TE RUNANGANUI O NGATI POROU

Full Financial Statements

1 July 2015 – 30 June 2016

Te Runanganui o Ngati Porou

Financial Statements

TE RUNANGANUI O NGATI POROU GROUP

30 June 2016

FINANCIAL STATEMENTS INDEX

Deloitte.

INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEE OF TE RUNANGANUI O NGATI POROU

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Te Runanganui O Ngati Porou and its subsidiaries ('the Group') on pages 5 to 38, which comprise the consolidated statement of financial position as at 30 June 2016, and the statement of comprehensive revenue and expenses, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the Trustee of Te Runanganui o Ngati Porou, in accordance with Section 12.2 of the Trust Deed. Our audit has been undertaken so that we might state to the company's shareholders 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's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

Trustee's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibilities

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing and International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates, as well as the overall presentation of the consolidated financial statements.

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

Our firm carries out other assignments for Te Runanganui o Ngati Porou in the area of consultancy. The firm has no other relationship with, or interest in, Te Runanganui o Ngati Porou or any of its subsidiaries.

Opinion

In our opinion, the consolidated financial statements on pages 5 to 38 present fairly, in all material respects, the financial position of Te Runanganui o Ngati Porou and its subsidiaries as at 30 June 2016, and their financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards

Deloitte Limited

Chartered Accountants
25 October 2016
Wellington, New Zealand

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 2016.

Signed on behalf of the Board:

Board member	**Board member**
25 October 2016	25 October 2016

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 NZ$'000	2015 NZ$'000
Revenue			
Service delivery	**A1**	12,355	12,380
Commercial trading revenue	**A2**	6,070	7,139
Forestry income	**A3**	5,698	1,437
Rental income		908	744
Interest income		268	1,266
Dividend income		3,468	2,665
Unrealised gains/(losses) on asset valuation		(1,973)	12,668
Share of income from Associate Entities	**H1**	2,575	2,815
Other income	**A4**	1,601	1,277
Total revenue		**30,970**	42,391
Expenses			
Employee benefit expense		14,541	13,569
Cost of sales from commercial operations	**J2**	3,696	4,150
Depreciation expense	**E**	586	516
Finance cost		1,061	983
Rental expense		469	352
Other expenses	**J3**	10,269	10,545
Total expenses		**30,622**	30,115
Net surplus/(deficit) for the period		**348**	12,276
Other comprehensive revenue and expenditure		–	–
Total comprehensive revenue and expenditure before taxation		**348**	12,276
Taxation expense/(benefit)	**G**	(93)	(36)
Total comprehensive revenue and expenditure after taxation		**441**	12,312

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Notes	2016 NZ$'000	2015 NZ$'000
Assets			
Current assets			
Cash and cash equivalents	**C1**	9,205	18,661
Trade and other receivables	**C3**	3,863	4,857
Inventories		435	9
Work in Progress		8	2,865
Taxation receivable		745	1,239
Total current assets		14,256	27,631
Non-current assets			
Investments	**C2**	122,349	119,607
Carbon credits	**B4**	7,084	2,684
Biological assets	**B3**	7,540	6,722
Quota shares	**B2**	19,011	19,011
AFL revenue shares	**B1**	16,886	16,886
Property, plant and equipment	**E**	36,140	31,452
Deferred taxation	**G**	191	-
Total non-current assets		209,201	196,362
Total assets		**223,457**	223,993
Liabilities			
Current liabilities			
Bank accounts	**C1**	224	5,892
Trade and other payables	**F2**	3,365	4,369
Borrowings	**F1**	716	452
Employee entitlements	**F3**	1,260	1,120
Deferred taxation	**G**	-	229
Total current liabilities		5,565	12,062
Non-current liabilities			
Borrowings	**F1**	16,599	11,079
Total non-current liabilities		16,599	11,079
Total liabilities		**22,164**	23,141
Net assets		**201,293**	200,852
Equity			
Reserves	**J5**	2,703	2,703
Retained earnings		198,590	198,149
Total equity		**201,293**	200,852

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2016

	Notes	Actual 2016 NZ$'000	Actual 2015 NZ$'000
Retained earnings			
Balance at 1 July 2015		198,149	185,837
Total comprehensive revenue and expenses for the year		441	12,312
Balance at 30 June 2016		**198,590**	198,149
Reserves			
Balance at 1 July 2015		2,703	2,703
Balance at 30 June 2016		**2,703**	2,703
Total equity		**201,293**	200,852

Te Runanganui o Ngati Porou Group
30 June 2016

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2016

	Notes	2016 NZ$'000	2015 NZ$'000
Cash flows from operating activities			
Cash was provided from:			
Service delivery		13,177	11,453
Commercial trading operations (incl. forestry)		4,232	4,723
Interest received		268	1,266
Dividends received		2,884	2,665
Share of revenue from associates		2,455	2,813
Other revenue		2,509	2,313
		25,525	25,233
Cash was applied to:			
Payment to suppliers and operating expenses		12,838	11,156
Payments to employees, directors and trustees		15,227	14,067
GST paid		(255)	583
Interest paid		1,061	983
Revenue tax payable		(143)	(151)
		28,728	26,638
Net cash flow from operating activities	**J1**	(3,203)	(1,405)
Cash flows from investing activities			
Cash was provided from:			
Sale of property, plant and equipment		21	–
Sale of listed investments		2,600	–
		2,621	–
Cash was applied to:			
Purchase of listed investments		6,731	37,760
Purchase or property, plant and equipment		1,736	3,143
Purchase of biological assets		523	695
		8,990	41,598
Net cash flow from investing activities		(6,369)	(41,598)
Cash flows from financing activities			
Cash was provided from:			
Loans and advances		10,994	1,623
		10,994	1,623
Cash was provided to:			
Loan repayments		5,210	(276)
		5,210	(276)
Net cash flow from financing activities		5,784	1,347
Net increase/(decrease) in cash and cash equivalents		(3,788)	(41,656)
Cash and cash equivalents at beginning of the year		12,769	54,425
Cash and cash equivalents at end of the year	**C1**	**8,981**	12,769

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 2016.

TRONPnui operates as a Maori Authority in accordance with the Ngati Porou Settlement Act 2011. TRONPnui is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act 2013.

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 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.

SECTION A – REVENUE

A1 SERVICE DELIVERY REVENUE

	2016 NZ$'000	2015 NZ$'000
Government contracts – exchange	12,355	12,380
Government contracts – non exchange	-	-
Total service delivery revenue	**12,355**	12,380

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.

Service delivery revenue includes patient care revenue of $9.342 million (2015: $9.048 million) from the Ministry of Health and Hauora Tairawhiti to TRONPnui's subsidiary Ngati Porou Hauora Charitable Trust.

A2 COMMERCIAL REVENUE

	2016 NZ$'000	2015 NZ$'000
Fishing revenue	2,035	2,413
Farming revenue	3,926	4,428
Honey revenue	109	298
Total commercial revenue	**6,070**	7,139

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

	2016 NZ$'000	2015 NZ$'000
Livestock sales	1,903	2,211
Net increases due to births/growth/losses	1,591	1,881
Changes in the fair value due to market value of livestock sold	35	67
Other revenue	397	269
Total farming revenue	**3,926**	4,428

A3 FORESTRY REVENUE

	2016 NZ$'000	2015 NZ$'000
Revenue derived from harvesting	633	-
Revenue derived from changes in forest valuations	665	352
Change in value of carbon credits	4,400	1,085
Total forestry revenue	**5,698**	1,437

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
- 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

	2016 NZ$'000	2015 NZ$'000
Administration fees and charges	763	677
Other revenue	838	600
Total other revenue	**1,601**	1,277

Other revenue includes revenue derived from:

- administration fees and charges being the provision of administration, accountancy and financial services to associates and third parties (revenue is recognised as the services are provided)
- other revenue includes 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 (2015: 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.

	2016 NZ$'000	2015 NZ$'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 2016, the Group received from AFL a net dividend of $579,909 with $101,484 of Maori Authority Tax Credits (2015: net dividend of $658,071 with $139,591 of Maori Authority Tax Credits).

B2 FISHING QUOTA

Fishing Quota is an intangible asset with an indefinite useful live. The Te Ohu Kaimoana allocation was recognised at 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 Cost NZ$'000	Other Fishing Quota Cost NZ$'000	Total Fishing Quota Cost NZ$'000
Balance at 1 July 2014	10,181	8,830	19,011
Additions (acquired externally)	-	-	-
Balance at 30 June 2015	10,181	8,830	19,011
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**

The Board of the subsidiaries entities, the Ngati Porou Seafoods Group in conjunction with the Trustees of Te Runanganui o Ngati Porou undertook an annual review of the carrying value of fish quota for impairment at 30 June 2016. Independent valuations were undertaken to review the carrying values for impairment as at 30 June 2016. 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 2015	3,542	3,180	6,722
Transfer to property, plant and equipment (reclassified)	-	(703)	(703)
Purchases	164	680	729
Net increase due to births/deaths/losses	1,258	-	1,258
Sales	(1,903)	(44)	(2,536)
Change in fair value less costs to sell			
Due to change in market prices	368	544	912
Due to physical changes	333	121	455
Balance at 30 June 2016	3,762	3,778	**7,540**

Livestock

Livestock valuations at 30 June 2016 were provided by PGG Wrightson Ltd. These market values reflect livestock of similar age, breed and genetic merit throughout New Zealand. At 30 June 2016, livestock comprised 12,251 sheep (2015: 13,188) and 2,179 beef cattle (2015: 2,367).

Forestry

At reporting date, forestry land comprised of 25,064 hectares (2015: 25,064 hectares) of which 20,465 hectares (2015: 21,512) was leased to Ernslaw One Limited. At reporting date, forest land planted with trees owned by the Group totalled 3,008 hectares (2015: 2,258 hectares) of which 209.6 hectares (2015: 219.6 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 $11.503 million (2015: $10.8 million). $0.703 million was reclassified to property, plant and equipment from biological assets in 2016. 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.

	2016	2015
	NZ$'000	NZ$'000
Balance as at 1 July 2015	2,684	1,599
Additions (acquired externally)	-	-
Changes in fair value	4,400	1,085
Balance as at 30 June 2016	**7,084**	2,684

SECTION C – CASH, INVESTMENTS AND RECEIVABLES

C1 – CASH AND CASH EQUIVALENTS

	2016	**2015**
	NZ$'000	**NZ$'000**
Cash at bank	1,519	9,554
Short term deposits	7,686	9,107
	9,205	18,661
Bank overdraft – secured	(224)	(5,892)
Total cash and cash equivalents	**8,981**	12,769

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.

The bank overdraft for the Group at 30 June 2016 related to TRONPnui overdraft facility (limit $0.5m) with the ANZ bank (overdraft interest rate of 6.90%).

C2 INVESTMENT PORTFOLIO

The Group's investment portfolio comprises:

	2016	**2015**
	NZ$'000	**NZ$'000**
Investments at fair value through profit and loss	122,007	119,265
Investment in Associates	287	287
Other investments – NZ Equities	55	55
	122,349	119,607

Investments at fair value through the profit and loss is detailed below.

Investment in associates is detailed in note D2.

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

Te Runanganui o Ngati Porou Group
30 June 2016

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

	2016	**2015**
	NZ$'000	**NZ$'000**
Growth assets		
- Trans-Tasman equities		
- Milford Funds	13,379	12,645
- Devon Funds Management	13,974	13,446
- Developed market equities		
- Blackrock/ ANZ Investment	13,838	15,657
- Artisan Partners Global Funds	8,003	8,587
- Harding Loevner Fund	8,623	8,995
- Emerging market equities		
- Blackrock Investment Management	5,471	7,250
- Somerset Capital Management	6,672	7,606
Total growth assets	69,960	74,186
Income assets		
- Van Eck Global	4,871	4,486
- Lazard Asset Management	2,164	2,595
- AMP Capital	26,316	25,271
- Standard Life Global	12,425	12,727
- Blackrock Multi Opportunity	6,271	-
Total income assets	52,047	45,079
Total investments at fair value	**122,007**	119,265

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

	2016 NZ$'000	2015 NZ$'000
Trade receivables	1,840	2,989
Related party receivables	1,735	1,615
	3,575	4,604
Prepayments	288	253
	3,863	4,857
Total receivables comprises		
Receivables from exchange transactions	3,863	4,857
	3,863	4,857
60-90 days	28	37
90-120 days	310	331
Total past due date	**338**	368

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.

Te Runanganui o Ngati Porou Group
30 June 2016

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.

	2016 NZ$'000	2015 NZ$'000
ICP Koura Facilities Limited Partnership	287	287
Investment in Associates	**287**	287

The $0.287 million investment in the ICP Koura Facilities Limited Partnership relates to the Group's share of property costs on establishment of the Limited Partnership $0.27 million 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 (2015: 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.

	Voting rights	
	2016	2015
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%

	Total assets		Total liabilities	
	2016	2015	2016	2015
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
ICP ACE Holdings Limited Partnership	534	380	534	380
ICP Inshore ACE Limited Partnership	746	500	746	500
ICP Koura Operations Limited Partnership	1,688	2,065	1,688	2,065
ICP Koura Facilities Limited Partnership	1,727	1,642	501	416
	4,695	4,587	**3,469**	3,361

	Revenue		Surplus/ (Deficit)	
	2016	2015	2016	2015
	NZ$'000	NZ$'000	NZ$'000	NZ$'000
ICP ACE Holdings Limited Partnership	3,082	3,875	2	4
ICP Inshore ACE Limited Partnership	1,367	1,403	2	1
ICP Koura Operations Limited Partnership	1,608	1,647	455	478
ICP Koura Facilities Limited Partnership	139	144	134	139
	6,196	7,069	**593**	622

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

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

The General Partner of the above named Limited Partnerships is the ICP General Partner. 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 Group's associates as at reporting date (2015: nil).

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 2015	21,767	9,640	3,803	670	499	36,379
Reclassifications	703	2,252	290	-	-	3,245
Additions	27	984	1,022	17	-	2,050
Disposals	-	-	(6)	(15)	-	(21)
Balance at 30 June 2016	22,497	12,876	5,109	672	499	41,653
Accumulated depreciation						
Balance at 1 July 2015	-	(1,405)	(2,675)	(471)	(376)	(4,927)
Depreciation expense	-	(156)	(380)	(26)	(24)	(586)
Impairment losses	-	-	-	-	-	-
Balance at 30 June 2016	-	(1,561)	(3,055)	(497)	(400)	(5,513)
Carrying amounts						
At 30 June and 1 July 2015	21,767	8,235	1,128	199	123	31,452
At 30 June 2016	**22,497**	**11,315**	**2,054**	**175**	**99**	**36,140**

Reclassifications totalling $3.245 million include $2.543 million of building, plant and office equipment costs (classified as work in progress at 30 June 2015) and forestry land of $0.703 million (classified as biological assets as 30 June 2015).

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 2016 NZ$'000	**Actual 2015 NZ$'000**
Buildings	156	154
Plant and equipment	191	172
Furniture and fittings	171	12
Office equipment	18	103
Motor vehicles	24	58
Taonga	26	30
Total depreciation	**586**	529

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:

- $0.354 million of office equipment (2015: $0.354 million)
- $44 thousand of furniture & fittings (2015: $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 Elected Representatives determined that the only property afforded heritage status is the property on Mount Hikurangi, and is detailed as follows:

Location:	19 Pakihiroa Road
Legal description:	TAPUAEROA A11 A12 A14 2D PT 2B 2C PT LOT 1 DP 3704 SEC 2 BLK XVI RAUKUMARA EAST SD – BALANCE – PAKIHIROA STN
Land area:	1,983.13 ha

The property has a carrying amount of $0.7 million (2015: $0.7 million).

Security held over items of property plant and equipment

At reporting date, certain land, buildings, with a carrying amount of $3.833 million (2015: $9.214 million) 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

		2016			2015		
	Year of maturity	Interest rate	Non-current NZ$'000	Current NZ$'000	Interest rate	Non-current NZ$'000	Current NZ$'000
ANZ Bank							
- TRONPnui							
- Flexible Credit Facility	2018	3.45%	4,000				
- Term Facility	2018	3.45%	6,454	468	6.66%	4,228	
- NPSG & NPHCL							
- Flexible Credit Facility	2018	3.35%	1,100				
- NPSG							
- Term Facility					6.74%	2,436	296
- PFL							
- Flexible Credit Facility	2018	3.35%	800				
- Term Facility	2018	3.35%	4,203	120			
BNZ Bank							
- PFL							
- Term Facility					5.57%	4,343	
Telecom Rentals	2017	11.85%	42	106	11.85%	72	56
Hunter Premium	2017	3.57%		22			
Millpark Investments	2016				3.00%		100
Total borrowings			**16,599**	**716**		11,079	452

During 2016, 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 2016 is $17.315 million (2015: $11.531 million).

F2 TRADE AND OTHER PAYABLES

	Actual 2016 NZ$'000	Actual 2015 NZ$'000
Payables from exchange transactions		
Trade payables	2,005	2,080
Sundry accruals	594	278
Revenue in advance	726	1,971
	3,325	4,329
Payables from non-exchange transactions		
Sundry accruals	40	40
	40	40
Total creditors and other payables	**3,365**	4,369

F3 EMPLOYEE ENTITLEMENTS

	Actual 2016 NZ$'000	Actual 2015 NZ$'000
Total employee entitlements	**1,260**	1,120

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 2016 NZ$'000	Actual 2015 NZ$'000
Not later than one year	727	552
Later than one year and not later than five years	769	475
Later than five years	-	-
Total non-cancellable operating leases	**1,496**	1,027

The Group has lease commitments for the properties at 47, 51, 53, 55 and 57 The Esplanade, Gisborne, until June 2017, with the right of renewal, and a review of the rental due in June 2017. It also has a lease commitment for the property at 50 The Esplanade, Gisborne until June 2018 with an option to renew to June 2021.

The Group leases approximately 63 motor vehicles including a forklift, with terms of up to 4 years. There are no options to purchase at the end of the term, with no provision for increase in rental charges.

The Group leases telephones and associated 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 (2015: $nil).

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SECTION G – TAXATION

Te Runanganui o Ngati Porou 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 2016 NZ$'000	Actual 2015 NZ$'000
Taxation expense comprises:		
Current tax expense in respect of the current year	-	-
Prior years' tax adjustment	(430)	(132)
Adjustments recognised in the current year in relation to imputation and foreign tax credits	244	-
Deferred tax expense relating to the origination and reversal of temporary differences	93	97
Total tax (revenue)/ expense	**(93)**	(35)
The total charge for the year can be reconciled to the surplus/(deficit) as follows;		
Surplus from operations	348	12,277
Revenue tax calculated at 17.5%	61	2,148
Prior years' tax adjustment	(430)	(132)
Adjustments recognised in the current year in relation to imputation and foreign tax credits	244	-
Effect of revenue exempt from taxation	(12)	(2,116)
Effect of expenses that are not deductible in determining taxable surplus	44	65
Revenue tax expense recognised in surplus/(deficit)	**(93)**	(35)

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 2016:			
Tax losses	-	(513)	(513)
Biological assets	307	97	404
Employee entitlements	(78)	(4)	(82)
	229	(420)	**(191)**
Deferred tax balances 2015:			
Revenue in advance	(21)	21	-
Biological assets	218	88	307
Employee entitlements	(66)	(12)	(78)
	132	97	229

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 2016	Actual 2015
	NZ$'000	NZ$'000
Balance at beginning of the year	(347)	126
Credits attached to dividends received	413	140
Taxation (refunded)/ paid	(24)	(61)
Credits attached to dividends paid	-	(552)
Balance at the end of the year	**42**	(347)

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 Trust would have adopted in dealing with the party at arm's length in the same circumstances.

H1 TRANSACTIONS WITH RELATED PARTIES – ASSOCIATES

	Actual 2016 NZ$'000	Actual 2015 NZ$'000
Revenue received from related parties		
ICP ACE Holdings LP – quota revenue received by NPSL	881	1,067
ICP ACE Inshore LP – quota revenue received by NPSL	756	814
ICP Koura Operations LP – quota revenue received by NPSL	654	913
ICP Koura Operations LP – share of income	252	87
ICP Koura Facilities LP – share of income	30	31
ICP ACE Holdings LP – share of income	1	-
ICP ACE Inshore LP – share of income	1	-
	2,575	2,912
Receivables owing from related parties		
ICP ACE Holdings LP – unpaid quota revenue	252	94
ICP ACE Holdings LP – share of income	1	1
ICP ACE Inshore LP – unpaid quota revenue	397	274
ICP ACE Inshore LP – share of income	1	1
ICP Koura Operations LP – unpaid quota revenue	723	868
ICP Koura Operations LP – share of income	251	296
ICP Koura Facilities LP – share of income	110	81
	1,735	1,615

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

	Actual 2016 NZ$'000	Actual 2015 NZ$'000
H Collier: Agfirst Wairoa Limited	103	102
K Potae: BDO Gisborne Limited	170	161
M Mahuika: Kahui Legal	191	254
	464	517

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, tax and HR services.

Prior to 20 October 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 20 October 2015 directly from Te Runanganui o Ngati Porou, 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 held on 20 October 2015 and appointed to the board on 28 November 2015. Provision of legal services by Kahui Legal directly to Te Runanganui o Ngati Porou and the Group ceased from 20 October 2015 (please note that indirectly Kahui Legal continued to provide services after 20 October 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 2016 NZ$'000	Actual 2015 NZ$'000
Board members		
Remuneration	826	784
Number of Board members	40 head count	41 head count
Leadership Team		
Remuneration	823	775
Full-time equivalent (FTEs) members	4.0 FTEs	4.0 FTEs
Total key management personnel remuneration	**1,649**	**1,559**

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 $0.576 million of trustee fees and $0.25 million of director fees and is detailed as follows:

			Actual 2016 $	Actual 2015 $
Te Runanganui o Ngati Porou – Elected Representatives				
Rohe One:	-	A Pahuru – Huriwai	25	25
	-	R Kohere (Deputy Chair)	30	27
Rohe Two:	-	Dr A Mahuika (until Feb 2015)	-	27
	-	M Mahuika (appointed Nov 2015)	15	-
	-	A Papuni (term ended Nov 2015)	13	25
	-	P Tangaere (appointed Nov 2015)	15	-
Rohe Three:	-	L Tangaere – Baldwin	25	25
	-	H Tawhiwhirangi (appointed Nov 2015)	15	-
	-	N Ihaka (term ended Nov 2015)	13	25
Rohe Four:	-	M Taare (appointed Nov 2015)	15	-
	-	M Warmenhoven (term ended Nov 2015)	13	25
	-	T Warmenhoven	25	25
Rohe Five:	-	S Parata (Chair)	40	33
	-	T Kupenga (appointed Nov 2015)	15	-
	-	B Soutar (term ended Nov 2015)	13	25
Rohe Six:	-	K Pewhairangi	25	25
	-	N Raihania (appointed Nov 2015)	15	-
	-	J Chambers (term ended Nov 2015)	13	25
Rohe Seven:	-	K Blackman (appointed Nov 2015)	15	-
	-	M Tangohau (appointed Nov 2015)	15	-
	-	Dr F Te Momo (term ended Nov 2015)	13	25
	-	J Walker (term ended Nov 2015)	13	25
			381	362
Toitu Ngati Porou Charitable Trust – Trustees				
A Houkamau (Chair)			35	37
B Soutar (Deputy Chair)			24	26
L Baldwin			20	20
A Forrester			20	22
W Gilvray			20	22
R Kohere			20	20
T Porou			20	22
			159	168
Ngati Porou Hauora Charitable Trust – Trustees				
L McCarthy Robinson(Chair until Aug 2015)			11	20
T Wawatai (Chair from Aug 2015)			-	-
J Watson (Deputy Chair)			15	15
K Potae			10	10
J Carr			-	-
			36	45
Total fees to Trustees			**576**	575

	Actual 2016 NZ$'000	Actual 2015 NZ$'000
Ngati Porou Holding Company – Directors		
M Mahuika (Chair)	40	40
T Tibble (Deputy Chair)	35	30
T Wawatai (resigned Nov 2015)	10	-
D Puketapu (appointed Jul 2015)	30	-
W Dewes	25	25
K Kohere-Soutar	30	25
	170	120
Ngati Porou Seafoods Group – Directors		
W Dewes (Chair)	20	20
C Insley	15	15
G Milner	13	15
D Moana (resigned Jul 2015)	-	15
D Puketapu (appointed Jul 2015)	12	-
B Soutar	13	15
	73	80
Pakihiroa Farms Limited – Directors		
S Parata (Chair)	3	4
T Pewhairangi	2	1
M Mahuika (appointed Jul 2015)	1	-
T Tibble (resigned Feb 2016)	-	-
L Rickard	1	1
	7	6
Total director fees	**250**	212
Total Board remuneration	**826**	787

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 as 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 that 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 $0.5 million unsecured overdraft facility, of which $0.276 million remains undrawn (2015: $nil).

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

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%	224	-	-	-	224
Trade and other payables	0.00%	3,365	-	-	-	3,365
Borrowings	3.40%	716	16,599	-	-	17,315
		4,305	16,599	**-**	**-**	**20,904**

2015	**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%	5,892	-	-	-	5,892
Trade and other payables	0.00%	4,369	-	-	-	4,369
Borrowings	6.29%	452	-	11,079	-	11,531
		10,713	-	11,079	-	21,792

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 fixing interest rates where it is feasible. A one hundred point increase in floating interest rates would have resulted in a $0.175 million (2015: $0.174 million) 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	2016 NZ$'000	2015 NZ$'000
Growth assets			
- Developed market equities			
- Artisan Partners Global Funds	USD	8,003	8,587
- Harding Loevner Fund	USD	8,623	8,995
- Emerging market equities			
- Blackrock Investment Management	AUD	5,471	7,250
- Somerset Capital Management	AUD	6,672	7,606
Total growth assets		28,769	32,438
Income assets			
- Van Eck Global	USD	4,871	4,486
- Lazard Asset Management	AUD	2,164	2,595
- Blackrock Multi Opportunity	AUD	12,425	12,727
Total income assets		19,460	19,808
Total foreign currency exposure with regard to investments at fair value		**48,229**	52,246

A 5% movement in currencies would have a $2.0 million impact on the Surplus or deficit and a $2.0 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 $6.1 million in net profit and would have an $6.1 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.

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SECTION J – OTHER NOTE DISCLOSURES

J1 RECONCILIATION TO THE CASHFLOW STATEMENT

	Actual 2016 NZ$'000	Actual 2015 NZ$'000
Cash flows from operating activities		
Net operating profit/(loss)	441	12,312
Non-cash Items:		
Revaluation of carbon credits	(4,400)	(1,085)
Biological asset holding gains	(998)	68
Depreciation and amortisation	586	529
Impairment	-	517
Revaluation of Investments	1,389	(13,020)
	(3,423)	(13,049)
Add movements in Working Capital:		
(Increase)/Decrease in sundry debtors & prepayments	994	(863)
(Increase)/Decrease in inventory	(426)	(3)
(Increase)/Decrease in taxation	75	115
(Increase)/Decrease in GST	255	(584)
(Decrease)/Increase in creditors	(14)	733
(Decrease)/Increase in employee entitlements	140	288
(Decrease)/Increase in revenue in advance	(1,245)	(412)
	(221)	(726)
Net Cash Inflow/(Outflow)	**(3,203)**	(1,405)

J2 COST OF SALES FROM COMMERCIAL OPERATIONS

	Actual 2016 NZ$'000	Actual 2015 NZ$'000
- Gross fishing ACE expense	370	379
- Gross fishing sales expense	1,281	1,470
Total external fishing expense	1,651	1,849
Gross farming livestock expense	1,574	2,301
Forest harvesting costs	471	-
Total commercial trading operations expenses	**3,696**	4,150

J3 OTHER EXPENSES

Other expenditure includes:

	Actual 2016 NZ$'000	Actual 2015 NZ$'000
Vehicle expenses	897	881
Farm costs	854	641
Property, rates, electricity and gas	830	866
Governance	826	765
Fund management fees	821	265
Marae grants	690	1,210
Consulting	657	403
Travel	523	649
Business development and promotional	426	123
Other costs (includes: miscellaneous, projects, programme delivery)	425	352
Telecommunication costs	412	266
Medical and hospital costs	393	291
IT costs	387	521
Office costs, photocopying, postage	328	414
Legal expenses	307	351
Meeting and catering costs	303	220
Contractors	230	406
Accounting and audit fees	223	250
Donations, koha and sponsorship	208	261
Repairs and maintenance costs	175	188
Insurances	154	203
Communications and publications	116	203
Employment related costs	67	204
Bad and doubtful debts	17	95
Impairment of hospital property	-	517
	10,269	10,545

J4 REMUNERATION OF AUDITORS

	Actual 2016 NZ$'000	Actual 2015 NZ$'000
Audit of the financial statements	106	110
Other services	37	-
	143	110

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

Te Runanganui o Ngati Porou Group
30 June 2016

J5 RESERVES

	Actual 2016 NZ$'000	Actual 2015 NZ$'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 $0.282 million 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 million) 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 million) 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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