

Morikaunui Incorporation

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Annual Report and Financial Statements

For the year ended 30 June 2010

Board:	Hari Benevides (Ms) - Chairman Jimmy Edmonds Ann Waitai William (Bill) Konui Tema Butler Turama Hawira Robert (Bobby) Gray
Secretary:	Harvey Bell
Accountants:	Balance Chartered Accountants Ltd
Auditors:	Sewell & Wilson, Whanganui
Bankers:	Bank of New Zealand, Whanganui
Solicitors:	Tripe, Mathews & Feist, Wellington
Registered Office:	16 Bell St, Whanganui
Postal Address:	P O Box 4035, Whanganui

Chairman's Report

Tena koutou nga Rangitira

The Year in Reflection

The 2009-2010 year has been challenging for the Incorporation. We have been impacted by the reduced ewe numbers following the previously reported issues. This limited our ability to maximize lambs numbers and therefore the station revenue. We were further impacted by another year of reduced rainfall, a phenomenon we may have to adapt to as a result of climate change.

In December we appointed our new Manager Stephen Kelleher who had previously managed Ngamatea Station. His experience on one of New Zealand's largest sheep Stations has already brought evidence of benefits to Morikau. He took control and recovered some ground by increasing lamb finishing weights thus generating very good per head returns, with some over \$100 per head, probably the highest in the station's history.

Organisational Review

In June the staffing model was restructured. Jo Aupouri was appointed as the Assistant Manager. We now have a well balanced and structured team equipped to deal with the complexities of modern farming. Together they lead with experience and by example.

Ongoing Development

The past five years has seen the Station brought up to scratch with repairs and some new infrastructure (the new woolshed, managers house, fencing and water reticulation, to identify just a few). Over the last six months our focus has been on repairing fences and building track abutments to repair the damage done by heavy rain events. They will also improve stock flow and safety.

The Committee of Management is determined to maintain development on Morikau. Further sub-division of the large paddocks, which range from 200 to 400 acres, is essential if we are to improve pasture control and maximize opportunities for increasing stocking rates and lamb finishing. This will require further expenditure, not only for the

fencing, but also for water reticulation. We are committed to continuing with this work as finances permit.

Financial Performance

The financial performance of the Incorporation has been affected by a number of issues including the already mentioned reduction in breeding stock numbers in a season where the purchase cost of replacement stock was too high to be economic. We are therefore having to rebuild our ewe and cow numbers by natural increase but will supplement numbers if and when stock is available at economically viable prices.

The Committee of Management will be conducting a review of all aspects of the management of the Incorporation early in the New Year.

Our accountant will present the financial report to the meeting.

A Proud History

February 2011 will mark 100 years of continuous farming of our lands. Farming commenced on the Morikau blocks in August 1910 under the management of Gregor MacGregor with the addition of the Ngarakauwhakarara block in February 1911. We hope that you will all join us at Morikau to celebrate this special and significant occasion next year. We will inform you of the plans early in the New Year.

I pay tribute to my fellow Committee members and to our staff for their hard work and commitment to the Incorporation and its vision. I thank you, the owners of Morikau who have entrusted us with the care of our taonga.

Heoi Nei

Ko te Tiamana

Ko Hari Benevides

Me Te Komiti Whakahaere

For and on behalf of the Committee of Management

MORIKAUNUI INCORPORATION

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AUDIT REPORT

To the Members of Morikaunui Incorporation.

We have audited the financial report on pages 3 - 6 and 8 - 13. The financial report provides information about the past financial performance of the Incorporation and its financial position as at 30 June 2010. This information is stated in accordance with the accounting policies set out on pages 11-13.

Management Committee's Responsibilities

The Management Committee is responsible for the preparation of a financial report which fairly reflects the financial position of the Incorporation at 30 June 2010 and of the results of operations and cash flows for the year ended on that date.

Auditors' Responsibilities

It is our responsibility to express an independent opinion on the financial report presented by the Management Committee and report our opinion to you pursuant to S277 of the Te Ture Whenua Maori Act 1993.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial report. It also includes assessing:

- the significant estimates and judgements made by the Management Committee in the preparation of the financial report; and
- whether the accounting policies are appropriate to the Incorporation's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary. We obtained sufficient evidence to give reasonable assurance that the financial report is free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial report.

Other than as auditors the firm has no relationship with or interests in the Incorporation.

Qualified Opinion

We have obtained all the information and explanations we have required.

A statement of the estimated current market value of assets required by Section 276 (4) (c) of the Te Ture Whenua Maori Act 1993 has not been provided.

In our opinion

- proper accounting records have been kept by the Incorporation so far as appears from our examination of those records: and except for the absence of the disclosure referred to above the financial report on pages 3 - 6 and 8 - 13
- complies with generally accepted accounting practice;
- gives a true and fair view of the financial position of the Incorporation as at 30 June 2010 and the results of its operations and cash flows for the year ended on that date.
- the Share Register and Index of Shareholders required by Section 263 of the Te Ture Whenua Maori Act 1993, has been compiled and correctly kept by the Incorporation.

Our audit was completed on 20 October 2010 and our qualified opinion is expressed as at that date.

Sewell & Wilson Ltd



Chartered Accountants
Wanganui

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Statement of Financial Position
as at 30 June 2010

2009		Note	2010
\$			\$
	Current Assets		
266,682	Accounts Receivable		123,163
3,240	Wool on Hand		5,411
15,573	Income Tax Refund Due		12,223
2,493,320	Livestock		2,939,409
2,778,816	Total Current Assets		3,080,206
	Fixed Assets		
7,932,986	Farms - Land Buildings & Improvements	2	7,895,725
262,732	Plant, Vehicles & Sundry	2	223,077
8,195,718	Total Fixed Assets		8,118,802
1,449,396	Investments		758,812
12,423,929	Total Assets		11,957,820
	Liabilities		
	Current Liabilities		
54,718	Cash at Bank	3,579	
204,492	Accounts Payable	201,326	
139,860	Provision for Dividend	-	
12,500	Provision for Whanganui Trust	12,500	
56,388	GST Due	1,773	
467,958	Total Current Liabilities		219,178
11,955,971	Net Assets		11,738,642

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Statement of Financial Position
for the Year Ended 30 June 2010

2009		2010
\$		\$
	Represented by Equity of:	
6,334,126	Equity at 30 June 2009	6,194,266
139,860	Less Provision for Dividend	-
<u>6,194,266</u>	Equity Available for Distribution Tax Free	<u>6,194,266</u>
	Equity Available Distribution Post 30 June 2008	
5,011,247	Equity at 30 June 2009	5,761,704
(617,516)	Surplus (Deficit) for year	(240,559)
	Revaluation of	
856,415	Livestock	82,647
-	Capital Gain on Sale of Shares	847
630,921	Farm Land & Buildings	-
-	Prior Period Tax Loss Adjustment	(194)
(60,622)	Shares - Revaluation	(14,233)
(37,240)	Reconcile Unclaimed Dividends	(20,336)
<u>5,783,204</u>		<u>5,569,876</u>
	Less Distributions	
9,000	Scholarships	13,000
12,500	Whanganui Trust Distribution	12,500
<u>21,500</u>		<u>25,500</u>
<u>5,761,704</u>	Equity Available for Distribution - Taxable	<u>5,544,376</u>
<u>11,955,971</u>		<u>11,738,642</u>

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Summarised Statement of Financial Performance
for the Year Ended 30 June 2010

2009		2010
\$		\$
	Income was Received from the following sources:	
1,478,456	Farms - Gross Income	889,373
(1,429,952)	Farm Expenses	(1,025,811)
48,504	Net farm Surplus/(Deficit)	(136,438)
631	Rent from Properties	-
126,425	Interest and Dividends	58,396
270,000	Nga Whenua Rahui Grant	-
5,000	Ahuwhenua Prize Money	-
10,106	Other Income	227
412,162		58,623
460,666	Total Income	(77,815)
	Less Expenses:	
180,172	Administration, Governance & Shareholders Meetings	201,182
61,453	Ahuwhenua Expenses	1,448
137,489	Other Administration Costs	153,286
379,114		355,916
\$81,552	Net Surplus/(Deficit) before Non Cash Adjustments	(433,731)
	Less:	
(148,857)	Depreciation	(170,270)
(550,211)	Movement Livestock	363,442
(699,068)		193,172
(617,516)	Net Surplus/(Deficit) before Taxation	(240,559)
	Less:	
-	Provision for Taxation	-
(617,516)	Net Surplus/(Deficit) After Taxation	(240,559)

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SCHEDULE OF INVESTMENTS
AS AT 30 JUNE 2010

2009		2010
\$		\$
384,437	Bank of New Zealand Term Deposits	
270,000	Term Deposit -7.75% due 16/07/2010	300,000
	Term Deposit -7.75% due 19/09/09	-
<hr/>		<hr/>
654,437		300,000
321,871	South Canterbury Finance	
	Term Deposit - 9.4% due 07/08/09	-
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321,871		-
9,130	N Z Wool Services International	
(494)	24,675 Shares	8,636
	Revaluation as at 30/06/10	(740)
<hr/>		<hr/>
8,636		7,896
8,763	Innate Therapeutics Shares	
(8,763)	13,481 Shares	-
	Revaluation as at 30/06/10	1,348
<hr/>		<hr/>
-		1,348
336,000	Direct Property Investments	
33,600	2200 Shares	319,000
(50,600)	Purchase of Shares	-
	Revaluation as at 30/06/10	(13,178)
<hr/>		<hr/>
319,000		305,822
135,189	Ravensdown Fertiliser Co-operative	
-	141,212 Ordinary Shares paid to \$1	141,212
6,023	Shares Allocated	180
	Revaluation as at 30/06/10	-
<hr/>		<hr/>
141,212		141,392
7,888	PGG Wrightson Ltd.	
162	3,538 Ordinary Shares	3,467
(4,583)	Purchase of Shares	-
	Revaluation as at 30/06/10	(1,663)
<hr/>		<hr/>
3,467		1,804
2,978	Wool Equities Ltd	
(2,205)	9,305 \$1 Shares Fully Paid	773
	Revaluation	
	Shares Sold	1620
	Capital Gain on Sale of Shares	(847)
<hr/>		<hr/>
773		-
	Farmlands Co-Operative	
	Opening Balance	-
	Purchase of Shares	550
		<hr/>
		550
<hr/>		<hr/>
1,449,396	Total Investments	758,812
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Morikau Station Financial Performance Analysis
for the year ended 30th June 2010

	2010	2009
	Total	Total
	\$	\$
Gross Profit - Cattle	188,242	366,567
Gross Profit - Sheep	607,444	793,027
Gross Proceeds - Wool	84,948	172,804
Sundry Income	8,739	146,058
	<hr/>	<hr/>
	889,373	1,478,456
	<hr/>	<hr/>
Farm Working Expenses	786,162	932,205
Pasture & Maintenance	127,736	393,875
Administration & Standing Charges	111,913	103,872
	<hr/>	<hr/>
	1,025,811	1,429,952
	<hr/>	<hr/>
Surplus/(Deficit) before non cash adjustments	(\$136,438)	\$48,504
	<hr/>	<hr/>
Depreciation	(168,439)	(146,762)
Livestock Movement	363,442	(550,211)
	<hr/>	<hr/>
Surplus/(Deficit) after non cash adjustments	58,565	(648,469)
	<hr/> <hr/>	<hr/> <hr/>

Morikau Station Statistical Performance Analysis
for the year ended 30th June 2010

	2010	2009
	Total	Total
Net Sale proceeds		
Sheep per Head	\$73	\$77
Cattle per Head	\$775	\$771
Wool per Kilo	\$1.87	\$1.92
Effective Farm Surplus		
Effective Area	2,376 ha	
Gross Farm income per H/a	374	622
Operating Expenses per H/a	432	602
Effective Surplus per H/a	\$25	(\$273)

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**Statement of Cashflow
for the year ended 30th June 2010**

2009		2010
\$		\$
	<u>Cash flows from operating activities</u>	
1,276,207	Gross Receipts from Farm Production	1,016,392
103,366	Interest Received	84,148
610	Dividends Received	269
31,912	Other Income	10,850
413,600	Grants Received	1,740
24,933	Taxation (receipt)	7,811
	<i>Cash was applied to</i>	
(28,867)	Interest Paid	(18,352)
(226,191)	Cost of Goods Sold	(169,939)
(888,437)	Payments to Farm Suppliers	(612,502)
(320,876)	Payments to Employees	(324,373)
(343,271)	Administration & Governance Costs	(363,388)
42,986	Net Cash from/(used in) operating activities	(367,344)
	<u>Cash flows from investing activities</u>	
5,333	Proceeds from sale of property, plant and equipment	20,978
227,422	Proceeds from Investments realised	677,197
	<i>Cash was applied to</i>	
(534,800)	Acquisition of property, plant and equipment	(114,330)
-	Purchase of Investments	(1)
(302,045)	Net cash from/(used in) investing activities	583,844
	<u>Cash flows from financing activities</u>	
	<i>Cash was applied to</i>	
(139,860)	Distribution to Shareholders	(139,860)
(20,000)	Tribal Purposes	(12,500)
(9,000)	Scholarships Paid	(13,000)
(168,860)	Net cash from/(used in) financing activities	(165,360)
(427,919)	Change in Bank Balances	51,140
373,202	Add Opening Bank Balance	(54,717)
(54,717)	Closing Bank Balance	(3,577)

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Reconciliation with Reported Operating Surplus
as at 30 June 2010

	\$	\$
Reported Deficit		(240,559)
Adjustment for Non Operating Items:		
Depreciation	170,270	
Stock Movement	(363,442)	
Dividend Adjustment	(20,336)	
Wool Movement	<u>(2,171)</u>	
		(215,679)
Movement in Working Capital:		
Accounts Receivable	143,519	
Accounts Payable	(3,166)	
GST	(54,615)	
Income Tax	<u>3,156</u>	
		88,894
		<hr/>
Net Cash Used in Operating Activities		<u><u>(367,344)</u></u>

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Tax Reconciliation 2010

\$

Taxable Loss From Financial Performance	(240,559)
Add Back	
PIE Income -	22,307
Donations/Koha	1,550
Add Back	
Depreciation on Development Expenditure	57,315
	<u>(159,387)</u>
Plus Livestock adjustment	
Morikau Station - movement in numbers	(363,442)
Plus Adjustment 2010 Herd Scheme Revaluation	
Sheep	142,499
Cattle	194,079
	<u>(186,251)</u>
Deduct	
Development Expenditure	51,233
Donations	
	<u>(237,484)</u>
Taxable Income/Loss	(237,484)
Loss Carried Forward from 2009	<u>(2,496,642)</u>
Total Losses available for future years	<u>(2,734,126)</u>

MORIKAUNUI INCORPORATION

Notes to the Financial Report
for the year ended 30 June 2010

1. STATEMENT OF ACCOUNTING POLICIESReporting Entity:

Morikaunui Incorporation is a Maori Incorporation incorporated under the Te Ture Whenua Maori Act 1993 and prepares general purpose Financial Statements in accordance with generally accepted accounting practice.

The entity qualifies for differential reporting as it is not publicly accountable and is not large. The entity has taken advantage of all available differential reporting exemptions except for FRS 10 being inclusion of Statement of Cash Flows.

Measurement Base:

Unless otherwise stated the accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis have been followed by the entity.

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies which materially affect the measurement of profit and financial position have been applied.

Accounts Receivable:

Accounts Receivable are recorded at estimated net realisable value.

Investments:

Investments held at Trading Banks are stated at Cost. Shares are valued at Market Values.

Livestock on Hand:

For reporting purposes livestock have been valued using "Herd Scheme" Values.

Fixed Assets:

Fixed assets other than land and buildings are stated at original cost price less accumulated depreciation.

Depreciation

The Committee of Management have decided that tax depreciation rates result in a fair amortization of cost.

Accordingly depreciation has been calculated at either straight line or diminishing value rates allowable under the Income Tax Act 2007.

Freehold Land :

Freehold Farm Land and Buildings have been revalued to 2008 Rateable valuation.

Charges over Assets :

The Bank of New Zealand overdraft facility (limit \$300,000) is secured by the Term Deposit held with the Bank of New Zealand for \$300,000.

Operating Revenue:

Gross operating revenue for the year was \$1,003,834. (2009: \$1,865,731)

Taxation:

Provision has been made for all known taxation liabilities. Taxation losses of \$2,734,126 (2009: \$2,489,670) are available to offset against future income.

Goods and Services Tax:

The financial statements have been prepared on a GST exclusive basis, however, accounts receivable and accounts payable are stated inclusive of GST.

CHANGES IN ACCOUNTING POLICIES

There has been no changes in accounting policy in the year under review:

2. FIXED ASSETS

Fixed Asset	Cost/ Revaluation	Accumulated Depreciation	Book Value 30/6/10	Book Value 30/6/09
Freehold				
Improvements	6,386,878	37,292	6,349,586	6,356,091
Development	597,928	143,476	454,452	460,534
Buildings	1,237,365	145,680	1,091,685	1,116,360
Bridges	260	260	-	-
Plant & Machinery	215,451	133,462	81,989	84,637
Furniture & Fittings	50,338	36,550	13,788	17,841
Motor Vehicles	<u>359,949</u>	<u>232,647</u>	<u>127,302</u>	<u>160,255</u>
	<u>\$8,848,169</u>	<u>\$729,367</u>	<u>\$8,118,802</u>	<u>\$8,195,718</u>

3. RELATED PARTY INFORMATION

Related party matters arise with Whanganui Trust.

All related party transactions have been carried out on commercial terms and conditions and at market rates. No related party debts have been written off or forgiven during the period.

4. DEVELOPMENT EXPENDITURE

The policy is to treat Development Expenditure as Capital which is amortized over a period of 4 to 10 years. An adjustment is made for taxation purposes.

5. CONTINGENT LIABILITY

There are no contingent liabilities. (2009 : Nil)

6. CAPITAL COMMITMENTS

There are no capital commitments. (2009 : Nil)

7. EVENTS SINCE BALANCE DATE

There have been no significant events since balance date.

8. FINANCIAL INSTRUMENTS

- a) Credits Risks – Financial instruments which potentially subject the Incorporation to credit risk principally consist of bank balances, bank deposits, accounts receivable and investments.

The Incorporation does not require collateral from customers.

The maximum credit risk exposure at balance date is the carrying value stated in the Financial Statements.

- b) The Incorporation is not exposed to any concentrations of credit risk.
- c) The carrying amounts of bank balances and deposits, accounts receivable and accounts payable, bank loans and overdraft (secured) and Finance company deposits are equivalent to their fair value. Investments on Company Share are shown at market value. Any variation between carrying and fair value is immaterial.

9. SEGMENT REPORTING

The Incorporation operates in New Zealand in both the livestock farming segment, and the leasing of both farmland and commercial property. The revenues from those segments are identifiable in the Financial Statements.

10. MAORI AUTHORITY TAX CREDIT

The balance at the year end was \$72,250.24. The previous year was \$68,787.06.

Committee of Management Remuneration & Allowances

Members of the Committee of Management were paid the following fees and travel allowances during the financial year ended 30 June 2010.

	Fees	Travel Allowance
Hari Benevides	27,600.00	9,485.07
Ann Waitai	7,650.00	8,346.44
Tema Butler	8,550.00	1,147.62
Bob Gray	7,500.00	4,372.24
William Konui	5,400.00	2,780.70
Jim Edmonds	11,850.00	3,369.70
Turama Hawira	3,900.00	140.74

Notes: