICP Limited Partnerships is the ICP General Partner Limited. The Group holds 33% of the shares in the ICP General Partner, from which it derives the voting rights outlined above.

There were no contingent liabilities in relation to the ICP associates as at reporting date (2016: nil).

Amanti Tourism Limited

The Associate has the same reporting date as the Group, being 30 June.

There are no significant restrictions regarding the distribution of dividends from the associate.

Holdco Limited has a 40% investment.

There were no contingent liabilities in relation to Amanti Tourism Ltd as at reporting date.

Ngati Porou Miere LP

The Associate has the same reporting date as the Group, being 30 June.

There are no significant restrictions regarding the distribution of dividends from the associate.

Holdco Limited has a 16.67% investment.

There were no contingent liabilities in relation to Ngati Porou Miere LP as at reporting date.

Hautupua LP Ltd

The Associate has the same reporting date as the Group, being 30 June.

There are no significant restrictions regarding the distribution of dividends from the associate.

Holdco Limited has a 3.70% investment.

There were no contingent liabilities in relation to Hautupua LP Ltd as at reporting date.

SECTION E – LAND, BUILDINGS AND OTHER PROPERTY

Land, buildings and other property plant is initially measured at cost, except if it is acquired through non exchange transactions (e.g. a bequest or grant) in which case they are instead measured at fair value as their deemed cost at initial recognition.

All Items of property, plant and equipment are subsequently measured at cost (or fair value for items acquired through non-exchange transactions) less accumulated depreciation and impairment. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

The carrying amounts of the Group's non-financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows (for cash-generating assets) or future remaining service potential (for non-cash-generating assets) are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in surplus or deficit. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

	Land	Buildings	Plant & equipment, and office equipment	Motor vehicles	Taonga	Total
	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Cost or valuation						
Balance at 1 July 2016	22,497	12,876	5,109	672	499	41,653
Reclassifications	-	-	-	-	-	-
Additions	424	22	715	47	-	1,208
Disposals	-	(124)	(7)	(23)	-	(154)
Balance at 30 June 2017	22,921	12,774	5,817	696	499	42,707
Accumulated depreciation						
Balance at 1 July 2016	-	(1,561)	(3,055)	(497)	(400)	(5,513)
Depreciation expense	-	(160)	(499)	(24)	(18)	(701)
Impairment losses	-	-	-	-	-	-
Balance at 30 June 2017	-	(1,721)	(3,554)	(521)	(418)	(6,214)
Carrying amounts						
At 30 June and 1 July 2016	22,497	11,315	2,054	175	99	36,140
At 30 June 2017	22,921	11,053	2,263	175	81	36,493

Depreciation is based on the cost of an asset less its residual value, and for significant components of individual assets that have a useful life that is different from the remainder of those assets, those components are depreciated separately.

Depreciation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated. Assets under construction are not subject to depreciation.

The depreciation rates applied are:

- Buildings	2% to 4%
- Plant and equipment	10% to 50%
- Furniture and fittings	10% to 40%
- Office equipment	10% to 67%
- Motor vehicles	25% to 30%
- Taonga	16% to 20%

Depreciation methods, useful lives, and residual values are reviewed at reporting date and adjusted if appropriate.

Depreciation expenditure for the period is as follows:

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Buildings	160	156
Plant and equipment	246	191
Furniture and fittings	32	171
Office equipment	221	18
Motor vehicles	24	24
Taonga	18	26
Total depreciation	701	586

Leased property, plant and equipment

The Group has entered into a number of finance leases for items of property, plant and equipment. The carrying amounts of leased items within the various classes of property, plant and equipment include:

- \$249 thousand of office equipment (2016: \$354 thousand)
- \$37 thousand of furniture & fittings (2016: \$44 thousand)

Heritage assets

Te Runanganui o Ngati Porou may from time to time by Special Resolution of Elected Representatives determine that any Property become a Heritage Asset. Where a Special Resolution of Elected Representatives is passed for any Property to become a Heritage Asset, Te Runanganui o Ngati Porou must not:

- a) sell, exchange, transfer, or otherwise permanently dispose of the Heritage Asset;
- b) grant any mortgage, charge or other encumbrance over the Heritage Asset or any part of it which confers a power of sale; or
- c) use the Heritage Asset as the subject of any guarantee or collateral security arrangement.

The Heritage Assets are as follows:

- Mt Hikurangi
Legal description: Hikurangi Block, ML Plan 8929, CFR GS6D/412
Land area: 3,760 hectares
- All fisheries Settlement Quota and AFL Income Shares

Security held over items of property plant and equipment

At reporting date, certain land, buildings, with a carrying amount of \$3,833 thousand (2016: \$3,833 thousand) are subject to a first mortgage to secure bank loans. Please refer to Note F1 – Bank Borrowings, detailing assets that are pledged as security across the various facilities.

SECTION F – BORROWINGS, PAYABLES AND OTHER LIABILITIES

F1 BORROWINGS

	Year of maturity	2017			2016		
		Interest rate	Non-current	Current	Interest rate	Non-current	Current
		NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
ANZ Bank							
- TRONPnui							
- Flexible Credit Facility	2018	2.99%	-	4,000	3.45%	4,000	-
- Term Facility	2018	2.99%	5,986	468	3.45%	6,454	468
- NPSG & NPHCL							
- Flexible Credit Facility	2018	2.99%	-	500	3.35%	1,100	-
- PFL							
- Flexible Credit Facility	2018	2.89%	-	400	3.35%	800	-
- Term Facility	2018	2.89%	-	4,200	3.35%	4,203	120
Telecom Rentals	2018	11.85%	7	36	11.85%	42	106
Hunter Premium	2017		-	-	3.57%	-	22
Total borrowings			5,993	9,604		16,599	716

During 2017, Te Runanganui o Ngati Porou, Ngati Porou Holdings Limited, Ngati Porou Seafoods Limited and Pakihiroa Farms Limited refinanced its term lending and working capital facilities.

Assets Pledged as Security

The Te Runanganui o Ngati Porou ANZ Banking Group loans are secured over Te Tini o Porou (the former Gisborne Hotel). The Te Runanganui o Ngati Porou Telecom Rental loan is secured over specified equipment and the ngatiporou.com web development. The Ngati Porou Holding Company Limited, Ngati Porou Seafoods Limited and Pakihiroa Farms Limited ANZ Banking Group facilities are secured by a registered first ranking General Security Agreement over all the present and after acquired property of Ngati Porou Holding Company Limited. Cross guarantees and indemnities are in place between Ngati Porou Holding Company Limited, Ngati Porou Seafoods Limited, Ngati Porou Fisheries Limited and Pakihiroa Farms Limited.

Defaults and breaches at reporting date and during the reporting period

There have been no defaults or breaches of the banking covenants during the financial year. The fair value of the borrowings at 30 June 2017 is \$15,597 thousand (2016: \$17,315 thousand).

F2 TRADE AND OTHER PAYABLES

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Payables from exchange transactions		
Trade payables	1,986	2,005
Sundry accruals	-	594
Revenue in advance	1,293	726
	3,279	3,325
Payables from non-exchange transactions		
Sundry accruals	-	40
	-	40
Total creditors and other payables	3,279	3,365

F3 EMPLOYEE ENTITLEMENTS

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Total employee entitlements	1,239	1,260

The provision relates to employee entitlements, primarily annual leave entitlements. All Employee entitlements are current.

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

F4 COMMITMENTS FOR EXPENDITURE

Operating leases as lessee

The future aggregate minimum lease payments to be paid under non-cancellable operating leases are as follows:

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Not later than one year	741	727
Later than one year and not later than five years	1,391	769
Later than five years	-	-
Total non-cancellable operating leases	2,132	1,496

The Group has lease commitments for the properties at 47, 51, 53, 55 and 57 The Esplanade, Gisborne, until June 2022, with the right of renewal, and a review of the rental due in June 2022. It also has a lease commitment for the property at 50 The Esplanade, Gisborne until June 2018. It will not be renewing the lease on 50 The Esplanade.

The Group leases approximately 63 motor vehicles including a forklift, with terms of up to 5 years. There are no options to purchase at the end of the term, with no provision for increase in rental charges.

The Group leases telephony hardware, with terms of up to 5 years. There are no options to purchase at the end of the term, with no provision for increase in rental charges.

F5 CONTINGENCIES

There are no contingent assets or liabilities at balance date (2016: \$nil).

SECTION G – TAXATION

Te Runanganui o Ngati Porou Trustee Ltd and its commercial subsidiary entities are look through companies, but are treated as a Maori Authority for taxation purposes, and are therefore taxed at 17.5%. Revenue tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the reporting period. Taxable profit differs from profit as reported in the statement of comprehensive revenue and expenses because it excludes items of revenue or expense that are taxable or deductible in other periods and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Taxation expense comprises:		
Current tax expense in respect of the current year	223	-
Current tax in respect of prior years	-	(430)
Adjustments recognised in the current year in relation to imputation and foreign tax credits	(200)	244
Deferred tax prior period adjustment	15	-
Deferred tax expense relating to the origination and reversal of temporary differences	812	93
Total tax (revenue)/ expense	850	(93)
The total charge for the year can be reconciled to the surplus/(deficit) as follows;		
Surplus from operations	10,869	348
Revenue tax calculated at 17.5%	1,902	61
Prior years' tax adjustment	15	(430)
Adjustments recognised in the current year in relation to imputation and foreign tax credits	(200)	244
Effect of revenue exempt from taxation and non-deductible expenses	(1,111)	32
Effect of previously unrecognised deferred tax liabilities	244	-
Revenue tax expense recognised in surplus/(deficit)	850	(93)

Deferred taxation

The movement in deferred tax assets during the year is as follows:

	Opening balance	Charged to surplus / (deficit)	Closing balance
	NZ\$'000	NZ\$'000	NZ\$'000
Deferred tax balances 2017:			
Tax losses	(513)	513	-
Biological assets	404	304	708
Employee entitlements	(82)	10	(72)
	(191)	827	636
Deferred tax balances 2016:			
Tax losses	-	(513)	(513)
Biological assets	307	97	404
Employee entitlements	(78)	(4)	(82)
	229	(420)	(191)

Deferred tax is income tax which is expected to be payable or receivable in the future as a result of temporary differences unwinding. These arise from differences in the recognition of assets and liabilities for financial reporting and for the filing of income tax returns. Deferred tax is recognised on all temporary differences other than those arising from goodwill; and from the initial recognition of assets and liabilities in a transaction (other than in a business combination) that affects neither the accounting nor taxable profit or loss.

Deferred tax assets arising from deductible temporary differences are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to use the asset. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when they relate to revenue taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or revenue in profit or loss, except when they relate to items recognised in other comprehensive revenue or directly in equity, in which case the tax is also recognised in other comprehensive revenue or directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the seller's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Maori Authority Tax Credit Account

The movement in the Maori Authority Tax Credit account during the year is as follows:

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Balance at beginning of the year	42	(347)
Credits attached to dividends received	328	413
Taxation (refunded)/ paid	(2)	(24)
Credits attached to dividends paid	-	-
Balance at the end of the year	368	42

SECTION H – RELATED PARTY

Related party disclosures have not been made for transactions with related parties that are within a normal supplier or client/recipient relationship on terms and condition no more or less favourable than those that it is reasonable to expect the Group would have adopted in dealing with the party at arm's length in the same circumstances.

H1 TRANSACTIONS WITH RELATED PARTIES – ASSOCIATES

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Revenue received from related parties - Associates		
ICP ACE Holdings LP – quota revenue received by NPSL	898	881
ICP ACE Inshore LP – quota revenue received by NPSL	834	756
ICP Koura Operations LP – quota revenue received by NPSL	510	654
ICP Koura Operations LP – share of income	193	252
ICP Koura Facilities LP – share of income	45	30
ICP ACE Holdings LP – share of income	-	1
ICP ACE Inshore LP – share of income	-	1
Amanti Tourism Ltd	(108)	-
Ngati Porou Miere LP	-	-
Hautupua LP Ltd	-	-
	2,372	2,575
Receivables owing from related parties		
ICP ACE Holdings LP – unpaid quota revenue	28	252
ICP ACE Holdings LP – share of income	-	1
ICP ACE Inshore LP – unpaid quota revenue	87	397
ICP ACE Inshore LP – share of income	-	1
ICP Koura Operations LP – unpaid quota revenue	587	723
ICP Koura Operations LP – share of income	194	251
ICP Koura Facilities LP – share of income	146	110
Ngati Porou Miere – advance	100	-
	1,142	1,735

H2 TRANSACTIONS WITH RELATED PARTIES – PROFESSIONAL SERVICES FROM TRUSTEES, DIRECTORS AND/ OR CLOSE FAMILY MEMBERS

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
H Collier: Agfirst Wairoa Limited	110	103
K Potae: BDO Gisborne Limited	356	170
M Mahuika: Kahui Legal	-	191
	466	464

H Collier is key management personnel of Pakihiroa Farms Limited. H Collier is a director of Agfirst Wairoa Limited, Agfirst Wairoa Limited receives payments directly from Pakihiroa Farms Limited for the provision of farm supervisory and administration support.

K Potae is the Chair of the Te Runanganui o Ngati Porou Audit Risk and Finance Committee and a Trustee of Ngati Porou Hauora Charitable Trust. K Potae is also a director of BDO Gisborne Limited, BDO Gisborne Limited receives payments directly from Te Runanganui o Ngati Porou, Ngati Porou Fisheries Limited, Pakihiroa Farms Limited and Ngati Porou Hauora Charitable Trust for the provision of various accounting and HR services.

Prior to 28 November 2015, M Mahuika was deemed a related party as he held the position of Chair of Ngati Porou Holding Company Limited. He was also partner of Kahui Legal which received payments for services rendered prior to 28 November 2015 directly from Te Runanganui o Ngati Porou, Ngati Porou Holding Co Ltd, Ngati Porou Seafoods Ltd and Pakihiroa Farms Limited for the provision of professional legal advice. M Mahuika was elected to the Te Runanganui o Ngati Porou board in the election concluded on 14 October 2015, with final results announced 20 October 2015. His appointment took effect from the close of the AGM on 28 November 2015. Provision of legal services by Kahui Legal directly to Te Runanganui o Ngati Porou and the Group ceased from 27 November 2015. Please note that indirectly Kahui Legal continued to provide services after 27 November 2015 through independent legal counsel T B Johnson to conclude two large legal work streams; namely the Foreshore and Seabed and Wai Joint Management agreement.

H3 TRANSACTIONS WITH RELATED PARTIES – KEY MANAGEMENT PERSONNEL

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Board members		
Remuneration	784	826
Number of Board members	40 head count	40 head count
Leadership Team		
Remuneration	769	823
Full-time equivalent (FTEs) members	5 FTEs	4 FTEs
Total key management personnel remuneration	1,552	1,649

Key management personnel comprise directors and leadership team personnel who have responsibility for planning, directing and controlling the activities of the Group.

Board member remuneration is made up of \$531 thousand of trustee fees and \$253 thousand of director fees and is detailed as follows:

		Actual 2017 \$	Actual 2016 \$
Te Runanganui o Ngati Porou – Elected Representatives			
Rohe One:	- A Pahuru – Huriwai	25	25
	- R Kohere (Deputy Chair)	30	30
Rohe Two:	- M Mahuika	25	15
	- A Papuni	-	13
	- P Tangaere	25	15
Rohe Three:	- L Tangaere – Baldwin	25	25
	- H Tahiwirangi	25	15
	- N Ihaka	-	13
Rohe Four:	- M Taare	25	15
	- M Warmenhoven	-	13
	- T Warmenhoven	25	25
Rohe Five:	- S Parata (Chair)	40	40
	- T Kupenga	25	15
	- B Soutar	-	13
Rohe Six:	- K Pewhairangi	25	25
	- N Raihania	25	15
	- J Chambers	-	13
Rohe Seven:	- K Blackman	25	15
	- M Tangohau	26	15
	- Dr F Te Momo	-	13
	- J Walker	-	13
		371	381
Toitu Ngati Porou Charitable Trust – Trustees			
	A Houkamau	33	35
	B Soutar –resigned August 2016	4	24
	L Baldwin (Chair)	24	20
	A Forrester (Deputy chair)	21	20
	W Gilvray	20	20
	R Kohere	20	20
	T Porou – resigned August 2016	3	20
		125	159

Ngati Porou Hauora Charitable Trust – Trustees

L McCarthy Robinson	10	11
T Wawatai (Chair)	-	-
J Watson (Deputy Chair)	15	15
K Potae	10	10
J Carr	-	-
	35	36
Total fees to Trustees	531	576

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Ngati Porou Holding Company – Directors		
M Mahuika (Chair)	40	40
T Tibble (Deputy Chair)	35	35
T Wawatai (resigned Nov 2016)	-	10
D Puketapu (appointed Jul 2016)	30	30
W Dewes	25	25
K Kohere-Soutar	30	30
	160	170
Ngati Porou Seafoods Group – Directors		
W Dewes (Chair)	20	20
C Insley	15	15
G Milner	15	13
D Puketapu (appointed Jul 2016)	16	12
B Soutar	16	13
	82	73
Pakihiroa Farms Limited – Directors		
S Parata (Chair)	4	3
T Pewhairangi	4	2
M Mahuika (appointed Jul 2016)	2	1
L Rickard	1	1
	11	7
Total director fees	253	250
Total Board remuneration	784	826

H4 Transactions with related parties

W Dewes is the Chair of Ngati Porou Forests Ltd and a board member of Ngati Porou Holding Company. There is a forest management agreement between the two entities for the management of the forest assets of Ngati Porou Holding Company Ltd, the value of this management fee is \$322 thousand (2016 191 thousand).

SECTION I – FINANCIAL RISK MANAGEMENT

Financial risk management

Exposure to currency, commodity, interest rate, liquidity and credit risk arises in the normal course of the Group's operations. This note presents information about the Group's exposure to each of the above risks, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these financial statements.

Credit risk

Credit risk is the risk of financial loss to the Group is a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from its financial assets, including cash and cash equivalents, equity investments, investments in unit funds and trade and other receivables.

The carrying amount of the Group's financial assets is the Group's maximum exposure to credit risk.

The Group has adopted a policy of checking the creditworthiness of counterparties it deals with as a means of mitigating the risk of financial loss from defaults.

Trade accounts receivables consist of a range of customers and parties, spread across a number of diverse industries (Crown through individuals) with the vast majority of customers and parties New Zealand based.

With the exception of the Crown/Government for various service delivery contracts, the consolidated group does not have any significant credit risk exposure to any single counterparty.

The credit worthiness of Investment Fund Managers is assessed following advice from Cambridge Associates, the Group's investment manager.

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the finance charges and principal repayments on its debt instruments. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Group ensures the maturity profile of its short-term liquid financial assets (such as cash and cash equivalents, and trade and other receivables) is sufficient to meet the contractual cash flow obligations of its financial liabilities.

The Group also ensures that it has available lines of credit with sufficient amounts undrawn:

- The Group has a \$500 thousand unsecured overdraft facility, of which \$500 thousand remains undrawn (2016: \$276).

The table below details the undiscounted contractual cash flows (principal and interest) of the Group's financial liabilities:

2017	Interest rate	Less than 1 year	1–2 years	2–5 years	5+ years	Total
		NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Financial Liabilities						
Bank overdrafts		-	-	-	-	-
Trade and other payables	0.00%	3,279	-	-	-	3,279
Borrowings	2.99%	9,891	6,357	-	-	16,248
		13,170	6,357	-	-	19,527

2016	Interest rate	Less than 1 year	1–2 years	2–5 years	5+ years	Total
		NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000	NZ\$'000
Financial Liabilities						
Bank overdrafts	6.40%	238	-	-	-	238
Trade and other payables	0.00%	3,365	-	-	-	3,365
Borrowings	3.40%	762	18,792	-	-	19,554
		4,365	18,792	-	-	23,157

Market risk

Market risk arises from the Group's use of financial instruments that are interest bearing, denominated in foreign currencies, and/or traded in public markets. Specifically, market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

Interest rate risk

The Group is exposed to interest rate risk in respect of its financial assets and financial liabilities. The Group manages this risk by utilising its net cash position to minimise the interest rates. A one hundred point increase in floating interest rates would have resulted in a \$156 thousand (2016: \$175 thousand) reduction in Net Surplus.

Foreign exchange risk

The group is exposed to foreign currency risk through its overseas domiciled unit funds. The total foreign currency exposure at balance date is;

	Fund currency	2017 NZ\$'000	2016 NZ\$'000
Growth assets			
- Developed market equities			
- Artisan Partners Global Funds	USD	9,478	8,003
- Harding Loevner Fund	USD	10,311	8,623
- Emerging market equities			
- Blackrock Investment Management	AUD	6,423	5,471
- Somerset Capital Management	AUD	7,743	6,672
Total growth assets		33,955	28,769
Income assets			
- Van Eck Global	USD	4,338	4,871
- Lazard Asset Management	AUD	2,413	2,164
- Blackrock Multi Opportunity	AUD	16,717	12,425
Total income assets		23,468	19,460
Total foreign currency exposure with regard to investments at fair value		57,423	48,229

A 5% movement in currencies would have a \$2.6 million impact on the Surplus or deficit and a \$2.6 million impact on Net Assets

Price Risk

The Group is exposed to price risk in respect of its publically listed equity instruments and investments in unitised funds classified as Fair Value Through Surplus or Deficit.

In respect of its publically listed equity instruments and unitised funds, the Group manages this risk indirectly by requiring that the portfolio is spread across different sectors with various amounts of systematic risk to movements in the economy as a whole.

A five hundred point increase/decrease in returns on financial assets held at Fair Value Through Surplus or Deficit would yield an increase/decrease of \$6.8 million in net profit and would have an \$6.8 million impact on Net Assets.

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt, which includes borrowings disclosed in Note F1, cash and cash equivalents disclosed in C1.

SECTION J - OTHER NOTE DISCLOSURES

J1 RECONCILIATION TO THE CASHFLOW STATEMENT

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Net Profit as per accounts after taxation	10,019	441
Plus non-cash items:		
Revaluation of carbon credits	167	(4,400)
Livestock revaluation	205	(998)
Forestry revaluation	737	–
Miere stock revaluation	75	–
Depreciation and amortisation	701	586
Share of associates loss	108	–
Revaluation of investments	(11,587)	1,389
	(9,594)	(3,423)
Add Movements in Working Capital		
(Decrease)/Increase in creditors	(704)	994
(Increase)/Decrease in sundry debtors& prepayments	(598)	(426)
(Increase)/Decrease in inventory	7	75
(Decrease)/Increase in taxation payable	696	255
(Decrease)/Increase in GST payable	52	(14)
(Decrease)/Increase in income in advance	567	140
(Decrease)/Increase in employee entitlements	(21)	(1,245)
	(1)	(221)
Net cash inflow (outflow)	424	(3,203)

J2 COST OF SALES FROM COMMERCIAL OPERATIONS

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
- Gross fishing ACE expense	336	370
- Gross fishing sales expense	1,218	1,281
Total external fishing expense	1,554	1,651
Gross farming livestock expense	1,545	1,574
Forest harvesting costs	5,598	471
Miere costs	393	-
Total commercial trading operations expenses	9,090	3,696

J3 OTHER EXPENSES

Other expenditure includes:

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Marae grants	1,060	690
Vehicle expenses	935	897
Fund management fees	930	821
Farm and Forestry costs	873	854
Property, rates, electricity and gas	760	830
Governance	746	826
Contractors	603	230
Consulting	464	657
Telecommunication costs	438	412
Accounting and audit fees	425	223
Travel	418	523
Business development and promotional	400	426
Repairs and maintenance costs	382	175
IT costs	338	387
Other costs (includes: miscellaneous, projects, programme delivery)	335	425
Medical and hospital costs	330	393
Legal expenses	234	307
Office costs, photocopying, postage	205	328
Insurances	188	154
Employment related costs	178	67
Donations, koha and sponsorship	129	208
Meeting and catering costs	104	303
Communications and publications	58	116
Bad and doubtful debts	-	17
	10,533	10,269

J4 REMUNERATION OF AUDITORS

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Audit of the financial statements	120	106
Other services	52	37
	172	143

The auditor of Te Runanganui o Ngati Porou and all of its subsidiary entities is Deloitte (Wellington Office).

J5 RESERVES

	Actual 2017 NZ\$'000	Actual 2016 NZ\$'000
Asset revaluation reserve – general	282	282
Capital reserve account – farms	2,421	2,421
	2,703	2,703

Asset revaluation reserve – general

This reserve relates to \$283 thousand of general asset revaluations undertaken by Te Runanga o Ngati Porou.

Capital reserve account – farms

This reserve relates to the revaluation of farming assets and is detailed as follows:

- the revaluation of Puanga Station, Gisborne, to market value (an increase of \$1,205 thousand) upon the establishment of Pakihiroa Farms Ltd and assets were transferred from Te Runanga o Ngati Porou to Pakihiroa Farms Ltd on 30 June 2006
- the revaluation of buildings and structures (of \$1,216 thousand) on Pakihiroa Station (not the land) when these assets were transferred from Te Runanga o Ngati Porou to Pakihiroa Farms Ltd

J6 SUBSEQUENT EVENTS

There have been no subsequent events in the current year.



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