
Parties

HER MAJESTY THE QUEEN

in right of New Zealand

and

WAIKATO

DEED TO AMEND
DEED OF SETTLEMENT

December 1997



RTW

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A handwritten signature or set of initials, possibly 'RTM', written in black ink. The signature consists of a large, stylized 'A' shape above the letters 'RTM'.

THIS DEED is made on the day of December 1997

BETWEEN

- (1) **HER MAJESTY THE QUEEN** in right of New Zealand acting by the Prime Minister
- (2) **WAIKATO**

BACKGROUND

- A The Crown and Waikato are parties to a Deed of Settlement dated 22 May 1995 (which is referred to below as the "Deed of Settlement").
- B. The Crown and Waikato wish to amend the Deed of Settlement in the manner described in clause 30 of the Deed of Settlement.

ACCORDINGLY, the Crown and Waikato agree as follows:

1 DEFINITIONS AND INTERPRETATION

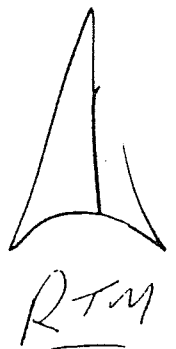
Except as otherwise provided in this Deed or unless the context otherwise requires, terms defined in the Deed of Settlement have the same meanings in this Deed and the rules of interpretation set out in the Deed of Settlement will apply in the interpretation of this Deed.

2 AMENDMENT TO ATTACHMENT 9

The Crown and Waikato agree that the Deed of Settlement be and hereby is amended by deleting Attachment 9 (as substituted by the Deed of Settlement Amendment No. 1 dated 2 November 1995) and substituting a new Attachment 9 in the form which appears in the Appendix to this Deed.

3 MARAMARUA

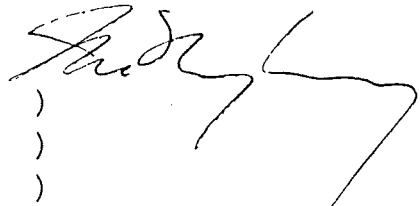
- 3.1 This clause applies to the Settlement Property which is the land comprised in Certificate of Title 49D/656 and is numbered 349 in the first column of Attachment 3 to the Deed of Settlement and is also part of the "Maramarua Land" defined by reference to Attachment 10 to the Deed of Settlement.



3.2 Waikato and the Crown acknowledge that the Settlement Property was included in Attachment 3 and Attachment 10 to the Deed of Settlement in error and, for all purposes of the Deed of Settlement, shall be taken never to have been described in either of those Attachments.

EXECUTED as a deed on December 1997

SIGNED for and on behalf of
HER MAJESTY THE QUEEN in right of New
Zealand by JENNIFER MARY SHIPLEY
Prime Minister of New Zealand
in the presence of:




Witness:

Signature:

Occupation:

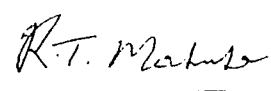
Address:



Minister of Justice

Wellington

SIGNED for and on behalf of
WAIKATO and the Claimants by
ROBERT TE KOTAHI MAHUTA
in the presence of:

)
)
) 
)

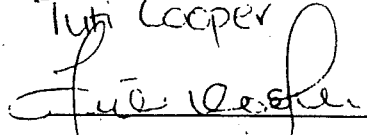
R.T. Mahuta

Witness:

Signature:

Occupation:

Address:

Tyhi Cooper


Personal Assistant

20 George Street
Ngaruawahia

APPENDIX

(Reference: Clause 2)

Amended Attachment 9

ATTACHMENT 9

Relativity Mechanism

1 Interpretation

1.1 In this Attachment, unless the context otherwise requires:

“**Additional Waikato Redress Amount**” means the sum of any payments made pursuant to *paragraph 4* and any other redress provided by the Crown to Waikato expressly in respect of the Waikato Claim in addition to the redress referred to in *clause 4* of the Deed;

“**Claim Redress Amount**” in respect of any Historical Claim (other than those referred to in *paragraph 1.2.1* and *paragraph 1.2.2*) means the greater of:

- (i) the amounts expended by the Crown in respect of the redress provided for the relevant Historical Claim as shown in the Crown’s financial statements for the relevant year, as certified by the Audit Office; and
- (ii) the amount of redress recorded in the deed of settlement or equivalent settlement document for the relevant Historical Claim.

However, the following amounts shall be excluded from the Claim Redress Amount:

- (a) payment of interest at Government Stock or similar commercial rates;
- (b) any redress which is of a nature that a commercial value is not normally attributed to it (for example, a right to participate in the management of publicly owned assets, or a right of first refusal over assets);
- (c) any *ex gratia* payments made by the Crown to non-claimant land owners for property purchased to settle a Historical Claim and all payments made by the Crown to non-claimants by way of compensation for loss of repurchase rights or other rights in respect of property transferred to, or other redress provided to, the claimant or claimants to settle a Historical Claim;
- (d) any expenditure or benefit provided by the Crown to the claimant or claimants by way of gift (including the return of Waahi Tapu) except to the extent that its value exceeds the greater of 5% of the total redress provided to the donee or \$2,000,000 adjusted to reflect any movements in the CPI in the period between the end of the quarter immediately before the date of the gift and 31 December 1994;

RELATIVITY MECHANISM

- (e) any redress provided by the Crown where the redress is returned to the Crown by the claimant or claimants by way of gift;
- (f) any costs incurred by the Crown in the course of the negotiation of, and the effecting of, the settlement of the Historical Claim;
- (g) any amount paid to indemnify claimants against any GST paid by the claimants;
- (h) any loan by the Crown to claimants on commercial arms-length terms;
- (i) any other item of redress which is similar in nature to any redress provided to Waikato which was not included in the Waikato Redress Amount; and
- (j) any Additional Waikato Redress Amount and any additional redress provided to any other claimants under relativity provisions (if any) in the deed of settlement or equivalent settlement document with such claimants which are similar to this Attachment;

“Corporate Tax Rate” means the rate of income tax payable by New Zealand resident companies on their assessable income under New Zealand tax legislation in the relevant year. Where that rate changes during the relevant year, the Corporate Tax Rate will be the average of the rates calculated by reference to the proportion of the year for which each rate applied during that year;

“CPI” means the consumers price index (All Groups) published by Statistics New Zealand (or any successor body or organisation) on a quarterly basis. If such index ceases to be published or the basis of calculation of the index is fundamentally changed so as to make it inappropriate in the circumstances, then “CPI” will mean such index as the Crown and the Land Holding Trustee may agree, or failing such agreement, as may be determined by an independent expert with appropriate qualifications and expertise appointed for the purpose by the Crown and the Land Holding Trustee or, failing agreement between the Crown and the Land Holding Trustee, by the President for the time being of the Institute of Chartered Accountants of New Zealand or its successor;

“Crown Financial Year” means the period of one year ending on 30 June in any calendar year. Thus **“Crown Financial Year T”** means the Crown Financial Year ending on 30 June in calendar year T. Similarly for Crown Financial Years n and k;

“Deed” means the Deed of Settlement between Her Majesty the Queen in right of New Zealand and Waikato dated 22 May 1995;

“Government Stock Rate” for a Crown Financial Year, means the average of the monthly average 5 year Government Bond Yield Rates reported by the Reserve Bank of New Zealand in the Reserve Bank Bulletin for the months of December and January in that Crown Financial Year. If for any reason the Reserve Bank of New Zealand discontinues the reporting of such rates, then the Government Stock Rate will be the nearest possible equivalent, based on yields reported by an independent agency. If there is any dispute between the parties as to the appropriate alternative method of determining the Government Stock Rate, the dispute will be referred for determination to an independent expert with appropriate qualifications and expertise appointed for the purpose by the Crown and the Land Holding Trustee or, failing agreement, by the President for the time being of the Institute of Chartered Accountants of New Zealand, or its successor;

“Historical Claim” means a claim submitted to the Waitangi Tribunal or its successor body or otherwise made against the Crown on the basis of the principles of the Treaty of Waitangi which arises from any act or omission of the Crown that occurred on or before 21 September 1992;

“Present Value”:

- (a) in respect of the Waikato Redress Amount, as at 31 December 1994, will be treated as \$170,000,000;
- (b) in respect of the redress provided for the claims referred to in *paragraph 1.2.1* as at 31 December 1994, will be treated as \$185,318,314; and
- (c) in respect of the Total Redress Amount, for each Crown Financial Year (from 1996 to 2044 inclusive), such Crown Financial Year being referred to as Crown Financial Year T, the following calculations are to be performed to determine the Present Value as at 31 December 1994 of the Total Redress Amount up to and including Crown Financial Year T:
 - (i) first, for each Crown Financial Year from 1996 to T inclusive, each such Crown Financial Year being referred to as n (so that n is from Crown Financial Year 1996 to T inclusive) calculate the Present Value as at 31 December 1994 of the Total Annual Redress Amount for that Crown Financial Year n, according to the following formula:

$$PV(TAR_n) = \left[\frac{TAR_n}{CPI_n / CPI_{1995}} \right] \times \left[\frac{1}{\prod_{k=1995}^{n-1} \{1 + r_k (1 - t_k \times 0.75)\}} \right]$$

and

- (ii) then calculate the Present Value as at 31 December 1994 of the Total Redress Amount up to and including Crown Financial Year T according to the following formula:

$$PV \left(\begin{array}{l} \text{Total Redress Amount} \\ \text{up to and including} \\ \text{Crown Financial Year T} \end{array} \right) = PVC + \sum_{n=1996}^T PV(TAR_n)$$

The symbols used in the above formulas have the following meanings:

$PV()$ = Present Value as at 31 December 1994 of the term in ()

TAR_n = Total Annual Redress Amount in Crown Financial Year n

CPI_n = CPI figure at 31 December in Crown Financial Year n, which ends on 30 June of calendar year n (i.e. the CPI figure as at 31 December in calendar year (n-1)). Similarly for CPI_k , CPI_{k+1} and CPI_{1995}

$$r_k = \left[\frac{(1 + R_k)}{(CPI_{k+1} / CPI_k)} \right] - 1$$

R_k = Government Stock Rate in Crown Financial Year k, which ends on 30 June of calendar year k

t_k = Corporate Tax Rate in calendar year k

\prod = standard mathematical notation for a multiplicative series

\sum = standard mathematical notation for an additive series

PVC = Present Value at 31 December 1994 of claims described in *paragraph 1.2.1* and *paragraph 1.2.2*, being \$185,318,314 plus \$170,000,000, equaling \$355,318,314;

“Real Value”:

- (a) in respect of the Waikato Redress Amount, as at 31 December 1994, will be treated as \$170,000,000;

- (b) in respect of the redress provided for the claims referred to in *paragraph 1.2.1* as at 31 December 1994 will be treated as \$185,318,314;
- (c) in respect of the Total Redress Amount, for any Crown Financial Year (from 1996 to 2044 inclusive) where *paragraph 4* requires the Real Value of the Total Redress Amount to be calculated up to and including such Crown Financial Year, such Crown Financial Year being referred to as Crown Financial Year T, the following calculations are to be performed:
- (i) first, for each Crown Financial Year from 1996 to T inclusive, each such Crown Financial Year being referred to as n (so that n is from Crown Financial Year 1996 to T inclusive), calculate the Real Value as at 31 December 1994 of the Total Annual Redress Amount for that Crown Financial Year n according to the following formula:

$$RV(TAR_n) = \frac{TAR_n}{CPI_n / CPI_{1995}}$$

where:

RV() = real value as at 31 December 1994 of the term in ()

and other terms are as defined above; and

- (ii) then calculate the Real Value as at 31 December 1994 of the Total Redress Amount up to and including Crown Financial Year T according to the following formula:

$$RV \left(\begin{array}{l} \text{Total Redress Amount} \\ \text{up to and including} \\ \text{Crown Financial Year T} \end{array} \right) = PVC + \sum_{n=1996}^T RV(TAR_n)$$

and

- (d) in respect of any Additional Waikato Redress Amounts, for any Crown Financial Year (from 1996 to 2044 inclusive) where *paragraph 4* requires the Real Value of the Additional Waikato Redress Amounts to be calculated up to and including such Crown Financial Year, such Crown Financial Year being referred to as Crown Financial Year T, the following calculations are to be performed:

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- (i) first, for each Crown Financial Year from 1996 to T inclusive, each such Crown Financial Year being referred to as n (so that n is from Crown Financial Year 1996 to T inclusive), calculate the Real Value as at 31 December 1994 of any Additional Waikato Redress Amount in that Crown Financial Year n according to the following formula:

$$RV(AR_n) = \frac{AR_n}{CPI_n / CPI_{1995}}$$

where

AR_n = Additional Waikato Redress Amount deemed to have been provided in Crown Financial Year n

and other terms are as defined above; and

- (ii) then calculate the Real Value as at 31 December 1994 of any Additional Waikato Redress Amounts up to and including Crown Financial Year T according to the following formula:

$$RV \left(\begin{array}{l} \text{Additional Waikato} \\ \text{Redress Amounts} \\ \text{up to and including} \\ \text{Crown Financial Year T} \end{array} \right) = \sum_{n=1996}^T RV(AR_n)$$

“**Receipt Date**” means, in respect of any Additional Waikato Redress Amount or any component of the Total Redress Amount, the date on which it is deemed to be provided under *paragraph 1.2*;

“**Total Annual Redress Amount**” means the sum of the Claim Redress Amounts deemed to be provided within a Crown Financial Year;

“**Total Redress Amount**” means the aggregate of the Total Annual Redress Amounts in respect of Historical Claims, including the Waikato Redress Amount and the \$185,318,314 redress provided in respect of the claims referred to in *paragraph 1.2.1*;

“Waikato Redress Amount” means \$170,000,000.

- 1.2 For the purposes of calculating Real Value or Present Value:
- 1.2.1 the redress provided for the fisheries claims settled by the Deed of Settlement between the Crown and Maaori signed on 23 September 1992, and the redress provided for all other Historical Claims settled between 23 September 1992 and 30 June 1995 will be deemed to have been provided on 31 December 1994;
 - 1.2.2 the Waikato Redress Amount will be deemed to have been provided on 31 December 1994;
 - 1.2.3 any Claim Redress Amounts, other than those referred to in *paragraph 1.2.1* and *paragraph 1.2.2*, will be deemed to have been provided on 31 December in the first Crown Financial Year in which the Crown treats the cost of the redress as having been incurred for the purposes of the Crown's financial statements under generally accepted accounting principles; and
 - 1.2.4 any Additional Waikato Redress Amount paid in accordance with *paragraphs 3 and 4* will be deemed to have been provided on 31 December in the Crown Financial Year T referred to in *paragraphs 2, 3 and 4*.
- 1.3 In assessing whether any expenditure or provision of benefits by the Crown constitutes the provision of redress for an Historical Claim, and should therefore be categorised as a Claim Redress Amount, the following principles shall be applied:
- 1.3.1 the expenditure or benefits will be treated as the provision of redress for an Historical Claim if there is a transfer of value from the Crown to one or more persons who have made an Historical Claim (or a transfer of value from the Crown to another person with the intention and effect of benefiting the person or persons who have made the Historical Claim) in consideration of the settlement of that Historical Claim or contingent upon the settlement of that Historical Claim; and
 - 1.3.2 any expenditure or benefits which can reasonably be regarded as having been provided for the purpose of “good government” and not under Article II of the Treaty of Waitangi will not be treated as the provision of redress for an Historical Claim. The following factors will be taken into account in determining whether expenditure is for the purposes of “good government”:

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- the expenditure or benefits are provided by the Crown to Maaori or to all citizens or generic groups of citizens of New Zealand on a basis which provides for Waikato to claim a fair share (including but not limited to any change or development of Article II rights after 1994 or any change in property rights made by statute or regulation which confer rights on Maaori) and such expenditure or benefits are not for the express purpose of settling an Historical Claim;
- the Crown retains a discretion over the amount and form of the provision of the expenditure or benefits and their continued availability;
- the recipients of the expenditure or benefits are accountable to the Crown for the use or distribution of the amount of the expenditure or benefits; and
- the expenditure or benefits arise from any legislative or regulatory change made in the course of "good government", including those designed to remove or avoid any contemporary breach of the principles of the Treaty of Waitangi, and such expenditure or benefits are not for the express purpose of settling an Historical Claim.

Nothing in this *paragraph 1.3* limits or affects the exclusions referred to in the definition of "Claim Redress Amount" in *paragraph 1.1*.

1.4 All terms defined in *clause 34* of the Deed which are not defined in this Attachment have the same meanings in this Attachment and the rules of interpretation set out in *clause 35* of the Deed apply to this Attachment.

1.5 References to paragraphs are to paragraphs of this Attachment.

2 Calculation

The Crown shall calculate, on or about 30 September in each year from 1996 to 2044 inclusive, the Present Value of the Total Redress Amount for Receipt Dates up to the end of the preceding Crown Financial Year (which is referred to subsequently as Crown Financial Year T) and provide to the Land Holding Trustee a statement setting out such calculation and providing details of the Claim Redress Amounts which comprise the Total Annual Redress Amounts and the identity of the relevant claimants within 20 Business Days of the calculation being made. If the Land Holding Trustee disputes that calculation it must notify the Crown within 40 Business Days after the date on which the statement is provided

to the Land Holding Trustee. If it does not do so it will be deemed to have accepted the calculation.

3 Claim

If, in respect of the calculation in *paragraph 2*, involving Crown Financial Years up to and including Crown Financial Year T, the Land Holding Trustee believes that the Present Value of the Waikato Redress Amount is less than 17% of the Present Value of the Total Redress Amount up to and including Crown Financial Year T, then subject to *paragraph 5*, the Land Holding Trustee on behalf of Waikato may claim further redress from the Crown pursuant to *paragraph 4*. However, the Land Holding Trustee must not make a claim which would involve it disputing the Crown's calculations under *paragraph 2* if it has previously accepted or has been deemed to have accepted that calculation.

4 Further Redress

If the Land Holding Trustee makes a claim pursuant to *paragraph 3*, and the Present Value of the Waikato Redress Amount is less than 17% of the Present Value of the Total Redress Amount up to and including Crown Financial Year T, then the Crown must pay to the Land Holding Trustee (or as otherwise directed by the Land Holding Trustee) such further sum as is necessary to ensure that the sum of the Real Value of the Waikato Redress Amount, and the Real Value of any Additional Waikato Redress Amounts up to and including Crown Financial Year T, is 17% of the Real Value of the Total Redress Amount up to and including Crown Financial Year T. The sum to be paid shall be further adjusted for CPI movements from 31 December in Crown Financial Year T to the end of the quarter immediately before the payment is made.

5 Time Limit on Claims

The Land Holding Trustee may make a claim under *paragraph 3* on more than one occasion, but no claim may be made within 5 years of the 30 September date in *paragraph 2* giving rise to a payment under *paragraph 4*, and no claim may be made after the end of 2044, but nothing in this paragraph shall prevent a claim being made in 2044.

6 Payment

- 6.1 The Crown agrees that, if the Land Holding Trustee makes a claim under *paragraph 3*, the Crown will, within 20 Business Days after the claim is made, provide to the Land Holding Trustee a statement indicating whether any amount is payable under *paragraph 4* and, if so, how much that amount is.
- 6.2 If the statement indicates that any amount is payable to the Land Holding Trustee under *paragraph 4*, the Crown must pay that amount by the date which is the later of

6.2.1 40 Business Days after the date of the statement referred to above; and

6.2.2 if any appropriation is required, as soon as practicable after the appropriation is made,

but in any event not more than 6 months after the date of the statement referred to above.

6.3 If the amount specified in the Crown's statement in *paragraph 6.1* is different from the amount claimed by the Land Holding Trustee or the Land Holding Trustee otherwise disputes the amount payable, the Crown will pay the amount not in dispute as required under *paragraph 6.2* and, if it is finally determined that a further amount is payable, will pay such amount within 10 Business Days after the date on which the determination is made or, if a further appropriation is required, as soon as practicable after the appropriation is made but, in any event, not more than 6 months after the date on which the determination is made. There is no agreement as to whether interest is or is not payable.

7 GST

Any payment under this Attachment will be treated in the same manner for GST as redress under the Deed.

8 Change in Crown Financial Year

If, during the period between the date of this Deed and the end of 2044, the Crown changes its balance date, the parties will make such adjustments to this *Attachment 9* as are required to ensure that the provisions of this *Attachment 9* can be applied practically and in a manner which makes neither party better off nor worse off. If there is any dispute between the parties as to the necessary adjustments, the dispute will be referred for determination to an independent expert with appropriate qualifications and expertise appointed for the purpose by the Crown and the Land Holding Trustee or, failing agreement, by the President for the time being of the Institute of Chartered Accountants of New Zealand, or its successor.

9 Example

The example shown in the Appendix is included in this *Attachment 9* as an agreed illustration of the operation of this *Attachment 9*.

APPENDIX

AGREED EXAMPLE

(Paragraph 9)

1 Introduction

This example illustrates the application of this *Attachment 9*, using an assumed payment stream and other assumed parameters. It is stressed that all parameters are purely illustrative and do not reflect the views of either party about their values. In addition, the calculations do not involve any rounding, although the presentation of calculations involves some suppression of decimal points.

The examples are to cover the first additional redress payment arising under the mechanism, and the second payment five years later. The examples show the calculation of the "Present Value of the Total Redress Amount", the "Real Value of the Total Redress Amount" and the calculation of each of the first two illustrative additional redress payments to the Land Holding Trustee.

2 Assumptions

For the purposes of this example, it is assumed that:

- (a) the Total Annual Redress Amounts (TAR) are as shown in *Table A*;
- (b) CPI values for the commencement of calendar years are as shown in *Table B*;
- (c) the nominal Government Stock Rates for Crown Financial Years (which "centre" on 31 December in a Crown Financial Year and are used to discount back over the following calendar year (see *Figure 1*)), are as shown in *Table B*; and
- (d) the Corporate Tax Rates for calendar years are as shown in *Table B*.

3 Application of Attachment 9

The clauses of interest in this *Attachment 9* are *paragraphs 2, 3, 4 and 5*.

Following *paragraph 2*, the first calculation is performed around 30 September 1996, and this is now discussed.

(a) Calculations Performed Around 30 September 1996 (T = 1996)

Following *paragraph 2*, we seek to determine the Present Value as at 31 December 1994 of the Total Redress Amount up to and including Crown Financial Year

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1995/96 (CFY 96). From paragraph (c) of the definition of "Present Value" in *paragraph 1.1*:

$$PV \left(\begin{array}{c} \text{Total Redress Amount} \\ \text{up to and including} \\ \text{CFY 96} \end{array} \right) = \$355.318\text{m} + PV(\text{TAR}_{96})$$

and

$$PV(\text{TAR}_{96}) = \left[\frac{\text{TAR}_{96}}{\text{CPI}_{1996} / \text{CPI}_{1995}} \right] \times \left[\frac{1}{1 + r_{95}(1 - t_{95} \times 0.75)} \right] \quad [\text{equation (1)}]$$

and

$$r_{95}(1 - t_{95} \times 0.75) = \left[\frac{(1 + R_{95})}{(\text{CPI}_{1996} / \text{CPI}_{1995})} - 1 \right] \times [1 - t_{95} \times 0.75] \quad [\text{equation (2)}]$$

$$= \left[\frac{1.07}{1.02} - 1 \right] \times [1 - 0.33(0.75)]$$

$$= 0.0368872$$

This "real discount rate" is reported in *Table B* for the calendar year 1995.

$$\text{So} \quad PV(\text{TAR}_{96}) = \left[\frac{\$100\text{m}}{1.02} \right] \times \left[\frac{1}{1.0368872} \right]$$

$$= \$94.551\text{m}$$

and so

$$PV \left(\begin{array}{c} \text{Total Redress Amount} \\ \text{up to and including} \\ \text{CFY 96} \end{array} \right) = \$355.318\text{m} + \$94.551\text{m}$$

$$= \$449.869\text{m} \quad [\text{equation (3)}]$$

The last two calculated numbers, \$94.551m and \$449.869m, are each shown in their appropriate column in *Table A*.

At this point reference to *Figure 1* may be useful. The Total Annual Redress Amount in CFY 96, denoted TAR_{96} , is deemed to arise at 31.12.95. Thus, to convert it to its real dollar value at 31.12.94, one uses the CPI index at 31.12.95 (denoted CPI_{1996}) and that at 31.12.94 (denoted CPI_{1995}). This is the first term [·] in equation (1). This real dollar value is then discounted back to 31.12.94 by the "real post tax interest rate" for the 1995 calendar year. To generate this "real post tax interest rate", one uses the nominal interest rate for this calendar year (R_{95} , averaged over a time span of two months but centred on 31.12.94), the corporate tax rate t_{95} over this calendar year, and the CPI index values at the beginning and end of this calendar year (denoted CPI_{1995} and CPI_{1996}). This is reflected in equation (2).

We now turn to *paragraph 3*. "The Present Value of the Waikato Redress Amount" is \$170m. So, following *paragraph 3*, we ask if

$$\$170m < 0.17 \times PV \left(\begin{array}{l} \text{Total Redress Amount} \\ \text{up to and including} \\ \text{CFY 97} \end{array} \right)$$

i.e. is $PV \left(\begin{array}{l} \text{Total Redress Amount} \\ \text{up to and including} \\ \text{CFY 97} \end{array} \right) > \$1,000m?$ [equation (4)]

Referring back to equation (3), we find that this condition is not satisfied. So no claim under *paragraph 3* arises at 30 September 1996. The following year, the calculations will be performed again, as follows:

(b) Calculations Performed Around 30 September 1997 (T=1997)

Following *paragraph 2* again, we now seek to determine the Present Value as at 31 December 1994 of the Total Redress Amount up to and including CFY 97. From paragraph (c) of the definition of "Present Value" in *paragraph 1.1*:

$$PV \left(\begin{array}{l} \text{Total Redress Amount} \\ \text{up to and including} \\ \text{CFY 97} \end{array} \right) = \$355.318m + \$94.551m \text{ (as above)} + PV(TAR_{97})$$

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and

$$\begin{aligned}
 PV(TAR_{97}) &= \left[\frac{TAR_{97}}{CPI_{1997} / CPI_{1995}} \right] \times \left[\frac{1}{1 + r_{95} (1 - t_{95} \times 0.75)} \right] \times \left[\frac{1}{1 + r_{96} (1 - t_{96} \times 0.75)} \right] \\
 &= \left[\frac{\$300m}{1.0404} \right] \left[\frac{1}{1.0368872} \right] \left[\frac{1}{1.0368872} \right] \\
 &= \$268.199m
 \end{aligned}$$

with the "real discount rates" used here being taken from *Table B* for the 2 calendar years separating 31 December 1994 from TAR_{97} , i.e. calendar years 1995 and 1996 (see *Figure 1*). Thus

$$\begin{aligned}
 PV \left(\begin{array}{l} \text{Total Redress Amount} \\ \text{up to and including} \\ \text{CFY 97} \end{array} \right) &= \$355.318m + \$94.551m + \$268.199m \\
 &= \$718.069m
 \end{aligned}$$

and this figure is now shown in the last column of *Table A*.

Following *paragraph 3*, we again refer to equation (4) (except that CFY 96 becomes CFY 97). Again the condition is not satisfied and so no claim under *paragraph 3* arises at 30 September 1997.

(c) Calculations Performed Around 30 September 1998 (T=1998)

In the same way as before, the Present Value calculation is performed around 30 September 1998. As shown in the last column of *Table A*, the result is

$$PV \left(\begin{array}{l} \text{Total Redress Amount} \\ \text{up to and including} \\ \text{CFY 98} \end{array} \right) = \$887.126m$$

Following *paragraph 3*, we again refer to equation (4) (except that CFY 96 becomes CFY 98). Again the condition is not satisfied. So no claim arises around 30 September 1998.

(d) Calculations Performed Around 30 September 1999 (T=1999)

Following the above pattern the result of the Present Value calculation performed around 30 September 1999 is shown in the last column of *Table A*, i.e.:

$$PV \left(\begin{array}{l} \text{Total Redress Amount} \\ \text{up to and including} \\ \text{CFY 99} \end{array} \right) = \$1,007.011\text{m}$$

Following *paragraph 3*, we again refer to equation (4) (except that CFY 96 becomes CFY 99). Now, for the first time, the condition is satisfied. So a claim for further redress can be made in accordance with *paragraph 4*. The prospective payment, deemed to be made on 31 December 1998, will be denoted \$X.

Following *paragraph 4*, we must now calculate the Real Value as at 31 December 1994 of the Total Redress Amount up to and including CFY 99. From *paragraph (c)* of the definition of "Real Value" in *paragraph 1.1* this is

$$\begin{aligned} RV \left(\begin{array}{l} \text{Total Redress Amount} \\ \text{up to and including} \\ \text{CFY 99} \end{array} \right) &= \$355.318\text{m} + \frac{\$100\text{m}}{1.02} + \frac{\$300\text{m}}{1.0404} + \frac{\$200\text{m}}{1.0612} + \frac{\$150\text{m}}{1.0824} \\ &= \$1,068.749\text{m} \end{aligned}$$

As noted above, the prospective payment of an Additional Waikato Redress Amount by the Crown, deemed to be made on 31 December 1998, is designated \$X. Following *paragraph 4*, its Real Value as at 31 December 1994 must be calculated. Following *paragraph (d)* of the definition of Real Value in *paragraph 1.1*, this is

$$\begin{aligned} RV \left(\begin{array}{l} \text{Additional Waikato} \\ \text{Redress Amounts} \\ \text{up to and including} \\ \text{CFY 99} \end{array} \right) &= \frac{\$X}{CPI_{1999} / CPI_{1995}} \\ &= \frac{\$X}{1.0824} \end{aligned}$$

Following *paragraph 4*, this \$X must then be such that the \$170m (the Real Value of the Waikato Redress Amount) plus the real value above of the \$X equals 17% of the \$1,068.749m above. So

$$\$170\text{m} + \frac{\$X}{1.0824} = 0.17 \times \$1,068.749\text{m}$$

Thus \$X = \$12.650m. This payment, deemed to have been made on 31 December 1998, would then be increased to reflect inflation over the period from 31 December 1998 to the end of the quarter immediately before the payment was made. So, if the payment was made on 15 October 1999, the \$X would be increased to reflect inflation from 31 December 1998 to 30 September 1999.

(e) Calculations Performed Around 30 September 2004

Following *paragraph 5*, the next possible claim is 5 years later, i.e. around 30 September 2004 (T=2004). We return then to *paragraph 3*. Since the condition there for a claim was satisfied earlier with T=1999, then it will also be satisfied for T=2004. Thus we can proceed directly to *paragraph 4* and calculate the Additional Waikato Redress Amount, deemed to be paid on 31 December 2003, and designated \$Y. Firstly, we calculate the Real Value as at 31 December 1994 of the Total Redress Amount up to and including CFY 2004. Referring to *paragraph (c)* of the definition of Real Value in *paragraph 1.1* this is

$$\begin{aligned} \text{RV} \left(\begin{array}{l} \text{Total Redress Amount} \\ \text{up to and including} \\ \text{CFY 2004} \end{array} \right) &= \$1,068.749\text{m (as above)} + \frac{\$250\text{m}}{1.1040} + \frac{\$200\text{m}}{1.1261} \\ &\quad + \frac{\$150\text{m}}{1.1486} + \frac{\$100\text{m}}{1.1716} + \frac{\$50\text{m}}{1.1950} \\ &= \$1,730.547\text{m} \end{aligned}$$

Next we determine the Real Value as at 31 December 1994 of any Additional Waikato Redress Amounts up to and including CFY 2004, being the \$12.650m deemed paid earlier and the \$Y deemed to be paid on 31 December 2003. Following *paragraph (d)* of the definition of Real Value in *paragraph 1.1*, this is

$$\text{RV} \left(\begin{array}{l} \text{Additional Waikato} \\ \text{Redress Amounts} \\ \text{up to and including} \\ \text{CFY 2004} \end{array} \right) = \frac{\$12.650\text{m}}{1.0824} + \frac{\$Y}{1.1950}$$

RELATIVITY MECHANISM

Following *paragraph 4*, this \$Y must then be such that the \$170m referred to previously, plus the real value amount in the last equation above, equals 17% of the \$1,730.547m above, i.e.:

$$\$170\text{m} + \frac{\$12.650\text{m}}{1.0824} + \frac{\$Y}{1.1950} = 0.17 \times \$1,730.547\text{m} \quad [\text{equation (5)}]$$

So, \$Y = \$134.454m. This payment, deemed to have been made on 31 December 2003, would then be increased to reflect inflation over the period from 31 December 2003 to the end of the quarter immediately preceding the actual payment date.

Further claims would then arise every 5 years up to 2044, with a claim in 2044 even if it was less than 5 years since its predecessor.

It should finally be noted that, in equation (5), the \$12.650m used is the \$X calculated earlier rather than the actual amount paid (the latter being \$X raised to reflect inflation from the deemed payment date to the end of the quarter preceding the actual payment date). This is because the discounting performed in equation (5) on the \$12.650m presumes payment on 31 December 1998 and this presumption then requires use of the \$12.650m.

RELATIVITY MECHANISM

TABLE A

CFY _(n)	TAR _n \$m	PV (TAR _n) \$m	Present Value as at 31.12.94 of Total Redress Amount \$m
1996	100	94.551	449.869
1997	300	268.199	718.069
1998	200	169.057	887.126
1999	150	119.884	1,007.011
2000	250	188.921	1,195.933
2001	200	142.902	1,338.836
2002	150	101.337	1,440.173
2003	100	63.877	1,504.050
2004	50	30.198	1,534.249
2005	100	57.106	1,591.355
2006	50	26.997	1,618.352

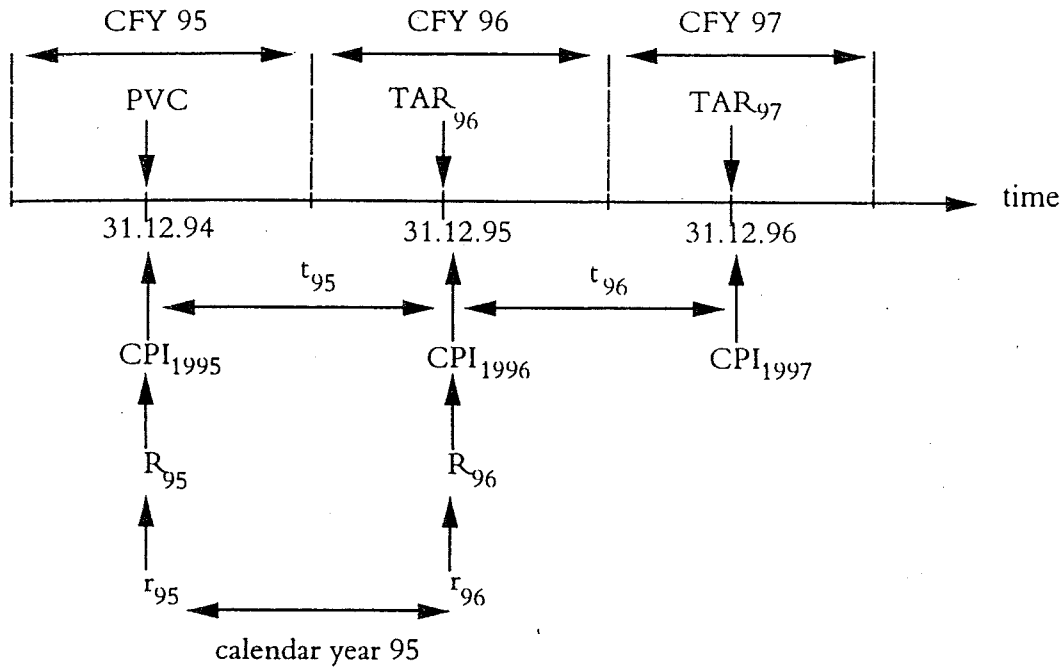
RELATIVITY MECHANISM

TABLE B

Calendar Year (k)	R_k	t_k	CPI (beginning of calendar year k)	$r_k (1 - t_k \times 0.75)$
1995	.07	.33	1000	.0368872
1996	.07	.33	1020	.0368872
1997	.07	.33	1040.4	.0368872
1998	.07	.33	1061.208	.0368872
1999	.07	.33	1082.4322	.0368872
2000	.07	.33	1104.0808	.0368872
2001	.07	.33	1126.1624	.0368872
2002	.07	.33	1148.6857	.0368872
2003	.07	.33	1171.6594	.0368872
2004	.07	.33	1195.0926	.0368872
2005	.07	.33	1218.9944	.0368872
2006			1243.3743	

FIGURE 1

TIME SPAN OR POINT IN TIME FOR VARIOUS PHENOMENA



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