

# 2013

**RAUKAWA IWI  
DEVELOPMENT LTD**  
ANNUAL REPORT



## OUR VISION

Raukawa Iwi Development Limited's vision is to be an outstanding iwi investment company and a respected leader within the Central North Island economy. RIDL aims to grow wealth and influence for Raukawa through excellent management of its assets in a manner that provides sustainable distributions for its shareholder, now and in the future.



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# OUR OBJECTIVES

## **EXCELLENCE**

To be an excellent commercial manager of the assets of Raukawa.

## **GROWTH**

To grow the assets and cash flows at a pace that allows a reliable distribution to meet the ongoing requirements of its shareholder.

## **INFLUENCE**

To exert Raukawa rangatiratanga by being an investor, especially in industries and assets which contribute to the regional economy.

## **INTEGRITY**

To enhance the mana of Raukawa through commercial and financial success and by upholding the values of Raukawa.

# OUR INVESTMENT APPROACH

## **CONSERVATIVE**

RIDL will take a long-term commercially disciplined approach to its investment decisions and will only invest where it believes it can generate appropriate risk-adjusted returns on capital.

## **COMPATIBLE**

RIDL's primary focus in the long term will be direct investment into areas in which RIDL enjoys a competitive advantage and access through statutory rights, strong relationships or existing capacity. In situations where direct investment opportunities do not exist or when RIDL does not possess the required capacity, it will utilise passive investment.

## **BALANCED**

RIDL will seek a balanced portfolio that generates the necessary cash flow to sustain distributions but also provides for long-term capital growth.





# FROM THE CHAIR

I am pleased to introduce the second annual report for Raukawa Iwi Developments Ltd (RIDL) and my first as chairman.



I would like to pay tribute to the hard work and commitment of inaugural chairwoman Vanessa Eparaima who, while she remains on the board, stood down as RIDL chair to focus on chairing the parent Raukawa Settlement Trust. Vanessa has been the driver behind the establishment of RIDL and ensuring that it meets the tribe's expectations. I also acknowledge the dedication of the RIDL board, which has taken solid steps in building a company that has performed, and will continue to perform, in providing the agreed distribution to support the social, cultural and governance needs of Raukawa.

RIDL is in its second year of operation and continues to take prudent and appropriate measures to establish an intergenerational commercial company. The focus has remained on a conservative approach that protects our assets and investment funds while, at the same time, seeking to generate profits to support essential social, cultural and governance needs of Raukawa, while retaining sufficient earnings to continue to grow the company.

The focus for this financial year has been on refining our investment and cash management while considering, and preparing the company for, direct investments in a number of areas including dairy, forestry and property. We expect to report in greater detail on some of these potential areas of direct investment in the coming financial year, however, key outcomes for 2012/2013 have been the restructure of our passive portfolio, while retaining adequate cash management in-house to fund projected investment opportunities over the coming five years.

Transition to this new portfolio structure was undertaken substantially during FY13 but was fully completed post the end of the financial year. An inaugural internal annual review of the investment portfolio was also undertaken.

Overall, RIDL continued the strong showing of last year, achieving solid financial performance with investment returns and capital appreciation reflecting a buoyant investment market, while we maintained careful control on our operating and management costs.

The key Treaty settlement property opportunities will flow to RIDL post-settlement with legislation being enacted which is expected in the coming financial year. In the interim, however, a number of early release properties were

made available and RIDL is now pursuing commercial opportunities on those properties we have considered as viable investment opportunities.

Central North Island Iwi Group Holdings (CNIHL), of which RIDL is a shareholder, has successfully negotiated an opportunity to purchase into the standing trees in the Kaingaroa forest (a stake in Kaingaroa Timberlands) and into the ongoing replant of the CNI forest lands. RIDL representatives have been involved in this process as it has evolved. At year end the detailed proposal was being finalised and will then be subject to iwi review. RIDL will undertake full due diligence of any proposal but at a conceptual level is committed to participating as an active downstream investor in this forestry asset along with other CNI iwi.

Other than some limited property ownership, RIDL's investments through the year have substantially comprised cash investments with banks and a series of managed funds positions invested into fixed interest and equity holdings. The bulk of income has come from interest and dividends from these investments, though there was also a dividend payment of \$1.75m from CNIHL, reflecting RIDL's share of annual rentals for the Kaingaroa forest lands.

While interest rates have continued at low levels, depressing returns for cash holders, equity markets performed strongly and overall RIDL enjoyed good returns from its portfolio, generating operating income on total assets of around 6.5%. As is the way of equity markets, the strong performance of FY13 has offset relatively poor performance up until around the beginning of calendar 2012.

As a result RIDL was proud to distribute a total of approximately \$2.1 million in dividends and donations to Raukawa Charitable Trust and Raukawa Settlement Trust to support tribal projects and strong tribal governance.

I would like to acknowledge the work of my fellow directors Vanessa Eparaima, Chris Mackenzie and John Edmonds who were returned onto RIDL this year after being re-elected in March 2013. I would also like to welcome new director Jon Stokes. Jon replaced Andrew Paul.

I would also like to thank contracted General Manager Andrew Harrison from Koau Capital Partners Ltd for his efforts.

Andrew and his team continue to provide for the management needs of RIDL and in doing so provide excellent service.

RIDL has taken confident, firm steps in the development of a company to meet the rigours and demands of a vibrant iwi – Raukawa. The company is generating good returns, while protecting and nurturing assets that will sustain this and future generations of Raukawa members.

The company will continue to be guided by principles that acknowledge the nature of our shareholding. Decisions must be made in a way that is mindful of the obligations and expectations we have to our ultimate shareholders, the many thousands of Raukawa iwi members.

RIDL makes no apologies for taking a cautious and careful, long-term approach to its investment opportunities and decisions. We must ensure that we invest wisely for the benefit of today's generation and future ones.

Raukawa will remain alert to the good and bad examples of commercial management in the marketplace, as well as the progress of other iwi who are travelling this journey.

We are committed to growing a company that continues to provide significant value to the people of Raukawa and which will flourish as one for all Raukawa to be proud of.

  
**John Spencer**  
Chairperson

RIDL WAS  
PROUD TO  
DISTRIBUTE  
A TOTAL OF  
JUST OVER  
\$2.1 MILLION IN  
DIVIDENDS AND  
DONATIONS





# OUR STRUCTURE

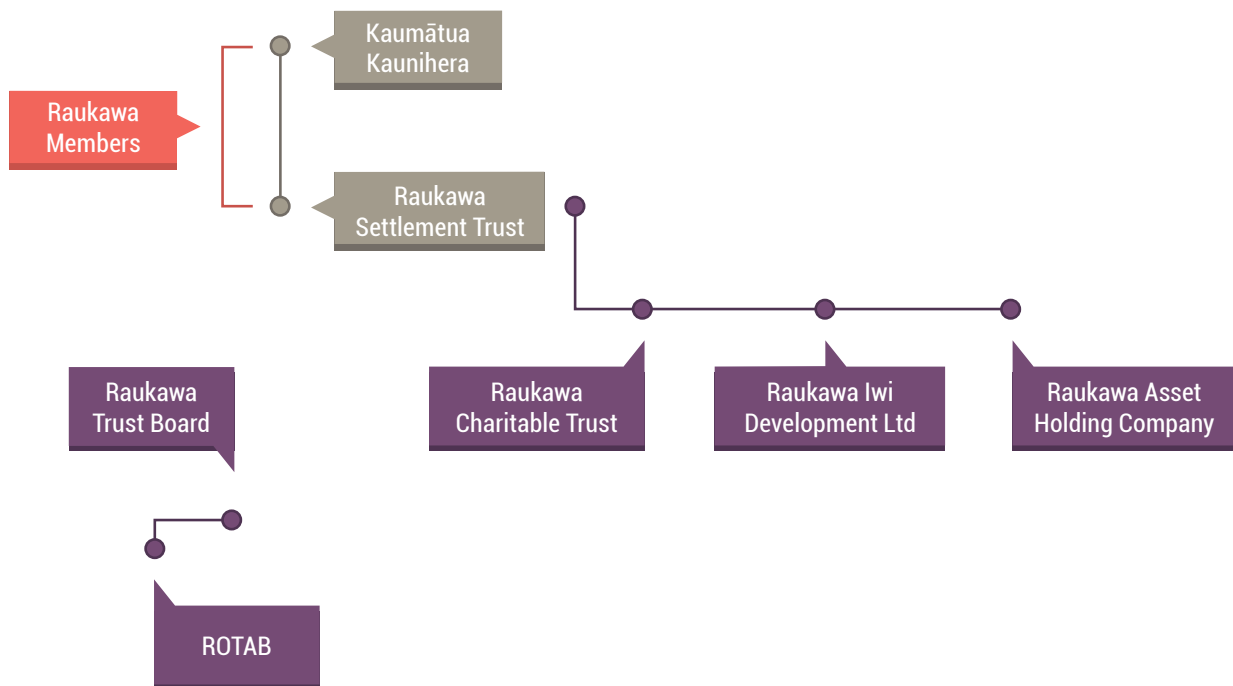
The ultimate shareholders of Raukawa Iwi Development Limited (RIDL) are the Raukawa descendants, who affiliate to 16 marae in the Central North Island. They elect representatives to serve on the Raukawa Settlement Trust (RST) who in turn appoint directors to RIDL as well as appointing trustees to govern the Raukawa Charitable Trust.

RIDL is a separate legal entity that operates under the Companies Act 1993 with a board that is responsible and accountable for the company's performance. RST has a strategic overview of the tribe's social, cultural and economic objectives. RST trustees and RIDL directors have worked closely together to agree on the constitution for RIDL, its investment strategy and future distribution of profits to RST. RIDL provides regular reports to RST and RST approves any major RIDL transactions.

Raukawa Iwi Development Limited is responsible for managing all commercial assets of Raukawa except for fisheries assets, including but not limited to:

- » Ensuring appropriate governance processes are in place to protect Raukawa assets for future generations;
- » Develop and review RIDL strategic direction and strategic investment policies

- » Management of treaty settlement commercial assets received
- » Generating, analysing, executing and managing new commercial investment opportunities aligned with RST's investment strategy
- » Management of cash flow, treasury functions, and the balance sheet of RIDL and ensure agreed distributions to RST are met
- » Overseeing the portfolio of investments including management and monitoring of investment performance
- » Communicating with RST and directly with Iwi members as appropriate on RIDL matters
- » Ensuring compliance with applicable New Zealand laws, Trust Deed and RIDL constitution and appropriate internal risk management practices







# YEAR IN REVIEW

RIDL was able to make substantial and successful progress in all these areas through the year and over the last two years has created a systematic operation that is now ready to being investigating and potentially undertaking direct investment in line with its investment strategy.

## OVERVIEW

The priorities for the year ended 30 June 2013 were to:

- » Continue the prudent management of RIDL's existing financial resources including reviewing the appropriateness of its existing investment portfolio
- » Begin the assessment of Treaty related property opportunities
- » Assess the forestry investment opportunity via CNI Iwi Holdings
- » Continue to establish robust RIDL corporate and support structures

## INVESTMENT MANAGEMENT

RIDL began the year managing significant funds in cash as well as in a range of investment funds. It received a further capitalisation of just under \$30million at the start of the year from RST which was also directed into financial investments including cash.

RIDL had completed its investment strategy development at the end of FY12 and with the further funds and the overall size of the portfolio an independent review was undertaken of the structure of RIDL's investment portfolio to ensure alignment with this strategy including obligations to shareholders and likely short and medium term capital needs for various foreseeable investment opportunities.

This resulted in a restructure of the passive portfolio, while retaining adequate cash management in house to fund projected investment opportunities over the coming five years. Transition to this new portfolio structure was undertaken substantially during FY13 but was fully completed post the end of the financial year. An inaugural internal annual review of the investment portfolio was also undertaken.

Overall, RIDL enjoyed strong financial performance this year with a total return before donations and dividends of 8.9%, reflecting a buoyant investment market and costs being carefully controlled.

## CROWN PROPERTY OPPORTUNITIES

The key Treaty settlement property opportunities will flow to RIDL post-settlement legislation being enacted. In the interim however a number of early release properties were made available and RIDL is now pursuing commercial opportunities on the properties identified as viable. It elected not to purchase properties that independent review and assessment concluded did not have viable or realistic commercial development potential.

## ASSESS THE CNI REPLANT OPPORTUNITY

CNI Iwi Holdings Ltd established a subsidiary, CNI Land Management Ltd, to undertake its commercial activities. An early success of this approach has been the negotiation of an opportunity to purchase into the standing trees in the Kaingaroa forest and into the ongoing replant (a stake in Kaingaroa Timberlands). RIDL representatives have been involved in this process as it has evolved. At year end the detailed proposal was being finalised and will then be subject to iwi review. RIDL will undertake full due diligence of any proposal but at a conceptual level is committed to participating as an active downstream investor in this forestry asset along with other CNI iwi.

## CONTINUE TO ESTABLISH ROBUST RIDL STRUCTURES

John Spencer, who became an independent director last year, took over as independent chair this year, allowing Vanessa Epaïrama to focus on her work as chair of RST. Vanessa along with Chris McKenzie and John Edmonds were returned as directors at RST elections this year, with Jon Stokes, as a new trustee Replacing Andrew Paul who did not return onto RST this year.

RIDL continued to utilise formal outsourced advisory support for its operations to ensure high quality services while managing cost. These operations have run smoothly through the year and over the last two years RIDL has largely created and embedded successful corporate structures.

## FINANCIAL PERFORMANCE

The table below summarises RIDL's financial performance year ended 30 June 2013.

	2013	2012
Income	\$6,525,851	\$4,093,813
Less Expenses	\$836,809	\$511,326
<b>Operating Profit</b>	<b>\$5,689,042</b>	\$3,581,487
Donations, Finance Expenses and Revaluation of Investment Property	\$1,687,660	(\$610,269)
<b>Profit before Income Tax</b>	<b>\$4,001,382</b>	\$2,971,489
Taxation Expense	\$683,523	\$491,512
<b>Profit</b>	<b>\$3,317,859</b>	\$2,479,977
Change in fair value of investments	\$2,792,212	(\$463,523)
<b>Total Comprehensive Income</b>	<b>\$6,110,071</b>	\$2,016,452

Other than some limited commercial property ownership, RIDL's investments through the year have comprised substantially:

- » Cash investments with banks
- » A series of managed funds positions generally covering fixed interest and equity holdings.
- » The shareholding in CHI Iwi Holdings Limited

CNIHL once again paid a significant dividend (\$1.76m), reflecting RIDL's share of annual rentals for the Kaingaroa forest.

Beyond this the overwhelming bulk of income to RIDL has come from interest on deposits and dividends from these investments.

While interest rates have remained steady at low levels, depressing returns for cash holders, equity markets performed strongly and overall RIDL enjoyed good returns from its portfolio, generating operating income returns (including CNI dividend) of 6.5% on total assets. As is the way of equity markets, the strong performance of FY13 has offset relatively poor performance up until around the beginning of calendar 2012. Total income was up on budget due to these strong investment returns.

At the same time, operating expenses were almost exactly on budget for the year, delivering a net operating surplus ahead of budget.

Additionally, the value of the funds under management increased by \$2.8m for the year on the back of investment funds returns, which is a strong result and helped to contribute to the strong overall total returns.

RIDL's new portfolio is structured to reflect its short, medium and long term likely investment and hence capital needs. Risk is structured accordingly and while RIDL has enjoyed the strong returns delivered by equity markets over the past twelve months, has moved to a portfolio structure focussed on delivering more dependable returns over the medium term while leaving a portion of capital that will not be required for direct investment opportunities for at least c 10 years, in investments with a higher exposure to more volatile equity markets.

RIDL was proud to distribute a total of approximately \$2.1 million net in dividends and donations to RCT and RST to support tribal projects and strong tribal governance.

While the donations to RCT is shown in expenses in the Statement of Comprehensive Income the dividend is shown in the Statement of Changes in Equity. Hence the total Comprehensive Income for the year before Donations of \$7,673,071 highlights RIDL performance prior to any distributions to RST and RCT.

RIDL has made good progress over the last two years developing corporate and investment structures and systems and is now well positioned to being consideration of direct investment opportunities in line with the investment strategy

## FINANCIAL POSITION

The table below summarises RIDL's financial performance year ended 30 June 2013.

	2013	2012
Current Assets	\$2,301,524	\$3,278,597
Investment and other non-current assets	\$84,486,840	\$47,733,462
<b>RIDL total assets</b>	<b>\$86,788,364</b>	<b>\$51,012,059</b>
Total liabilities	\$1,382,740	\$53,130
<b>RIDL net assets</b>	<b>\$85,405,624</b>	<b>\$50,958,929</b>

At the start of FY13 RIDL was capitalised a further \$30m as a result of funds transferred to RST under the comprehensive treaty settlement with the Crown. This is reflected in the major difference in total assets above.

RIDL's investment assets began the year being held largely between two managers, FNZC and Westpac, who invested the funds directly into equities or via managed funds. This was predicated on a simple split of 50/50 between income (fixed interest) and growth (equity) assets and reflected prudent assumptions at the time in the absence of a formal investment strategy. RIDL has pursued a passive investment policy as prudent while it embeds its corporate structure and culture and builds the capacity to ensure it is ready to undertake and manage direct investments. This policy will continue while RIDL develops direct investment opportunities in line with its investment policy.

This last year, with a formal investment policy having been developed and embedded, it was seen as prudent to undertake an independent review of the existing passive (non-cash) investment portfolio to ensure that the optimal structure was in place to support the investment policy, particularly in the early years while RIDL will be moving from passive to more active and direct investments.

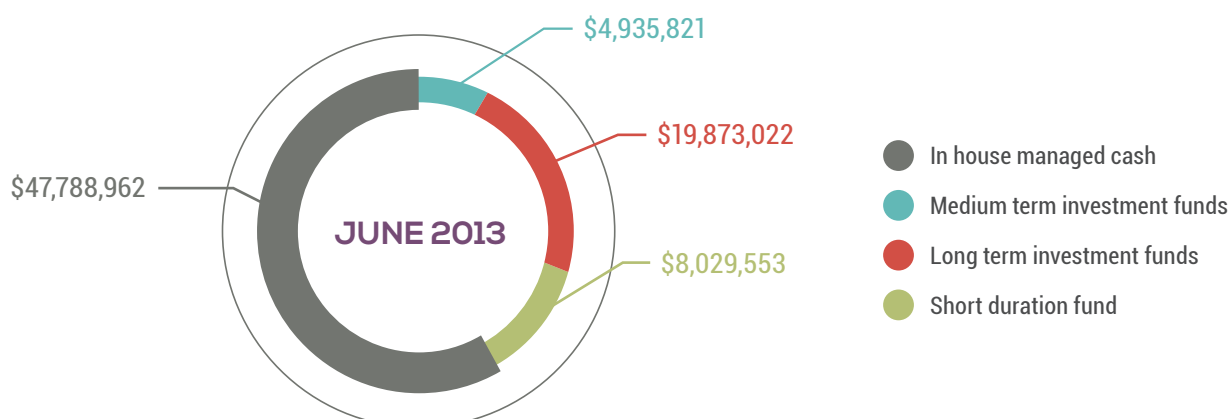
Subsequent to this, the passive investment funds have been restructured to better ensure that funds earmarked for use in the short to medium term are less exposed to risk and volatility than funds that will be used in ten years' plus time.

The new portfolio began being implemented during the year and the position at end June 2013 is shown below. In the two months following balance date the cash holdings (which were temporarily enlarged to facilitate sell down of some investment products and movement into new ones) reduced by a further \$13m with these funds being allocated to the medium term investment fund.

RIDL now has the passive investment portfolio that it will likely hold, subject to regular reviews, for the coming five to ten years; with steady drawdowns to fund RIDL's unique mix of quality direct investment opportunities, as they arise and subject always to careful due diligence.

Equity markets enjoyed a strong run through FY13 which led to an increase of \$2.8m in the value of RIDL reserves This was a very good result in addition to the cash income generated.

## INVESTMENT ALLOCATION - JUNE 2013



## SHAREHOLDER INTERACTIONS & GOVERNANCE

RST and RIDL reviewed RIDL's framework documents the previous year:

- » RIDL constitution
- » SIPO
- » Shareholders Agreement

These three fundamental documents provide RIDL with the agreed parameters with which to operate and ensure that the best interest of its shareholder, being the RST, is upheld. Hence there were no changes made to these documents during the financial year.

The review of the SIPO focused on the development of a clearly understood distribution policy that provides clarity for both RST and RIDL. The agreed distribution policy allows for annual index adjustments and outlines the following distributions:

Financial Year ending	Total Distribution (\$000)
30 June 2013	\$2,150
30 June 2014	\$2,250
30 June 2015	\$2,350
30 June 2016	\$2,475
30 June 2017	\$2,600

RIDL is pleased to confirm that it has committed to a distribution for the year ending 30 June 2014 which is greater than the commitment of \$2.25m it made within the SIPO.

RIDL provided quarterly reports to RST during the financial year updating its performance and activities.

# YEAR AHEAD (2013-2014)

RIDL annually reviews performance against financial and strategic objectives and forms new goals for the coming financial year.

RIDL's objectives for FY14 are detailed below.

Objective	Target achievement
1. Manage RIDL's financial investments in line with the revised strategy as developed via the independent review and as communicated to RST in early 2013	<ul style="list-style-type: none"> <li>» Managing funds in external specialist fund managers</li> <li>» Managing cash in house and using an external cash manager for a reference portfolio</li> </ul>
2. Focus on assessing the two direct investment areas where RIDL has immediate and preferred opportunity and executing any attractive opportunities: Crown properties and CNI	<ul style="list-style-type: none"> <li>» Ensure DSP protocols in place pre legislation enactment</li> <li>» Develop plan and timeline for the review and consideration of the DSP and commercial properties</li> <li>» Undertake due diligence, negotiate and execute acquisition for those properties targeted for 12 months post settlement legislation enacted</li> <li>» See CNIHL establish commercial subsidiary and support investment into KT</li> <li>» Investigate other possible CNI value add opportunities e.g. conversion</li> </ul>
3. Focus on other priority investment target areas in line with the SIPO including dairy and other opportunities with aligned partners where RIDL can leverage partners' skills, experience and access to opportunities	<ul style="list-style-type: none"> <li>» Build networks with other iwi and other quality deal pipelines</li> <li>» Investigate high quality regional or national projects/investments with strong moats and preferred access opportunities</li> </ul>

With the previous two years' preparatory and structuring work, RIDL is now prepared to begin consideration and, subject to meeting financial and due diligence criteria, implementation of appropriate direct investments in line with its investment strategies. The particular areas of focus are outlined below:

#### *CROWN SETTLEMENT PROPERTY*

The treaty settlement provides various mechanisms for RST (RIDL) to acquire designated properties from the Crown. This provides RIDL with a strong access point to some good quality property opportunities. Through FY13 RIDL began this assessment with a focus on commercial and early release properties. It is anticipated that settlement will be enacted early in FY14 and hence opportunities via the DSP and RFR will begin to come on stream.

This will include

RIDL has begun putting significant emphasis on

understanding and beginning to assess the commercial property opportunities under the settlement. There are over 30 properties available for selection to purchase in five tranches based on time limits that commence with settlement legislation being enacted:

- » Justice and further commercial properties, up to two years from settlement
- » Further commercial properties up to three years from settlement
- » Ministry of Education properties, up to five years from settlement

#### *CNI AND FORESTRY*

The shareholding in CNI Iwi Holdings Ltd and Raukawa 14.2125% beneficial entitlement has been transferred to RIDL. The CNI investment not only provides a potentially secure return on the land but also an avenue for forest replant and

other land use investment. CNI is a significant portion of RIDL's portfolio and will be a focus for 2012/13, specifically to monitor performance and to ensure investment avenues via CNIHL are both protected and optimised for RIDL.

CNIHL have been progressing negotiations regarding forestry rights to plant trees on the land as the current trees are logged over the next 30-35 years. A high-level agreement was reached last year to allow CNI iwi to buy into the replant as well as into the existing trees. CNIHL will be pursuing this through a newly established commercial subsidiary. RIDL have indicated support for the high-level deal and await the opportunity to undertake their own detailed assessment of the opportunity alongside other iwi, once the detailed negotiations have been completed by the CNIHL subsidiary. RIDL has been working with CNIHL to ensure this opportunity is structured so that RIDL's right and flexibility to invest is optimised.

#### *OTHER DIRECT INVESTMENT OPPORTUNITIES*

RIDL has an interest in strong local assets and in operating as a long term investor, as is outlined in the investment strategy. As a result of this and the geographic position of the Raukawa rohe, certain direct opportunities will be particularly appropriate for direct investigation including areas such as dairy and agriculture. Additionally, RIDL is focussed on developing relationships with other long-term aligned investors, in particular neighbouring iwi and may devote resources to reviewing co-investment opportunities with such entities.

#### *FINANCIAL INVESTMENTS*

Financial investments will be continually monitored and the investment structure reviewed regularly.

## PLANNED SHAREHOLDER INTERACTIONS

RIDL will continue to work closely with RST and RCT in the transfer of commercial settlement assets as the settlement legislation is implemented. There are no planned reviews and/or planned changes to the core RIDL foundation documents.

RIDL will continue to report to RST on a quarterly basis along with its no surprises policy of immediately updating RST on any material issues.

# FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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# AUDITORS REPORT

As at 30 June 2013



## Independent auditor's report

### To the shareholder of Raukawa Iwi Development Limited

#### Report on the financial statements

We have audited the accompanying financial statements of Raukawa Iwi Development Limited ("the company") on pages 4 to 17. The financial statements comprise the statement of financial position as at 30 June 2013, the statements of comprehensive income and changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

#### *Directors' responsibility for the financial statements*

The directors are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 financial statements are free from material misstatement.

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

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

Other than in our capacity as auditor we have no relationship with, or interests in, the company.

#### *Opinion*

In our opinion the financial statements on pages 4 to 17:

- comply with generally accepted accounting practice in New Zealand;
- give a true and fair view of the financial position of the company as at 30 June 2013 and of its financial performance for the year then ended.

#### Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Raukawa Iwi Development Limited as far as appears from our examination of those records.

A handwritten signature in blue ink, appearing to read 'KPMG'.

24 October 2013  
Hamilton



# STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 30 June 2013

In New Zealand dollars	2013	2012
<b>Income</b>		
CNI Distribution	1,762,858	1,764,036
Dividends Received	1,933,083	605,956
Interest Income	2,551,834	1,487,617
Lease Income	278,076	218,684
Sundry Income	-	16,788
	<b>\$6,525,851</b>	<b>\$4,093,081</b>
<b>Less Expenses</b>		
Accountancy Fees	23,800	6,000
Audit Fees	17,306	20,000
Administration	201,413	115,153
Communications	9,710	18,345
Depreciation	118,265	109,932
Facilities	39,958	4,201
General	926	4,285
Governance	195,617	86,920
Personnel Costs	2,877	1,287
Specialist Advice	214,455	135,508
Travel	12,482	9,692
<b>Total Expenses</b>	<b>\$836,809</b>	<b>\$511,323</b>
<b>Profit Before Donations, Finance Expenses, Revaluation of Investment Property and Income Tax</b>	<b>\$5,689,042</b>	<b>\$3,581,758</b>
Donations - Environment / Reo	790,000	610,000
Donations - RCT / Uri Grants	773,000	-
Finance Expenses	85,590	269
Loss on Revaluation of Investment Property	39,070	-
<b>Profit Before Income Tax</b>	<b>\$4,001,382</b>	<b>\$2,971,489</b>
Taxation Expense for the Year	683,523	491,512
<b>Profit for the Period</b>	<b>\$3,317,859</b>	<b>\$2,479,977</b>
<b>Other Comprehensive Income</b>		
Change in fair value of investments	2,792,212	-463,523
<b>Total Comprehensive Income for the Period</b>	<b>\$6,110,071</b>	<b>\$2,016,454</b>

NOTE: This Statement is to be read in conjunction with the Notes to the Financial Statements, and the auditors' report on page one.

# STATEMENT OF CHANGES IN EQUITY

For the Year ended 30 June 2013

In New Zealand dollars	2013	2012
<b>Retained Earnings</b>		
Opening balance	1,448,355	-140,661
Total Profit for the Period	3,317,859	2,479,977
	<b>\$4,766,214</b>	<b>\$2,339,316</b>
Less Distributions paid	-1,598,025	-890,961
Closing balance	<b>\$3,168,189</b>	<b>\$1,448,355</b>
<b>Reserves</b>		
Opening balance	-597,443	-133,920
Change in fair value of investments	2,792,212	-463,523
Closing Balance	<b>\$2,194,769</b>	<b>-\$597,443</b>
<b>Share Capital</b>		
Opening balance	50,108,018	100
Capital introduced	29,934,648	50,107,918
Closing balance	<b>\$80,042,666</b>	<b>\$50,108,018</b>
<b>TOTAL EQUITY</b>		
<b>Opening balance</b>	<b>50,958,930</b>	<b>-274,481</b>
Total Comprehensive Income for the Period	6,110,071	2,016,454
Capital introduced	29,934,648	50,107,918
	<b>\$87,003,649</b>	<b>\$51,849,891</b>
Less Distributions paid	-1,598,025	-890,961
<b>Closing balance</b>	<b>\$85,405,624</b>	<b>\$50,958,930</b>

NOTE: This Statement is to be read in conjunction with the Notes to the Financial Statements, and the auditors' report on page one.

# STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

In New Zealand dollars	Notes	2013	2012
	Notes		
<b>CURRENT ASSETS</b>			
Cash & Cash Equivalents	4	1,387,828	1,434,081
GST refund due		12,082	33,850
Taxation	5	408,817	418,995
Accounts Receivable		13,515	660
Accrued Interest		473,624	109,691
Prepayments		5,658	-
Inter-company current accounts	10	-	1,281,320
<b>Total Current Assets</b>		<b>\$2,301,524</b>	<b>\$3,278,597</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant & equipment	7	1,089,697	1,207,962
<b>Investments</b>			
Shares		2	102
Managed Fund - Westpac		2,463,389	14,965,820
Managed Fund - First NZ Capital		11,806	20,693,026
Managed Fund - Harbour Asset Management		8,029,553	-
Managed Fund - Milford Asset Management		19,873,022	-
<b>Managed Fund - Schroders</b>		<b>4,935,320</b>	<b>-</b>
Investment Property	8	335,000	374,070
Term Deposits		47,749,051	10,492,482
		<b>\$83,397,143</b>	<b>\$46,525,500</b>
<b>Total Non-Current Assets</b>		<b>84,486,840</b>	<b>47,733,462</b>
<b>TOTAL ASSETS</b>		<b>\$86,788,364</b>	<b>\$51,012,059</b>
<b>CURRENT LIABILITIES</b>			
Inter-company current accounts	10	1,274,718	-
Accounts Payable		93,022	25,047
Accrued Expenses		15,000	28,083
<b>Total Current Liabilities</b>		<b>\$1,382,740</b>	<b>\$53,130</b>
<b>TOTAL LIABILITIES</b>		<b>\$1,382,740</b>	<b>\$53,130</b>
<b>NET ASSETS</b>		<b>\$85,405,624</b>	<b>\$50,958,929</b>
<b>EQUITY</b>			
Share capital		80,042,666	50,108,018
Reserves		2,194,769	-597,443
Retained Earnings		3,168,189	1,448,355
<b>TOTAL EQUITY</b>		<b>\$85,405,624</b>	<b>\$50,958,930</b>

Represented by:

## EQUITY

Share capital	80,042,666	50,108,018
Reserves	2,194,769	-597,443
Retained Earnings	3,168,189	1,448,355
<b>TOTAL EQUITY</b>	<b>\$85,405,624</b>	<b>\$50,958,930</b>

For and on behalf of the Board



**John Spencer**  
Chairman  
24 October 2013



**Vanessa Eparaima**  
Director

# NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013

## 1. STATEMENT OF ACCOUNTING POLICIES

### Reporting Entity

These are the financial statements of Raukawa Iwi Development Limited ('the company').

Raukawa Iwi Development Limited is a company incorporated in New Zealand registered under the Companies Act 1993. Raukawa Iwi Development Limited is engaged in the business of Investment.

The financial statements of Raukawa Iwi Development Limited have been prepared in accordance with the reporting requirements of Section 11 of the Financial Reporting Act 1993.

Raukawa Iwi Development Limited is a subsidiary of Raukawa Settlement Trust Limited. The ultimate parent of the group is Raukawa Settlement Trust.

### Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis, except for investments and investment property which are revalued to fair value. These financial statements of Raukawa Iwi Development Limited have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalent to International Financial Reporting Standards as appropriate for an entity that qualifies and applies differential reporting concessions. For this purpose, the Company has designated itself as profit-orientated.

### Presentation Currency

The information is presented in New Zealand dollars, rounded to the nearest dollar.

### Differential Reporting

Raukawa Iwi Development Limited is a qualifying entity in that it qualifies for Differential Reporting as it is not publicly accountable and it is not large as defined in the framework for differential reporting.

All differential reporting exemptions have been applied, except for the exemptions allowed under NZ IAS 40 Investment Property.

### Changes in Accounting Policies

#### (a) Accounting for Investment Property

The company has changed its accounting policy with respect to the measurement of investment property from the cost model to the revaluation model, with any changes in fair value reflected through the statement of comprehensive income. The company believes that subsequent measurement using the revaluation model provides more relevant information about the financial performance of these assets, assists users to better understand the risks associated with these assets and is consistent with industry practice in relation to these assets.

This change has been applied retrospectively, however there is no material impact on the comparative financial statement balances as the carrying value of these assets reflects fair value at 31 March 2012.

All other accounting policies have been applied on a basis consistent with the previous year.

### Specific Accounting Policies

In the preparation of these financial statements, the specific accounting policies are as follows:

#### (b) Property, Plant & Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Where an item of property, plant or equipment is disposed of, the gain or loss recognised in profit or loss is calculated as the difference between the net sales price and the carrying amount of the asset. Land is not depreciated.

#### (c) Depreciation

Depreciation is charged at the same rate as is allowable by the Income Tax Act 2007 except for buildings which are depreciated over the estimated useful life. Land is not depreciated. Depreciation is charged to the Statement of Comprehensive Income. The following rates have been used:

Buildings	SL 2%
Motor Vehicles	DV 30%
Office Equipment	DV 50%-67%

The residual value, depreciation methods and useful lives of assets is reassessed annually.

#### (d) Impairment

The carrying amounts of the company's assets are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses directly reduce the carrying amount of assets and are recognised in the Statement of Comprehensive Income.

Estimated recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the assets and discounting these items to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses are reversed when there is a change in the estimates used to determine the recoverable amount. Impairment losses are reversed through profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013

## **(e) Goods & Services Tax**

These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are shown inclusive of GST.

## **(f) Taxation**

The income tax expense recognised in the Statement of Comprehensive Income is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior periods.

Raukawa Iwi Development Limited is subject to income tax on net taxable income at the rate of 17.5%. Maori Authority tax status was granted as at 1 July 2010.

## **(g) Investment Property**

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

When the use of a property changes such that it is reclassified as property, plant and equipment, its cost at the date of reclassification become its cost for subsequent accounting.

## **(h) Leased Assets**

Operating leases are those which all the risks and benefits are substantially retained by the lessor. Operating lease payments are expensed in the periods the amounts are payable.

## **(i) Revenue**

Revenue is recognised in the Statement of Comprehensive Income when the significant risks

## **(j) Investment Fair Value Reserve**

The fair value reserve includes the cumulative net change in the fair value of shares classified as available-for-sale investments until the investment is sold.

## **(k) Non-Derivative Financial Instruments**

Non-derivative financial instruments comprise investments in shares and bonds, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the company's contractual rights to the cash flows from the financial assets expire or if the company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Regular way purchases and sales of financial assets are accounted for at trade date, i.e. the date that the company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the company's obligations specified in the contract expire or are discharged or cancelled.

### ***Instruments at fair value through profit and loss***

An instrument is classified as at fair value if it is held for trading or designated as such upon initial recognition. Shares are designated at fair value through profit or loss if the company manages such investments and makes purchase and sale decisions based on their fair value. Shares held for trading are classified as current assets. Upon initial recognition, attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

### ***Available for sale financial assets***

The company's other investments in shares are classified as Available for sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses are recognised directly in equity. When an investment is disposed of, the cumulative gain or loss previously recognised in equity is transferred to profit or loss.

### ***Other***

Subsequent to initial recognition, other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

## **(l) Accounts Receivable**

Receivables are stated at their estimated realisable value and are classified as loans and receivables. Bad debts are written off in the year in which they are identified.

## **(m) Accounts Payable**

Accounts Payable represents liabilities for goods and

# NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013

services provided to the company prior to the end of the financial year which are unpaid. Trade and other payables are stated at cost.

The amounts are unsecured and are usually paid within 30 days of recognition.

## (n) Accrued Revenue

Revenue is recognised as income when received or accrued in respect of the period in which it was earned. Interest revenue has been accrued to balance date.

## (o) Provisions

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

## (p) Employee Benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

## (q) Cash & Cash Equivalents

Cash and cash equivalents include cash on hand, bank balances, deposits held at call with banks, and other short term highly liquid investments with original

maturities of three months or less, and bank overdrafts. The carrying amount of cash and cash equivalents represent fair value. Cash and cash equivalents are classified as loans and receivables or other non-derivative liabilities.

## (r) Credit Risk

Cash and Term Deposits are held with Westpac NZ and BNZ at balance date. Bonds and equity investments are subordinated and unsecured at balance date.

## 2. CONTINGENT LIABILITIES

At balance date there are no known contingent liabilities (2012:Nil).

## 3. CONTINGENT ASSETS

### CNI Forest Assets

As a beneficiary of the CNI Iwi Holdings Trust, Raukawa Iwi Development Limited will be entitled to receive title to specific forests land currently held by the CNI IWI Holdings Trust. The exact land eligible to be transferred will be determined through the Mana Whenua process which is currently underway between the eight Iwi beneficiaries of the CNI Iwi Holdings Trust. Once this due process is completed and there is unanimous agreement by the trustees of the CNI Iwi Holdings Trust, then land may be transferred. Raukawa Iwi Development Limited has the right after 2044 to receive all income directly generated from its forests land and the return of full control of this land to the trust. As Raukawa Iwi Development Limited does not have control or has yet to specifically identify what land will be distributed to the trust, no asset has been recognised in these financial statements.

## 4. CASH AND CASH EQUIVALENTS

In New Zealand dollars	2013	2012
Westpac - Operations	61,922	817,270
Westpac - Online Saver	1,301,309	196,847
Westpac - Security Fund	3,958	131,145
Westpac - Liquidity Fund	6,118	277,279
ASB - Cheque	-	-10
BNZ - On Call Savings	2,033	1,253
Westpac - ND3L Cheque Account	11,768	9,505
Westpac - ND3L Imprest Account	720	792
	<b>\$1,387,828</b>	<b>\$1,434,081</b>

# NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013

## 5. TAXATION

In New Zealand dollars	2013	2012
Profit before taxation	4,001,382	2,971,489
Permanent Differences:		
Less Excluded PIE income	-238,957	-254,481
Add Non-deductible Impairment on Assets	33,605	-
Add Non-deductible Depreciation on Buildings	13,055	13,055
Add Taxable FIF income	96,758	78,578
Total Taxable Income	\$3,905,843	\$2,808,641
Income Tax Expense 17.5%	683,523	491,512
<b>Income Tax Expense on Profit</b>	<b>\$683,523</b>	<b>\$491,512</b>
<b>The Taxation Charge is Represented by</b>		
Current year tax	683,523	491,512
	<b>\$683,523</b>	<b>\$491,512</b>
<b>Tax Payable</b>		
Current year tax	683,523	491,512
Less		
RWT credits	524,388	209,340
Imputation Credits	155,971	126,893
Maori Authority Tax Credits	308,500	313,143
Other Tax Credits	11,767	12,154
Outstanding from prior years	91,714	248,977
<b>Total Tax to be Refunded</b>	<b>-\$408,817</b>	<b>-\$418,995</b>

## 6. MAORI AUTHORITY CREDIT ACCOUNT

At balance date Maori authority credits available were:

<b>Opening Balance</b>	647,920	211,129
Imputation Credits attached to Dividends paid	-338,975	-215,239
Imputation Credits attached to Dividends received	155,971	84,996
Maori Authority Credits Received	308,500	313,143
RWT paid	524,388	253,891
Tax Refunds	-327,925	-
<b>Closing Balance</b>	<b>\$969,879</b>	<b>\$647,920</b>

# NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013

## 7. PROPERTY, PLANT & EQUIPMENT

In New Zealand dollars	2013	2012
<b>Buildings</b>		
At cost	855,000	855,000
Less accumulated depreciation	-22,768	-15,178
	<b>\$832,232</b>	<b>\$839,822</b>
Current year depreciation	<b>\$7,590</b>	\$13,055
<b>Motor Vehicles</b>		
At cost	520,387	520,387
Less accumulated depreciation	-263,385	-153,239
	<b>\$257,002</b>	<b>\$367,148</b>
Current year depreciation	<b>\$110,146</b>	\$95,680
<b>Office Equipment</b>		
At cost	3,368	3,368
Less accumulated depreciation	-2,905	-2,376
	<b>\$463</b>	<b>\$992</b>
Current year depreciation	<b>\$529</b>	\$1,197
<b>Total Property, Plant &amp; Equipment</b>	<b>\$1,089,697</b>	<b>\$1,207,962</b>
<b>Total Depreciation for the year</b>	<b>\$118,265</b>	<b>\$109,932</b>

## 8. INVESTMENT PROPERTIES

### 30-34 Commerce Street, Tokoroa

Opening balance	374,070	374,070
Gain/(Loss) on Revaluation	-39,070	-
	<b>\$335,000</b>	<b>\$374,070</b>

Investment property is a commercial property at 30 - 34 Commerce Street Tokoroa that is leased to a third party. The lease contains an initial non-cancellable period of 10 years. Subsequent renewals are negotiated with the lessee. During the 2012 year this property was transferred from property, plant and equipment to investment property, since the building was no longer used by the Company and as such it was decided that the building would be leased to a third party.

The investment property has been recorded at its fair value at reporting date.

Fair value has been determined by Kendall Russ, a registered valuer of TelferYoung Limited using current market values.

The most recent sales in the area and sales of comparable properties are used to assist in analysing the current market values.

## 9. SHARE CAPITAL

Opening Balance	50,108,018	100
Issue of shares	29,934,648	50,107,918
Closing balance	<b>\$80,042,666</b>	<b>\$50,108,018</b>



# NOTES TO THE FINANCIAL STATEMENTS

As at 30 June 2013

## 10. RELATED PARTY LOANS

In New Zealand dollars	2013	2012
Raukawa Settlement Trust	-1,362,789	187,912
Raukawa Charitable Trust	-	1,043,467
Rotab Investments Limited	88,071	88,071
Raukawa Trust Board	-	-2
New Dawn 3 Limited	-	-38,128
<b>TOTAL</b>	<b>-1,274,718</b>	<b>\$1,281,320</b>

During the year Raukawa Iwi Development Limited:

- Paid allocated costs to Raukawa Charitable Trust of \$76,272. (2012: \$51,040).
- Received property and vehicle lease income from Raukawa Charitable Trust of \$243,076 (2012: \$191,319).
- Paid donations to Raukawa Charitable Trust of \$1,563,000 (2012: \$610,000).

As at 30 June 2013, Raukawa Iwi Development Limited had:

- Accounts payable to Raukawa Charitable Trust of \$9,451 (2012: \$11,415).
- Accounts payable to Raukawa Settlement Trust of \$30,355 (2012: Nil).

These amounts are included in Accounts Payable:

- Accounts receivable from Raukawa Charitable Trust of \$9,422 (2012: Nil).
- This amount is included in Accounts Receivable.

## 11. OPERATING LEASE INCOME

### Leases as Lessor

Non-cancellable operating leases receivable:

Less than one year	169,642	268,461
Two to five years	6,708	103,579
	<b>\$176,350</b>	<b>\$372,040</b>

## 12. CAPITAL COMMITMENTS

There are no capital commitments at balance date.

## 13. CNI INCOME RIGHTS

As part of the CNI Holdings Trust settlement, referred to in Note 3, Raukawa Iwi Development Limited has received the right to receive annual dividends from CNI Iwi Holdings Trust until 2044. The directors estimate the present value of this right to be approximately \$28.506m. This estimate has been derived using a discount rate of 4.5% reflecting the risks associated with the future cashflows and is dependent on the actual value of the future dividends received from CNI Iwi Holdings Trust.

## 14. SUBSEQUENT EVENTS

There are no significant events subsequent to balance date.

# DIRECTORY

Raukawa Iwi Development Limited

26-32 Campbell Street, Tokoroa 3444  
Private Bag 8  
Telephone: 07 885 0260  
Facsimile: 07 885 0261

## DIRECTORS

John Spencer (Chairperson)  
Vanessa Eparaima  
John Edmonds  
Chris McKenzie  
Andrew Paul <sup>1</sup>  
Jon Stokes <sup>2</sup>

## MANAGEMENT

Andrew Harrison – Koau Capital Partners Ltd

## STAFF

Kim Blomfield (Executive Assistant)

## ACCOUNTANTS

**Glenn Hawkins and Associates Ltd**  
1135 Arawa Street, Rotorua

## SOLICITORS

**Kensington Swan Lawyers**

89 The Terrace, Wellington

## **Tompkins Wake Lawyers**

Westpac House, Levels 7 & 8  
430 Victoria Street, Hamilton 3204

## BANKERS

### **Westpac New Zealand Limited**

Westpac House  
Level 6, 430 Victoria Street  
PO Box 9446  
Hamilton

## AUDITORS

### **KPMG**

PO Box 929  
Hamilton, 3240

## SHAREHOLDER

Raukawa Settlement Trust Ltd

<sup>1</sup> Andrew Paul's term as a director ended Feb 2013

<sup>2</sup> Jon Stokes elected as a director Feb 2013





**RAUKAWA IWI DEVELOPMENT LIMITED**

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