

Morikaunui Incorporation

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Morikaunui Incorporation

DIRECTORY

Committee of Management:

Hari Benevides (Ms) - Chairman

Jimmy Edmonds

William (Bill) Konui

Turama Hawira

Robert (Bobby) Gray

Kataraina Millin

Harvey Bell

Secretary: Harvey Bell

Accountants: Balance Chartered Accountants Ltd
Chartered Accountants, Whanganui

Auditors: Spooner, Hood and Redpath Ltd, Whanganui
[Renamed after a merger with Sewell & Wilson.]
Chartered Accountants, 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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the **Morikaunui Incorporation** will be held at the Memorial Hall, Whanganui on Friday 18th November 2016 commencing at 10:00 am (tea & coffee will be served from 9:30am).

AGENDA

1. Mihimihi
2. Karakia
3. Apologies
4. Minutes of the 2015 AGM
5. Matters arising
6. Chairman's Report
7. Financial Report
8. Appointment of Auditor – There having been no other nomination for the position of auditor and in the absence of a notice in writing advising that they do not wish to be re-appointed, Spooner, Hood & Redpath Ltd (*the firm's new name after merging with Sewell and Wilson*) are automatically re-appointed pursuant to s277 (2) of the Act.
9. Appointment of Share Valuer – Balance Chartered Accountants Ltd have offered themselves for re-election.
“That pursuant to s278 of the Act, Balance Chartered Accountants Ltd be re-appointed as Share Valuer.”
10. Dividend
“That the payment of a dividend of \$3.00 per share from Reserves accumulated prior to 30 June 2004 as recommended by the Committee of Management be approved pursuant to s259 (1c) of the Act.”
11. Kaumatua grant
“That pursuant to s259(1d) of the Act it is hereby authorised that a grant in the sum of \$50 towards travel costs be paid by direct credit to any shareholder or shareholding Trust beneficiary attending this meeting who was born on or before the 18th of November 1956.”
12. Charitable purposes payments
“That pursuant to s259(1d) of the Act it is hereby authorised that a payment of \$12,500 be made to The Whanganui Trust to assist with the delivery of its charitable activities and sums totalling \$8,000 be made on account of Education Scholarships.”
13. The Whanganui Trust
 1. Chairman's Report
 2. Financial Report
 3. Nominations and then a show of hands for a “floor member” (Trustee) to The Whanganui Trust.

Harvey Bell

Secretary

Morikaunui Incorporation

Minutes of the Annual General Meeting held at the Memorial Hall, Whanganui on Thursday 12 November 2015

Nohi Wallace delivered the karakia followed by the mihimihi by Turama Hawira

The chairman thanked Nohi and Turama and welcomed everyone and then introduced the CoM members.

Apologies

Heemi Stevenson, Marie Waldren, Reneti Potaka, Debra Potaka, Luana Symonds, Tauti Potaka, Reo Rata Munro, Hinewai Howard, Peter Waka Taiaroa, Edith Yates, Tapai McLeod, Harete Hipango, Manson Bell, Keria Ponga, Brian Collier, Kay Kauika, Richard Collier, Robert Teki, Ruma Hopa, Trish Bandaloo, Meriana Pari

Resolved:

“That the apologies be accepted.”

Harvey Bell/Agnes Tomlinson Carried

Notification of Any other business items

The chairman asked that any items of other business shareholders wanted to bring up be tabled now.

There were none.

Minutes

Resolved:

“That the Minutes of 14 November 2014 as presented are a true and correct record.”

Olive Hawira/Mariana Waitai Carried

Matters arising

There were none.

Chairman's report

- As we neared the end of the financial year, (20 June to be precise), the station was hit by the same storm that devastated Whanganui.
- With slips and wash-outs, the station was inaccessible, even on horse-back.
- Few fences escaped without damage and therefore were no longer stock-proof (*we have around 180km of fences*).
- The major issue heading into summer is water with silt nearly filling many of our dams.
- The positive is that before the event we had appointed (*to start at the end of July*) a new manager, Hamish Thompson, who has had experience in putting farms back together after the 2004 storm (among many other attributes)
- As a risk management strategy, we now have both an excavator and bull-dozer with three staff able to operate them.
- Also from 1 July we have a 15 year lease on just over 200 hectares on both sides of Morikau Road down to the River Road.
- What this means, coupled with a revised perspective of the station's capabilities from our new management team, is that the up-dated strategic plan we were close to finalising before the storm has required a complete re-think. This revised strategic plan will be reported to owners at next year's AGM.
- Finally, this is the last year of the cash payment of the Kaumatua koha. From next year it will be paid by direct credit to the bank accounts of those eligible to receive it.

Morikaunui Incorporation

Minutes of the Annual General Meeting held at the Memorial Hall, Whanganui on Thursday 12 November 2015

Matters arising from the chairman's report

Questions

- Q. Is the incorporation looking at increasing the grant?
A. No, there are tax issues as well as fairness issues. It is also likely that because it is age related the Grant contravenes the Human Rights Act.

There was discussion about the grant, its characterisation as a "travel grant" and the fact that it doesn't cover the costs of those travelling long distances. The observation was made that those living locally were "in profit" from the grant.

Resolved:

"That the chairman's report be received."

Kay Taylor/Olive Kawana Carried

Financial Report

Glenn Brown from Balance Chartered Accountant presented the financial report.

SUMMARY

	2015	2014
Gross station revenue	1,793,854	1,557,014
Operating costs	<u>1,203,036</u>	<u>1,129,420</u>
Net station income	590,818	427,594
Other Income	81,458	45,129
Other expenses	<u>(319,359)</u>	<u>(288,794)</u>
Surplus before Deprec'n/Int	352,917	183,929
Depreciation	<u>(179,741)</u>	<u>(166,731)</u>
Interest	<u>(8,370)</u>	<u>(11,455)</u>
NETT SURPLUS	164,806	5,742
NETT ASSETS/EQUITY		
Balance as at 30 June	10,995,852	11,161,148

Audit Report

Glenn advised the meeting that the financial report had been qualified because of the June storm and the inability to count the stock. He quoted from the report:

"Basis of Qualified Opinion

There is a reference in Note 10 to the impact of the adverse event which affected the region from 20 June 2015. As a result of the weather event, which was beyond the control of the Incorporation, livestock were unable to be counted and the independent valuation is based on supplied numbers without visual inspection. We were unable to perform sufficient alternative procedures particularly in relation to lambs and cattle, to gain assurance as to the total number and valuation of livestock."

It should be noted that the new manager compiled the numbers from which the year end tallies were derived and he had no vested interest in over-stating the stock numbers.

Resolved:

Morikaunui Incorporation

Minutes of the Annual General Meeting held at the Memorial Hall, Whanganui on Thursday 12 November 2015

“That the financial report be received.”

Puna Williams/William Ranginui Carried

Election of Committee of Management members

J Edmonds and T Hawira retire by rotation and offer themselves for re-election. There being no other nominations J Edmonds and T Hawira are declared duly elected.

Appointment of an Auditor

There being no resignation or notice of an alternative auditor, pursuant to S277 (2) of Te Ture Whenua Maori Act 1993 Sewell & Wilson is automatically reappointed.

Appointment of a Share Valuer

Resolved:

“That pursuant to s278 of Te Ture Whenua Maori Act 1993, Balance Chartered Accountants Ltd be reappointed as Share Valuers.”

Don Robinson/Emma Makatea Carried

Dividend

Discussion

Q. What impact is there from the storm for future dividends.

A. The CoM is confident that the impact is not significant in the bigger picture so no change in dividend policy is envisaged.

Resolved:

“That the payment of a dividend of \$3.00 per share from Reserves prior to 30 June 2004 as recommended by the Committee of Management be approved pursuant to s259 (1c) of the Te Ture Whenua Maori Act 1993.”

James McIlroy/Caroline Komene Carried

Kaumatua travel grant

Resolved:

“That pursuant to s259(1d) of the Act it is hereby authorised that a grant in the sum of \$50 towards travel costs be paid to any shareholder or shareholding Trust beneficiary attending this meeting who was born on or before the 12th of November 1955.”

Puna Williams/Paul Te Ua

Charitable purposes

Resolved:

“That pursuant to s259(1d) of the Act it is hereby authorised that a payment of \$12,500 or 5% of profits (whichever is the higher) be made to The Whanganui Trust to assist with the delivery of its charitable activities and sums totalling up to \$8,000 be made on account of Education Scholarships.”

Oliva Hawira/Agnes Tomlinson Carried

Morikaunui Incorporation

Minutes of the Annual General Meeting held at the Memorial Hall, Whanganui on Thursday 12 November 2015

The incorporation meeting concluded.

The Whanganui Trust

Chairman's Report

- Major focus of support continues to be education
- Achievement levels and qualifications being sought are going from strength to strength
- This bodes well for Uri of shareholders having future leadership roles in business and community organisations
- There was another year of low numbers of non-education applications

Financial Report

The financial report was presented by Glenn Brown.

SUMMARY	2015	2014
Income	97,502	105,664
Admin costs	<u>29,100</u>	<u>25,388</u>
Available from grants	68,402	80,277
Grants	<u>42,014</u>	<u>39,791</u>
SURPLUS	26,388	40,486
GROSS ASSETS	1,749,675	1,687,404
Unclaimed dividends	<u>947,147</u>	<u>911,264</u>
Nett assets/Equity	802,527	776,140

Election of "floor appointed" trustee.

The chairman called for nominations.

The only nomination was for Mariana Waitai, proposed by Olive Kawana and seconded by Puna Williams.

Mariana was declared duly elected. She thanked everyone for their support.

Post-graduate Scholarship recipient Jacob Robinson

Jacob addressed the meeting and thanked the trust for his Undergraduate and then Post-Graduate scholarships. He explained that he is studying earth sciences at Massey University - particular focusing on GIS mapping. Has also been studying volcanology.

Lucky seats

The chairman asked everyone to look for a blue dot under their seats because there were two ham for the two people sitting in the "lucky seats". The winners were Raeone Wirihana and Mona Kiddie.

Morikaunui Incorporation

Chairman's Report

Tēnā koutou Nga Rangatira

Financial report

Since we last reported in 2015 there has been an amendment to the Financial Reporting Act. Unfortunately, the Ministry of Business, Innovation and Employment was incorrectly advised by Te Puni Kōkiri that all Māori Incorporations were “not for profit” entities. An exception from the full rigors of reporting under International Reporting standards was therefore granted to these entities only, in the belief that enterprises such as Morikau could continue reporting as in the past. Morikau unashamedly has never been a “not for profit” entity. As a result of all this, the auditors have not been able to issue an audit report.

There is a legislative “fix” progressing through the Parliament as part of a Māori Purposes Bill, currently but exactly when that completes its stages is unknown. In the meantime, the Māori Land Court has given an unspecified time extension for the filing of compliant (ie audited) Annual Reports.

The audit report will be put onto the website (morikau.com) when it is available.

A full technical explanation of this situation can be found on page 22, inside the back cover page.

The year in review

As we signalled in the last chairman's report, the June 2015 weather-bomb that hit the Whanganui area was going to be costly. We indicated a figure of \$300,000. In the event, we have spent \$194,000 on repairs with another \$110,000 on the acquisition of a digger and a bull-dozer, now deemed essential on the station.

In addition to the lost production from the slips and extra work because so many internal fences were no longer stock-proof, we were hit very badly by facial eczema in the midst of yet another drought on the station. This resulted in quite a few deaths (in spite of which overall deaths are well down on those historically) and early sales at reduced prices of ewes showing signs of the disease. These factors collectively conspired to increase our costs and decrease our gross revenue from what could have been reasonably expected.

The overall trading cash surplus for the year was \$127,714 against which a depreciation charge of \$229,869 was debited giving a \$102,155 loss.

Reduced use of out-of-area contractors

In a management change from the past, the current manager is using the services of locals to a far greater extent. A significant proportion of the shearing is now being done by locals as is all the spot gorse and scrub spraying. Besides the benefit of substantial funds going into the local economy, the reduction in the numbers shorn each day, for example, means that other health issues with the sheep can be dealt with at the time. Keeping the sheep numbers up to nine professional shearers leaves no time for anything but the essentials. The new environment is also less stressful on stock, dogs, not to mention the manager and staff.

Infrastructural development

One of the consequences of last year's weather-bomb was that many of the dams silted up from the slips into the gullies. There was no point in going to the expense of cleaning them out when the same thing is likely to happen again, probably in the not too distant future.

Work has therefore begun on a comprehensive reticulated water system, initially using a number of 33,000 litre tanks into which water is pumped and then gravity fed to troughs. Two of these tanks are located adjacent to the covered yards at the White Hut where they are supplied from the

Morikaunui Incorporation

near 1000 m² roof. [Annual rainfall at the station is around 1600mm. This means these two tanks can be filled around 24 times from the roof!]

While the strategically placed tanks will remain to achieve the gravity feeding of the troughs, the primary storage will be from three or four lined ponds (over time) located well above anywhere a slip can fill. The first seven million litre pond is currently under construction. The cost of a lined pond is around one tenth the cost of a plastic tank per litre of water.

Strategic plan

We mentioned last year that we would outline a strategic plan this year. That will be presented at the AGM as part of the chairman's report after a pictorial look at the station from the manager.

On the strategic plan, suffice to say here that the Committee has approved a 4/5 year development plan put forward by the management team that will lift the stocking capacity on the station from the 2015 level of around 24,000 stock units to around 40,000.

This will be achieved by further sub-division (ie fencing and water reticulation), remote stock handling facilities, extensive annual cropping, in the first instance as part of the pasture renewal programme, and then re-grassing. These measures are designed to more than double the overall feed (in nutritional value terms) available for the livestock on the station, giving the ability to finish all our lambs and cattle.

Kaumatua (attendance) grant

As signalled last year, there will be no cash payment this year. Those attending the meeting (having registered before 10:30am) who have completed the required documentation correctly, will have the funds deposited directly into their bank accounts. Whānau Trust beneficiaries will need to have had a trustee sign the declaration prior to the meeting to make a claim.

Staff and committee members

I want to acknowledge and thank Hamish and Katrina for their work on and commitment to the station along with the dedicated and hard-working staff who I also thank.

On the important administration front at the office, many thanks to Frances and Keri at the front desk and Liz behind the scenes. Also many thanks to our accountant Glenn and more recently Lupton for their dedication and input.

Last but not least thanks to my fellow Committee members. I think we make a pretty awesome team - a sentiment supported by the fact that the three members retiring by rotation this year have been re-elected unopposed as happened last year as well.

Also to our owners, thank you for your support. We are planning another station visit in February. Those who haven't visited, we urge you to consider it. Those who have been before, prepare yourselves to be pleasantly surprised at the developments since your last visit.

There is a registration form on the website (you can access it with any device). You are asked to provide us with an email address and we will inform you (by email) when arrangements have been finalised and what they are.

For those without access to the Internet, please call the office (06 348 7213) no earlier than the 16th of January. There will be a limited number of places due to on-farm transport issues.

Heoi Ano

Hari Benevides (Ms)

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Morikaunui Incorporation

Statement of Financial Performance

For the Year Ended 30 June 2016

	Note	2016 \$	2015 \$
Livestock Trading Revenue			
Gross Surplus from Sheep Trading		1,015,829	849,670
Gross Deficit from Horses Trading		(5,739)	-
Gross Surplus from Beef Cattle Trading		268,955	385,218
Total Gross Surplus from Livestock Trading		1,279,045	1,234,888
Operating Revenue			
Wool Sales		539,475	335,106
Rebates		28,935	34,701
Sundry Farm Income		36,530	22,688
Gross Surplus		604,941	392,495
Total Gross Surplus		1,883,985	1,627,383
Other Income			
Dividends Received		867	688
Interest Received		603	5,688
PIE Income		20,580	19,653
Profit on Sale of Fixed Assets		6,509	106
Total Other Income		28,559	26,136
Gross Surplus after Other Income		1,912,544	1,653,519
Less Expenses			
Farm Working Expenses		610,125	371,835
Pasture Management Expenses		413,697	284,418
Repairs & Maintenance		116,683	95,144
Motor Vehicle Expenses		83,763	46,272
Personnel Expenses		387,597	286,751
Finance Expenses		56,184	8,370
Administration Expenses		155,236	118,615
Incorporation Expenses		326,311	319,359
Non Cash Items	13	(328,901)	(42,052)
Total Expenses		1,820,696	1,488,713
Surplus/(Deficit) before Extraordinary Items		91,848	164,806
Plus Extraordinary Item	2	(194,003)	-
Net (Deficit) / Surplus		(102,155)	164,806

These financial statements are to be read in conjunction with the accompanying notes.

Morikaunui Incorporation

Statement of Financial Position

As at 30 June 2016

	Note	2016 \$	2015 \$
Equity			
Capital	4	260,876	1,879,611
Retained Earnings	5	1,368,383	14,163
Reserves	6	9,562,578	9,102,078
Total Equity		11,191,837	10,995,852
Represented by:			
Current Assets			
BNZ - Current A/c		57,290	5,522
BNZ - Call Account		484	277,934
Accounts Receivable		478,471	26,630
Whanganui Trust Loans		929,946	947,147
Income Tax Receivable	3	60	72
GST Receivable		-	9,517
Other Current Assets	7	43,920	-
Total Current Assets		1,510,171	1,266,823
Non Current Assets			
Property, Plant & Equipment	8	8,158,299	7,321,771
Term Investments	9	507,790	480,471
Livestock on Hand	10	4,162,626	3,151,347
Total Non Current Assets		12,828,715	10,953,589
Total Assets		14,338,887	12,220,413
Current Liabilities			
BNZ - Dividend Account		-	15
Accounts Payable		354,244	101,422
Whanganui Trust - Unclaimed Dividends Due		36,782	36,116
Unclaimed Dividends (Due to Shareholders)		983,929	947,147
Other Loans	11	1,555,000	-
GST Payable		77,235	-
Provision for Dividend		139,860	139,860
Total Liabilities		3,147,050	1,224,560
Net Assets		11,191,837	10,995,852

For and on behalf of the Committee of Management

Hari Benevides (Ms) - Chair

Date: _____

Harvey Bell - Secretary & Committee member

Date: _____

These financial statements are to be read in conjunction with the accompanying notes.

1 Statement of Accounting Policies

Reporting Entity

Morikaunui Incorporation is a Maori Incorporation incorporated under the Te Ture Whenua Maori Act 1993 and is a sheep and beef farm.

Statement of Compliance and Basis of Preparation

The financial statements have been prepared in accordance with A Special Purpose Framework for use by For-Profit Entities (SPFR for FPEs) published by Chartered Accountants Australia & New Zealand (CA ANZ).

The financial statements have been specifically prepared for the purpose of the entity's income tax requirements and for internal use and should not be relied upon for any other purpose.

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 the Statement of Financial Performance and Statement of Financial Position have been applied:

(a) Revenue Recognition

Revenue is recognised when the obligation for payment has been created.

(b) Livestock

Livestock is recorded at Market Value. Herd Values have been used for taxation calculations.

(c) Trade Receivables

Trade Receivables are recorded at estimated net realised value.

Morikaunui Incorporation

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2016

(d) Property, Plant & Equipment and Investment Property

Fixed assets other than land and buildings are stated at original cost price less accumulated depreciation. Depreciation has been calculated at on either a straight line or diminishing value basis at rates allowable under the Income Tax Act 2007.

The following estimated depreciation rates/useful lives have been used:

Freehold Land	0%
Property Improvements	0% - 15% DV
Development Expenditure	10% SL
Forestry	0%
Buildings	0% - 3.6% DV
Development Plans 2016	0% - 25% DV
Bridges	2.5% SL
Plant & Equipment	9.6% - 67% DV
Furniture & Fittings - Station	10% - 30% DV
Furniture & Fittings - Incorporation	10% - 25% DV
Motor Vehicles	10% - 30% DV
Office Equipment	16% - 67% DV

Land

The incorporation's land is designated Maori freehold land and is subject to the selling limitations defined in Te Ture Whenua Act 1993 ("the Act").

Land, buildings and other improvements have been revalued to its Rateable Value dated 01 September 2013.

Development Expenditure

Development Expenditure is capitalised and amortized over a period of 4 to 10 years. An adjustment is made for taxation purposes.

(e) Income Tax

Provision has been made for all known taxation liabilities.

(f) Investments

Investments held at trading banks are stated at cost. Shares are valued at market values.

(g) Financial Instruments

Financial instruments are recognised in the Statement of Financial Position when the company becomes party to a financial contract. They include cash balances, deposits, bank overdraft, payables, receivables and intercompany balances.

All of the financial instruments of the company are initially recorded at cost and subsequently carried at amortised cost using the effective interest method. Due allowance is made for impaired receivables (doubtful debts).

Morikaunui Incorporation

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2016

(h) Provisions

Provisions are recognised when the entity has an obligation which can be reliably measured at balance date as a result of a past event and it is probable that the entity will be required to settle the obligation.

Where the entity expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Financial Performance net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the obligation at balance date. Movements in the best estimate are recorded in the Statement of Financial Performance.

(i) Goods and Services Taxation (GST)

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

(j) Changes in Accounting Policies

The Incorporation transitioned on 1 July 2015 from preparation of general purpose financial information in accordance with NZ generally accepted accounting practice ("NZGAAP") to special purpose financial reporting in accordance with SPFR for FPEs. The transition had minimal impact on the accounting policies of the incorporation

2	Extraordinary Item	2016	2015
		\$	\$
	Extraordinary Expense - Storm Expenses	(194,003)	-
	Total Extraordinary Item	(194,003)	-
3	Income Tax	2016	2015
		\$	\$
	RWT Paid	60	72
	Income Tax (Receivable)	(60)	(72)
4	Capital	2016	2015
		\$	\$
	Issued Shares		
	Opening Balance	1,879,611	1,879,611
	Less Transfer to Retained Earnings	(1,618,735)	-
	Closing Balance	260,876	1,879,611

The above transfer relates to a reassessment of the historical Capital component of the Incorporation's Equity position

Morikaunui Incorporation

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2016

5 Retained Earnings	2016	2015
	\$	\$
Opening Balance	14,163	11,717
Plus:		
Transfer from Capital	1,618,735	
Net Surplus	-	164,806
Less:		
Net Deficit	102,155	-
Scholarships and Whanganui Trust	22,500	22,500
Provision for Dividend	139,860	139,860
	<u>264,515</u>	<u>162,360</u>
Retained Earnings Closing Balance	<u>1,368,383</u>	<u>14,163</u>
6 Reserves	2016	2015
	\$	\$
Land Revaluation Reserve		
Opening Balance	4,881,134	4,881,134
Movements for the period	-	-
Closing Balance	<u>4,881,134</u>	<u>4,881,134</u>
Realised Capital Reserve		
Opening Balance	499,777	499,777
Movements for the period	-	-
Closing Balance	<u>499,777</u>	<u>499,777</u>
Share Revaluation Reserve		
Opening Balance	(23,298)	(80,494)
Movements for the period	7,991	57,197
Closing Balance	<u>(15,307)</u>	<u>(23,298)</u>
Livestock Revaluation Reserve		
Opening Balance	3,744,465	3,969,403
Movements for the period	452,509	(224,938)
Closing Balance	<u>4,196,974</u>	<u>3,744,465</u>
Total Reserves	<u>9,562,578</u>	<u>9,102,078</u>
7 Other Current Assets	2016	2015
	\$	\$
Wool on Hand	43,920	-
Total Other Current Assets	<u>43,920</u>	<u>-</u>

8 Property, Plant & Equipment

	Cost	Depreciation Charged	Accumulated Depreciation	Closing Book Value
	\$	\$	\$	\$
Property, Plant & Equipment 2016				
Freehold Land	5,534,000	-	-	5,534,000
Property Improvements	204,818	4,525	72,468	132,350
Development Expenditure	1,193,711	119,324	699,653	494,058
Forestry	48,535	-	-	48,535
Buildings	960,185	3,820	191,234	768,951
Development Plans 2016	814,313	11,214	11,214	803,099
Bridges	260	-	260	-
Plant & Equipment	271,416	19,087	185,761	85,655
Furniture & Fittings - Station	42,683	1,213	35,848	6,835
Furniture & Fittings - Incorporation	5,736	341	4,314	1,422
Motor Vehicles	463,338	67,616	181,093	282,245
Office Equipment	7,159	695	6,011	1,148
Total Property, Plant & Equipment	9,546,155	227,835	1,387,856	8,158,299

	Cost	Depreciation Charged	Accumulated Depreciation	Closing Book Value
	\$	\$	\$	\$
Property, Plant & Equipment 2015				
Freehold Land	5,534,000	-	-	5,534,000
Property Improvements	204,818	5,056	67,943	136,875
Development Expenditure	1,193,711	113,957	580,329	613,382
Forestry	48,535	-	-	48,535
Buildings	960,185	3,843	187,414	772,771
Bridges	260	-	260	-
Plant & Equipment	237,089	16,391	166,674	70,415
Furniture & Fittings - Station	42,683	1,492	34,635	8,048
Furniture & Fittings - Incorporation	5,736	435	3,973	1,763
Motor Vehicles	286,569	35,407	152,431	134,138
Office Equipment	7,159	558	5,316	1,843
Total Property, Plant & Equipment	8,520,746	177,139	1,198,975	7,321,771

9 Term Investments

	Qty	2016	2015
		\$	\$
Shares			
Ballance Agri-Nutrients Ltd	9,724	75,805	56,527
Farmlands Co-Operative Society Ltd	3,556	3,556	3,506
Innate Immunotherapeutics Ltd	13,481	1,348	1,348
PGG Wrightson Ltd	3,538	1,486	1,627
Property for Industry Ltd	271,080	425,596	417,463
Total Term Investments		507,790	480,471

Morikaunui Incorporation

Notes to and forming part of the Financial Statements (continued)

For the Year Ended 30 June 2016

10 Livestock on Hand	2016	2015
	\$	\$
Sheep on Hand	2,373,556	1,898,625
Horses on Hand	10,000	10,000
Beef on Hand	1,779,070	1,242,722
Total Livestock on Hand	4,162,626	3,151,347

11 Other Loans	2016	2015
	\$	\$
Whanganui Trust Short Term Loan	555,000	-
BNZ Seasonal (CCAF) Loan	1,000,000	-
Total Other Loans	1,555,000	-

12 Retained Earnings Prior to 2004	2016	2015
	\$	\$
Opening Balance	1,239,249	1,379,109
Transfer from Capital	1,618,735	-
Dividends	(139,860)	(139,860)
Total Retained Earnings Prior to 2004	2,718,124	1,239,249

Dividends distributed from Retained Earnings Prior to 2004 are free from Income Tax in the hands of Shareholders

13 Non Cash Items	2016	2015
	\$	\$
Depreciation Expense	229,869	179,847
Change in Livestock Numbers	(558,770)	(221,899)
Total Non Cash Items	(328,901)	(42,052)

14 Maori Authority Tax Credit

The balance of the Maori Authority Tax Credit Account at year end was \$85,150.35 (2015 \$81,611.84)

15 Taxation Losses

Accumulated Taxation losses of \$2,741,731 (2015 \$2,401,631) are available to offset against future income.

16 Emissions Trading Scheme

The Incorporation has entered the NZ Emissions Trading Scheme ("ETS") in respect of 54.6 hectares of pre-1990 forested land. This entitles the Incorporation to receive emission units ("NZU") for carbon stored in the specified area.

The Incorporation has received its entitlement of 3,300 NZU units (i.e. 60 tonnes per ha). The dollar value of these units received has not been recognized in the financial statements.

17 BNZ Credit Facilities

The Incorporation has a BNZ overdraft facility (limit \$300,000) secured over livestock.

As at the 30 June 2016 the Incorporation had arranged a new BNZ term loan to fund the farm development plans. This new facility is secured by way of a general security agreement over the Incorporation's assets excluding land.

18 Related Parties

Morikaunui Incorporation is the settlor of The Whanganui Trust ("the Trust"). Distributions are made to the Trust annually as per the Statement of Movements of Equity. The Incorporation's unclaimed dividends are held in trust by the Trust.

The Incorporation has current liabilities owing to the Trust as stated in the Statement of Financial Position.

All other 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.

19 Capital Commitments

The company has no capital commitments as at 30 June 2016, (2015 Nil).

20 Contingent Liabilities

The company has no contingent liabilities and no guarantees as at 30 June 2016. (2015: In June 2015 the Station suffered significant damage to tracks and fencing infrastructure due to adverse weather. The estimated cost of repairs was \$287,000)

21 Events Occurring After Balance Date

There are no known significant events after balance date.

Morikaunui Incorporation

Supplementary Schedules

For the Year Ended 30 June 2016

Governance, Shareholder meetings & Admin details

	2016	2015	2014
	\$	\$	\$
Accounting Fee - Financial Statements, Consultancy & Shareholder Support	86,860	65,340	65,267
Audit Fee	10,810	8,310	11,455
Consultancy (HR)	7,268	13,320	13,779
Governance *	57,328	62,761	54,538
Governance admin & support	49,948	50,553	51,077
Office Expenses	36,148	35,922	38,930
Shareholder Meetings	37,558	42,152	31,250
Travel Reimbursement	25,391	26,001	22,499
FOMA Special Levy	15,000	15,000	-
	326,311	319,359	288,795

*includes Committee fees

Committee fees and travel for 2016

	Fees	Travel
	\$	\$
Hari Benevides	20,295	9,691
Bob Gray	4,950	2,128
Jim Edmonds	5,940	3,532
K Millin	6,930	517
Turama Hawira	4,620	1,489
William Konui	2,640	1,620
Harvey Bell	-	6,415
	45,375	25,392

Farm Performance Analysis

	2016	2015	2014	2013	2012
Net Sale Proceeds					
Sheep Per Head (Avge)	\$ 82	\$ 81	\$ 78	\$ 64	\$ 103
Cattle Per Head (Avge)	\$ 1,189	\$ 1,273	\$ 980	\$ 864	\$ 826
Wool Per Kilo (Avge)	\$ 4.14	\$ 3.24	\$ 3.05	\$ 2.43	\$ 3.50
Effective Farm Surplus					
Effective Area Ha	2,590	2,376	2,376	2,376	2,376
Gross Farm Revenue Per Ha	978	\$ 758	\$ 727	\$ 631	\$ 979
Farm Operating Expenses Per Ha	683	\$ 506	\$ 475	\$ 462	\$ 447
Net Farm Surplus (after depreciation) per Ha	230	\$ 176	\$ 110	\$ 65	\$ 308
Gross Farm Revenue Per Stock Unit	112	\$ 83	\$ 80	\$ 68	\$ 97

Morikaunui Incorporation

Supplementary Schedules

For the Year Ended 30 June 2016

2016 Livestock Summary

Sheep				Cattle			
		Nos				Nos	
Opening Stock		16,789		Opening Stock		1,362	
Natural Increase		17,536	133%	Natural Increase		474	95%
Purchases		4,964		Purchases		313	
Sales				Sales			
	Per Head				Per Head		
Lambs	\$ 76	(13,292)	\$ 1,154,945	M A Cows	\$ 1,035	(85)	\$ 87,989
Ewes	\$ 87	(4,540)	\$ 303,833	R2 Strs	1,438	(191)	\$ 274,610
				Bulls	\$ 1,903	(3)	\$ 5,709
				R 2 Hfrs	\$ 964	(164)	\$ 158,243
		21,457	\$ 1,458,778			1,706	\$ 526,551
Deaths & Missing		(1,751)	4.5%	Deaths & Missing		(15)	1.0%
						0	
Closing Stock		19,706		Closing Stock		1,691	

More detailed explanation for there being no Audit Report

As indicated in the Chairman's Report, the financial statements contained in this annual report are presented without an audit report (a statutory requirement).

There has been substantial change in financial reporting standards as NZ moves to be more consistent with International Financial Reporting standards (IFRS), especially for listed companies, issuers (entities in which public funds have been invested) and larger entities.

When the Financial Reporting Act (FRA) was reformed recently, legislation drafters were incorrectly advised that all Maori entities were categorised as 'not for profit'. This resulted in Te Ture Whenua Act 1993 being left unchanged with regards to any need for exemptions, regardless of size, from compliance with the full rigors of reporting to GAAP (Generally Accepted Accounting Principle) standards.

Because the definition of GAAP has changed, even a small enterprise such as Morikau would have to report in much more detail. The Committee and accountants do not believe this would provide any benefit to stakeholders but would result in considerable extra accounting and audit fees. Added to this would be the additional printing costs because of the extra pages required for such reporting.

Te Ture Whenua Maori Act is currently undergoing reform. The new Bill (scheduled to have completed its processes through the Parliament by April 2017) does not require Morikau to report to full international standards but rather continue as before.

The Ministry of Business, Innovation and Employment and Te Puni Kōkiri recognise the problem and agree that it should only be 'large' entities (defined as those with annual turnover of more than \$10m) that should be required to report in such detail.

A legislative "fix" is currently in the process of going through the Parliament but there is no indication as to when this might be achieved. To assist, and in anticipation of this eventual fix, the Māori Land Court has given time extension for the filing of compliant (ie audited) Annual Reports.

The Committee of Management has a letter from the auditors that concludes with the following paragraph: "Nothing has come to our attention that leads us to believe that the financial data therein does not fairly, in all material respects, reflect the operations of the Morikaunui Incorporation for the year ended 30 June 2016 and the financial position at that date."