

Morikaunui Incorporation

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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
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 RACECOURSE, Whanganui on Wednesday 7th November 2018 commencing at 10:00 am (tea & coffee will be served from 9:30am).

AGENDA

1. Mihimihi
2. Karakia
3. Apologies
4. Minutes of the 2017 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 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 1st of November 1958.”
12. Charitable purposes payments
“That pursuant to s259(1d) of the Act it is hereby authorised that a payment being the greater of \$12,500 or 5% of reported profit be made to The Whanganui Trust to assist with the delivery of its charitable activities and sums totalling no more than \$10,000 be made on account of Education Scholarships.”

Note: Jimmy Edmonds and Turama Hawira retired by rotation from the Committee and offered themselves for re-election. There being no other nominations, both are declared duly elected.

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 in Whanganui at the Racecourse on Friday the 10th of November, 2017 commencing at 10:00am.

Mihimihi

Turama Hawira delivered the Mihimihi and karakia to commence the meeting.

Apologies

The chairman called for apologies:

Geraldine Hansen, June McKay, Hera Peina, Rakapa Potaka , Marty & Mihi Davis, Dalrine Firmin, Pat Fraser, Tracey Manaia, Jacqueline Larkins, Ann Murray, Angela Norton, Pare Cooper, Dorothy June Taiaroa, Judy Kumeroa, Andrys Underwood, Mavis Mullins, Dana Blackburn, Aria Tauroa, Te Huiakama Borrell, Adrian Te Patu, Keria Ponga, Heemi Stevenson

Mariana Waitai/Te Uru Gardiner - Carried

Minutes

The Minutes of the 2016 AGM had been included in the Annual Report and circulated.

Matters arising

There was a question about the number of stock units. – Around 25,000.

Resolved:

“That the Minutes for the AGM on 18 November 2016 be approved as a true and correct record.”

Margaret Casey/Wainuiarua Hiriti Whanau Trust – Carried

Chairman’s Report

Hari Benevides spoke to her circulated report.

- Not fake news – the weather this year has presented some challenges and inhibited stock performance
- Lined pond scheduled to take over two years to fill naturally is 80% filled *since February*
- The financial result (with gross revenue up but net revenue down - Glenn will report in detail after this) reflects the significant investment in developing and upgrading the productive capacity of the station
- In the reporting year, lamb prices and weights have been disappointing but cattle performance and beef prices were good
- For the coming season lamb prices per kilo are looking very good and beef better than was forecast 6 months ago
- These prices are likely to out-perform projections if the post-election exchange rate stays at current levels (circa US69c)
- The current year is to be one of finishing projects that have been started and then consolidating to realise the productivity gains.

Resolved:

“That the chairman’s report be received.”

Hari Benevides/Agnes Tomblinson - Carried

Financial Report

Glenn Brown spoke to the circulated financial report. He reported that wool revenue was down by over \$300,000.

- Farm income was up \$400k to \$2.28m

- To achieve this, Farm expenses had risen by \$200k
- The Net Farm cash surplus was \$804k
- After depreciation and interest, the overall deficit was \$443
- Total equity had risen by \$1.7m

Resolved:

“That the financial report be received.”

Makarita Smallman/Agnes Tomblinson - Carried

Committee of Management

Hari Benevides and Harvey Bell retired by rotation as required pursuant to the Constitution and both offered themselves for re-election. There being no other nominations, both were duly declared elected..

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 are automatically re-appointed pursuant to s277 (2) of the Act.

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.”

Te Uru Gardiner/ Paetaha Wanihi Whanau Trust - Carried

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.”

Wainuiarua Hiriti Whanau Trust/Olive Kawana - Carried

Kaumatua grant

Mariana Waitai asked whether or not any thought had been given to increasing the Kaumatua grant to \$100. The chairman said that is had been considered but could not be justified at this stage.

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 by direct credit to any shareholder or shareholding Trust beneficiary attending this meeting who was born on or before the 1st of November 1957.”

Charitable purposes payments

“That pursuant to s259(1d) of the Act it is hereby authorised that a payment being the greater of \$12,500 or 5% of reported profit be made to The Whanganui Trust to assist with the delivery of its charitable activities and sums totalling no more than \$9,000 be made on account of Education Scholarships.”

Te Uru Gardiner/Agnes Tomblinson - Carried

Any other business

There was comment about the use of locals at the station for activities such as shearing. The practice was heartily endorsed.

There being was further business relevant to the meeting, the chairman closed this part of the meeting to proceed to reporting by The Whanganui Trust.

The Whanganui Trust

Chairman's Report

- The 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

Glenn Brown highlighted key figures in the Financial Report.

- There was a surplus of \$23k with both Income and Expenditure slightly down on 2016. A total of \$39k was paid in grants and koha.
- Total assets stood at \$1.88m.
- Equity was \$850k.

Election for the "Floor member" to the trust

The chairman sought nominations from the floor for a person elected by show of hands by shareholders of Morikau to become a trustee for the ensuing year. The current trustee was Mariana Waitai.

Mariana was the only nominee so was pronounced by the chairman as duly elected. She congratulated Mariana.

With all business of the meeting completed, the chairman declared the meeting closed at 12:40pm.

END

Morikaunui Incorporation

Chairman's Report to Shareholders

Tēnā koutou Ngā Rangatira

As I stated last year, we must always remember the aspirations of our tupuna, the founding Chairman and the first Committee of Management: to be commercially sound, resilient, dynamic, strong and provide for future generations. Although our journey is similar yet different, your CoM today remains focused on the preservation and improvement of our taonga. Our journey continues.

Each year our annual meeting gives us an important opportunity to pause and reflect on our goals, where we might improve and to reaffirm our future direction.

He Titiro Whakamuri (The Year in Review)

A few years ago, farmers looked at the recent past to predict what lay ahead. This related to the weather as well as trends in prime stock prices month by month through the season. The "rule book" can now be thrown away – there are no rules based on the past any more.

One of the realities on Morikau Station is that we can have dusty tracks one day and mud the next, with those tracks being impassable by any vehicle three days later if the rain continues. These are the operational challenges our changing weather patterns are delivering. Whether it is characterised as "global warming" or "climate change", it is the Morikau Station experience.

Likewise, history shows that in traditional peak supply months (mid-January to mid-February) the per kilogram price for lambs drops. Not this year, such is the diminished supply available to a processing industry that has lost very little capacity in the last 10 years. The outlook for lamb prices is positive with the only question-mark being consumer price push-back. However even this likely impact is diminishing with the recent drop in the exchange rate.

Last year I highlighted some of the major development projects that were under way. This year has been one of consolidation, finishing the projects that had started but not commencing anything new. For example, the 9.5 million litre water storage pond was completed and is now fully operational and a significant asset for the station.

As with any major infrastructural projects, the development phase is just the beginning. Integrating the new set-up into operations is equally important in order to optimise the benefits of the investment. This is what is being undertaken currently, fine-tuning operations to get the best results.

We have continued to use the local work-force for our shearing and this is working well. To ensure we have sufficient workers to choose from, we run a shearing course each year. These have been well supported. Shed-hands are also part of this training.

During the year the manager Hamish Thompson entered the station into the Ballance Environmental Awards. It is my great pleasure to advise that Hamish, Katrina and the team won the People in Agriculture Award, the Predator Free Farm Award and the Horizons Regional Council Award for the integration of trees.

This was a great effort on the part of Hamish and his team on the station.

He Putea (Financial)

We are starting to show some financial benefits from our investment in new pastures and other infrastructural projects with a close to \$400,000 improvement in our operating cash surplus to just under \$263,000. This translates to a reported loss of \$66,133 after depreciation and losses on asset sales are taken into account. As a result of this cash surplus, we repaid the first \$200,000 of our BNZ development loan during the year.

Perhaps a better indication that we are heading in the right direction can be seen from page 22 in this report where the steady increases in gross revenue can be seen, rising from \$727 in 2014 to \$1,052 this financial year.

Morikaunui Incorporation

Chairman's Report to Shareholders

Te Anga Whakamua (The Year Ahead)

The outlook is very positive for lamb in particular, with record prices now and predictions that they could go even higher. Beef is a little weaker but this is likely to be countered by the falling NZ dollar.

The less said about wool, the better although we continue to be optimistic and plan accordingly in relation to our ewe breeding programme.

We will be continuing with our "keep it simple" approach to farming, concentrating of production per stock unit rather than increasing numbers. Feeding fewer mouths better has a lower risk profile in times of uncertain weather when compared with higher stocking rates as a road to higher income. By way of example, adding an extra 1.5kg to the carcass weight of our lambs would yield nearly \$150,000 more at this year's prices.

Hui A Tau (Annual General Meeting)

The venue for this year's AGM is again at the Whanganui Racecourse. It works better because of more parking however dates have been a challenge because the Memorial Hall is closed for earthquake strengthening work. As a result, all major events, including many school prize-giving gatherings, are having to be held at the racecourse.

Putea Tautoko (Kaumatua Travel)

I also remind you that we no longer distribute the Kaumatua grant by way of cash but rather by direct credit to eligible claimants. The claim form and meeting registration are on the same light green sheet of paper which just needs signed if claiming the grant and handed in. To qualify for the grant, registration must have occurred by 10.30am.

He Tangata (The People)

At the time of writing we are about to farewell Keri who has been enticed back to her previous place-of-work, the Māori Land Court. We are currently working with Balance to ensure we have appropriate resources at the office to continue the services to the incorporation and its owners.

Thanks to Keri for her many years with us and also to Glenn and Liz who are part of the front-line team for us from Balance, for their continued service.

We extend our thanks to Hamish and Katrina at the station whose passion is a credit to them and a key motivator for the staff whom we also thank.

To my fellow Committee members thank you for all your endeavours and commitment to Morikau.

As kaitiaki of our taonga we are all responsible for its preservation. Your tautoko and aroha of Morikaunui unites us all.

He Haerenga (Shareholder Station Visit)

The proposed date for this year's shareholders Station visit is Thursday the 28th of February 2019. A registration form will be posted on the website (see the Panui section) from mid-January. Those without Internet can call the office to register (06 348 7213) no earlier than the 14th of January.

Kia tau aku pitopito korero ki konei tena koutou tena tatou katoa

Hari Benevides (Ms)

Morikaunui Incorporation

Contents of Financial Statements

For the Year Ended 30 June 2018

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Morikaunui Incorporation

Statement of Financial Performance

For the Year Ended 30 June 2018

	Note	2018	2017
		\$	\$
Livestock Trading Revenue			
Gross Profit from Sheep Trading		1,624,950	1,268,538
Gross Profit from Beef Cattle Trading		954,113	701,191
Gross Profit from Livestock Trading		2,579,063	1,969,729
Operating Revenue			
Wool Sales		184,544	224,258
Rebates		28,207	12,910
Sundry Farm Income		57,917	58,876
Gross Profit from Trading		270,668	296,045
Total Gross Profit		2,849,731	2,265,774
Other Income			
Dividends Received		133	133
Interest Received		73	119
PIE Income		20,331	19,924
Profit on Sale of Fixed Assets		11,686	-
Total Other Income		32,223	20,176
Gross Profit after Other Income		2,881,954	2,285,950
Less Expenses			
Farm Working Expenses		620,378	529,173
Pasture Management Expenses		689,069	596,233
Repairs & Maintenance		130,781	133,764
Motor Vehicle Expenses		107,908	91,069
Personnel Expenses		408,910	431,846
Finance Expenses		155,310	127,580
Administration Expenses		193,986	178,738
Incorporation Expenses		312,776	328,929
Non Cash Expenses	14	328,969	311,328
Total Expenses		2,948,086	2,728,661
Net Loss		(66,133)	(442,710)

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

Morikaunui Incorporation

Statement of Financial Position

As at 30 June 2018

	Note	2018 \$	2017 \$
Equity			
Capital	4	260,876	260,876
Retained Earnings	5	674,587	903,079
Reserves	6	12,109,640	11,361,189
Total Equity		13,045,103	12,525,144
Represented by:			
Current Assets			
BNZ - Current A/c		9,000	76,802
BNZ - Call Account		464,610	303
Accounts Receivable		112,905	207,127
The Whanganui Trust - Loan (Re Unclaimed Dividends)		1,052,511	1,022,487
Income Tax Receivable	3	9	9
Other Current Assets	7	50,000	65,790
Total Current Assets		1,689,035	1,372,520
Non-Current Assets			
Property, Plant & Equipment	8	9,691,176	9,747,500
Term Investments	9	600,698	537,998
Livestock on Hand	10	4,934,650	4,726,843
Total Non-Current Assets		15,226,524	15,012,342
Total Assets		16,915,559	16,384,861
Current Liabilities			
Accounts Payable		303,863	171,653
The Whanganui Trust - Unclaimed Dividends Due		23,261	45,058
Unclaimed Dividends (Due to Shareholders)		1,052,511	1,028,987
The Whanganui Trust - Current Account		500	-
Current Portion of Lease & Hire Purchase Liabilities	11	28,721	57,442
Other Loans	12	2,373,000	2,477,000
GST Payable		88,599	79,576
Total Liabilities		3,870,456	3,859,717
Net Assets		13,045,103	12,525,144

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

Morikaunui Incorporation

Statement of Financial Position (continued)

As at 30 June 2018

For and on behalf of the Committee of management



Hari Benevides (Ms)

Chairperson

26 September 2018



Harvey Bell

Committee
Member

26 September 2018

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.

The special purpose financial report was authorised for issue in accordance with a resolution of the Committee of Management dated 26 September 2018.

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 the New Zealand Institute of Chartered Accountants.

The financial statements have been specifically prepared for the purpose of the entity's income tax requirements and for internal use.

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. All amounts are presented in NZ \$ rounded to the nearest dollar.

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. The annual change in numbers calculation is recorded in the Incorporation's Statement of Financial Performance by way of increasing or decreasing the Gross Profits from livestock trading while the change in market values is recorded directly into the Equity of the Incorporation. 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 2018

(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% - 39.6% DV
Development Plans 2016	0% - 25% DV
Bridges	2.5% SL
Plant & Equipment	9.6% - 67% DV
Development Plans 2017-2018	0 - 25% DV
Furniture & Fittings - Station	10% - 30% DV
Furniture & Fittings - Incorporation	11.4% - 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 2016.

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. Income tax is accounted for using the taxes payable method.

(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 Incorporation 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 Incorporation are initially recorded at cost and subsequently carried at amortised cost using the effective interest method. Due allowance is made for impaired receivables (credit losses).

(h) 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.

Morikaunui Incorporation

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

For the Year Ended 30 June 2018

(i) Changes in Accounting Policies

There have been no changes in accounting policies. All policies have been applied on basis consistent with those used in the previous year.

2 Tax Reconciliation

	2018	2017
	\$	\$
Loss before Income Tax	(66,133)	(442,710)
Permanent Differences		
Increase/(Decrease) Tax Value of Sheep	(214,108)	(249,513)
Increase/(Decrease) Tax Value of Cattle	(257,314)	196,941
Increase/(Decrease) Tax Value of Horses	1,000	3,004
Change in Livestock Numbers Sheep	193,708	184,069
Change in Livestock Numbers Cattle	319,503	(167,557)
Non Deductible Expenditure	201,653	189,856
Non Assessable Income	(18,479)	(10,140)
Imputation Credits Assessable	1,229	3,856
Development Expenditure deductible	(161,612)	(342,010)
Tax Losses approved by the IRD	(3,371,166)	(2,741,731)
Tax Losses Adjustment Prior year	(813)	-
Losses from conversion of ICA Credits	(7,022)	(22,032)
Total Permanent Differences	(3,313,421)	(2,955,257)
Timing Differences		
Holiday Pay Accrual	29,923	26,801
Total Loss	(3,349,631)	(3,371,166)

3 Income Tax

	2018	2017
	\$	\$
Opening Balance	(9)	-
Plus:		
Tax Refunds	9	-
	9	-
Less:		
RWT Paid	9	9
	9	9
Income Tax (Receivable)	(9)	(9)

These financial statements have been audited.

Morikaunui Incorporation

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

For the Year Ended 30 June 2018

4 Capital	2018	2017
	\$	\$
Issued Shares	260,876	260,876
Total Capital	260,876	260,876
5 Retained Earnings	2018	2017
	\$	\$
Opening Balance	903,079	1,368,290
Less:		
Net Deficit	66,133	442,710
Grants & Scholarships	22,500	22,500
Dividend Paid	139,859	-
	228,492	465,210
Retained Earnings Closing Balance	674,587	903,079
6 Reserves	2018	2017
	\$	\$
Land Revaluation Reserve		
Opening Balance	6,077,134	4,881,134
Movements for the period	-	1,196,000
Closing Balance	6,077,134	6,077,134
Realised Capital Reserve		
Opening Balance	499,777	499,777
Closing Balance	499,777	499,777
Share Revaluation Reserve		
Opening Balance	6,575	(15,307)
Movements for the period	27,433	21,881
Closing Balance	34,008	6,575
Livestock Revaluation Reserve		
Opening Balance	4,777,703	4,196,974
Movements for the period	721,018	580,729
Closing Balance	5,498,721	4,777,703
Total Reserves	12,109,640	11,361,189
7 Other Current Assets	2018	2017
	\$	\$
Fencing Gear on Hand	-	65,790
Rent paid in advance (Grazing)	20,000	-
Grass Seed on Hand	30,000	-
Total Other Current Assets	50,000	65,790

These financial statements have been audited.

Morikaunui Incorporation

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

For the Year Ended 30 June 2018

8 Property, Plant & Equipment

	Cost	Depreciation Charged	Accumulated Depreciation	Closing Book Value
	\$	\$	\$	\$
Property, Plant & Equipment 2018				
Freehold Land	6,730,000	-	-	6,730,000
Property Improvements	204,818	3,639	80,162	124,656
Development Expenditure	1,193,711	109,287	926,957	266,755
Forestry	48,535	-	-	48,535
Buildings	960,185	3,785	198,820	761,365
Development Plans 2016	814,313	70,719	166,873	647,440
Bridges	260	-	260	-
Plant & Equipment	305,980	21,096	225,883	80,097
Development Plans 2017-2018	789,545	39,415	42,639	746,906
Furniture & Fittings - Station	45,872	1,513	38,779	7,093
Furniture & Fittings - Incorporation	5,736	212	4,794	942
Motor Vehicles	511,099	63,646	235,371	275,728
Office Equipment	8,952	926	7,293	1,659
Total Property, Plant & Equipment	11,619,006	314,238	1,927,831	9,691,176

	Cost	Depreciation Charged	Accumulated Depreciation	Closing Book Value
	\$	\$	\$	\$
Property, Plant & Equipment 2017				
Freehold Land	6,730,000	-	-	6,730,000
Property Improvements	204,818	4,055	76,523	128,295
Development Expenditure	1,193,711	117,969	817,670	376,042
Forestry	48,535	-	-	48,535
Buildings	960,185	3,801	195,035	765,150
Development Plans 2016	814,313	84,895	96,154	718,159
Bridges	260	-	260	-
Plant & Equipment	296,775	21,301	207,062	89,713
Development Plans 2017-2018	559,915	3,224	3,224	556,691
Furniture & Fittings - Station	45,872	1,418	37,266	8,606
Furniture & Fittings - Incorporation	5,736	268	4,582	1,154
Motor Vehicles	557,932	70,160	233,569	324,363
Office Equipment	7,159	356	6,367	792
Total Property, Plant & Equipment	11,425,212	307,447	1,677,712	9,747,500

These financial statements have been audited.

Morikaunui Incorporation

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

For the Year Ended 30 June 2018

9 Term Investments	Qty	2018	2017
		\$	\$
Shares			
Ballance Agri-Nutrients Ltd	15,150	122,715	87,091
Farmlands Co-Operative Society Ltd	3,556	3,556	3,556
Innate Immunotherapeutics Ltd	1,349	413	728
PGG Wrightson Ltd	3,538	2,335	2,052
Property for Industry Ltd	271,080	471,679	444,571
Total		600,698	537,998
Total Term Investments		600,698	537,998
10 Livestock on Hand			
		2018	2017
		\$	\$
Sheep on Hand		3,047,870	2,316,113
Horses on Hand		14,000	13,000
Beef on Hand		1,872,780	2,397,730
Total Livestock on Hand		4,934,650	4,726,843
11 Lease & Hire Purchase Liabilities			
		2018	2017
		\$	\$
Hire Purchase- 2012 Duetz-Fahr K430 Tractor			
Hire Purchase- 2012 Duetz-Fahr K430 Tractor		28,721	54,667
Less Unexpired Hire Purchase Charges 2012 Duetz-Fahr K430 Tractor		-	(2,775)
		28,721	57,442
Total Current Portion of Lease & Hire Purchase Liabilities		28,721	57,442
12 Other Loans			
		2018	2017
		\$	\$
Whanganui Trust Short Term Loan		1,573,000	1,477,000
BNZ Carl Loan - Development -24		800,000	1,000,000
Total Other Loans		2,373,000	2,477,000
13 Retained Earnings Prior to 2004			
		2018	2017
		\$	\$
Opening Balance		2,718,124	2,718,124
Dividends		(139,859)	-
Total Retained Earnings Prior to 2004		2,578,265	2,718,124

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

Morikaunui Incorporation

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

For the Year Ended 30 June 2018

	2018	2017
14 Non Cash Items		
	\$	\$
Depreciation Expense & Loss on Sale of Fixed Assets	328,969	311,355
Total Non Cash Items	328,969	311,355
15 Related Party Transactions with The Whanganui Trust		
	\$	\$
Donations Paid	12,500	12,500
Interest Paid	72,456	42,991
Total Related Party Transactions with The Whanganui Trust	84,956	55,491
16 Related Party Assets or (Liabilities)		
	\$	\$
Other Payables to The Whanganui Trust	(23,761)	(51,558)
Advances from The Whanganui Trust	(1,573,000)	(1,477,000)
The Whanganui Trust Loan - Unclaimed Dividends	1,052,511	1,028,987
Total Related Party Assets or (Liabilities)	(544,250)	(499,571)

17 Maori Authority Tax Credit

The balance of the Maori Authority Tax Credit Account at year end was \$88,979.06 (2017 \$88,927.46)

18 Taxation Losses

Accumulated Taxation losses of \$3,349,631 (2017 \$3,371,166) are available to offset against future income.

19 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.

20 BNZ Credit Facilities

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

As at 30 June 2018 the Incorporation had a new BNZ term loan to fund the farm development plans. This facility is secured by way of a general security agreement over the Incorporation's assets, but excluding land.

Morikaunui Incorporation

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

For the Year Ended 30 June 2018

21 Capital Commitments

The Incorporation has no capital commitments as at 30 June 2018, (2017 Nil)

22 Related Parties

Morikaunui Incorporation is the settlor of The Whanganui Trust ("the Trust") and appoints six of the seven Trustees (one is independently appointed). The results of the Trust have not been consolidated as the effect would be immaterial. 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.

23 Contingent Liabilities

The Incorporation has no contingent liabilities and no guarantees as at 30 June 2018. (2017: Nil).

24 Events Occurring After Balance Date

There are no known significant events after balance date.

INDEPENDENT AUDITOR'S REPORT

To the Members of Morikaunui Incorporation

Opinion

We have audited the financial statements of Morikaunui Incorporation, which comprise the statement of financial position as at 30 June 2018, and the statement of financial performance and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared, in all material respects, in accordance with Special Purpose Financial Reporting Framework for For-Profit Entities (SPFR for FPEs), issued by the New Zealand Institute of Chartered Accountants.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of Morikaunui Incorporation in accordance with Professional and Ethical Standard 1 (Revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Emphasis of Matter – Basis of Accounting

Without modifying our opinion, we draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the purpose of the entity's income tax requirements and for internal use. As a result, the financial statements may not be suitable for another purpose.

Restriction on Responsibility

This report is made solely to the Members of the Incorporation. Our audit work has been undertaken so that we might state to the Committee of Management those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Committee of Management as a body, for our audit work, for this report, or for the opinions we have formed.

Committee of Management's Responsibility for the Financial Statements

The Committee of Management are responsible on behalf of the entity for determining that the SPFR for FPEs Framework adopted is acceptable in Morikaunui Incorporation's circumstances, the preparation of financial statements, and for such internal control as the Committee of Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Committee of Management are responsible on behalf of the entity for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Committee of Management either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

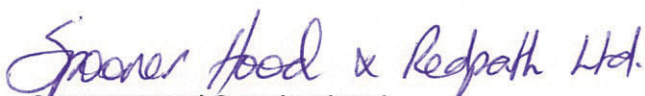
Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Committee of Management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Committee of Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Spooner Hood & Redpath Ltd

Whanganui

26 September 2018

SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED 30 JUNE 2018

Governance, Shareholder meetings & Admin details

	2018	2017	2016
Accounting Fee - Accounts, Consultancy & Shareholder Support	82,863	83,547	86,860
Audit Fee	14,000	17,209	10,810
Consultancy (HR)	19,023	14,290	7,268
Governance *	57,940	63,105	57,328
Governance Admin & Support	49,656	49,848	51,077
Office Expenses	30,935	35,214	36,148
Shareholder Meetings	38,025	33,508	37,558
Travel Reimbursement	23,544	22,208	25,391
FOMA Special Levy		15000	15000
	\$315,986	\$333,929	\$327,440

*includes Committee fees

Committee fees and travel for 2018

	Fees	Travel
	\$	\$
Hari Benevides	14,511	8,467
Bob Gray	5,610	1,985
Jim Edmonds	6,270	2,214
K Millin	5,610	194
Turama Hawira	5,280	1,198
William Konui	4,620	3,198
Harvey Bell	-	6,288
	\$41,901	\$23,544

Farm Performance Analysis

	2018	2017	2016	2015	2014
Net Sale Proceeds					
Sheep Per Head (Avge)	\$ 106	\$ 90	\$ 82	\$ 81	\$ 78
Cattle Per Head (Avge)	\$ 1,204	\$ 1,462	\$ 1,189	\$ 1,273	\$ 980
Wool Per Kilo (Avge)	\$ 2.13	\$ 2.50	\$ 4.14	\$ 3.24	\$ 3.05

Effective Farm Surplus

Effective Area Ha	2,657	2,590	2,376	2,376	2,376
Gross Farm Revenue Per Ha	\$1,052	\$ 1,026	\$ 978	\$ 758	\$ 727
Farm Operating Expenses Per Ha	\$808	\$ 757	\$ 683	\$ 506	\$ 475
Net Farm Surplus (after depreciation) per Ha	\$125	\$ 150	\$ 230	\$ 176	\$ 110
Gross Farm Revenue Per Stock Unit	\$108	\$ 101	\$ 112	\$ 83	\$ 80

SUPPLEMENTARY SCHEDULES

FOR THE YEAR ENDED 30 JUNE 2018

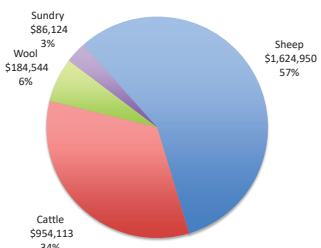
2018 Livestock Summary

Sheep			
		Nos	
Opening Stock		17,148	
Natural Increase		17,503	122%
Purchases		831	
Sales			
	Per Head		
Lambs	\$ 105	(13,653)	\$ 1,430,019
Ewes	\$ 114	(4,348)	\$ 497,761
Hoggets	\$ 107	(364)	\$ 39,114
		<hr/>	
		17,117	\$ 1,966,894
Deaths & Missing		(1,448)	4%
Closing Stock		15,669	

Cattle			
		Nos	
Opening Stock		1,982	
Natural Increase		803	84%
Purchases		313	
Sales			
	Per Head		
M A Cows	\$ 988	(179)	\$ 176,790
R3 Strs	\$ 1,695	(90)	\$ 152,515
R2 Heifers	\$ 1,054	(155)	163,432
Bulls	\$ 2,028	(4)	\$ 8,112
R1 Bulls	\$ 804	(234)	\$ 188,120
R2 Strs	\$ 1,312	(240)	\$ 314,819
R2 Bulls	\$ 1,436	(360)	\$ 516,918
		<hr/>	
		1,836	\$ 1,520,706
Deaths & Missing		(130)	4%
Closing Stock		1,706	

MORIKAUNUI INCORPORATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

FARM INCOME

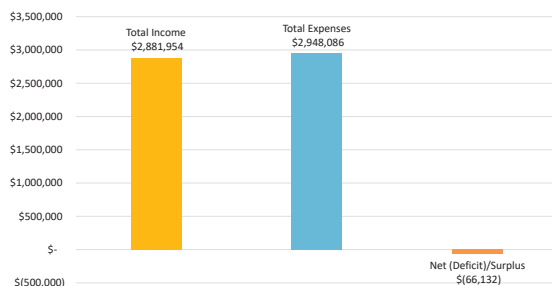


2017
\$2.28M

2018
\$2.85M

MORIKAUNUI INCORPORATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

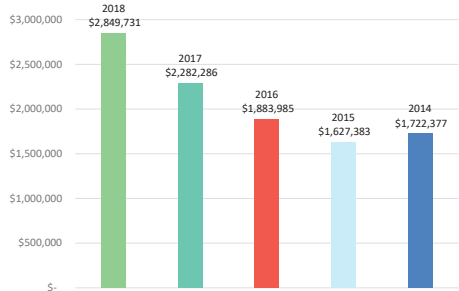
NET (DEFICIT) / SURPLUS



MORIKAUNUI INCORPORATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

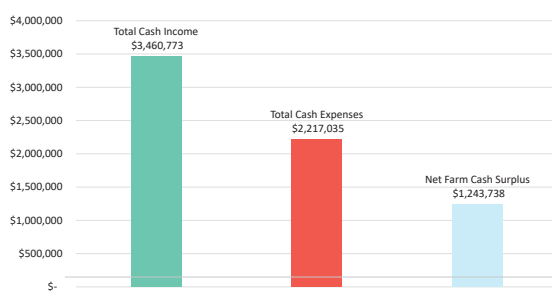
GROSS FARM INCOME SUMMARY

65% Increase since 2014



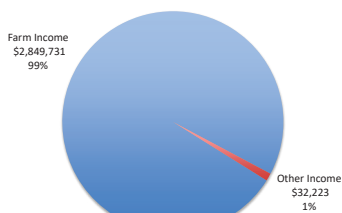
MORIKAUNUI INCORPORATION FARM CASH SURPLUS FOR THE YEAR ENDED 30 JUNE 2018

NET CASH (DEFICIT) / SURPLUS



MORIKAUNUI INCORPORATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

TOTAL INCOME



2017
\$2.3M

2018
\$2.8M

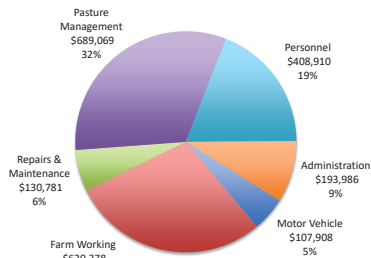
MORIKAUNUI INCORPORATION STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2018

ASSETS, LIABILITIES AND EQUITY



MORIKAUNUI INCORPORATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

FARM EXPENSES

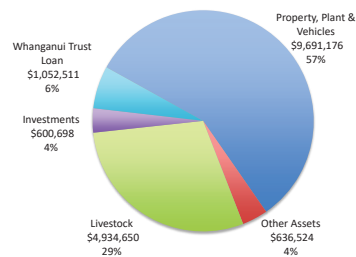


2017
\$1.96M

2018
\$2.15M

MORIKAUNUI INCORPORATION STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2018

ASSET MIX

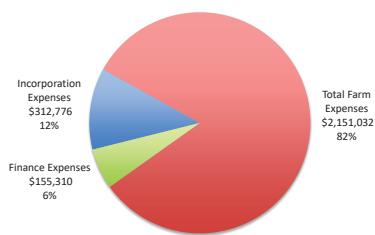


2017
\$16.3M

2018
\$16.9M

MORIKAUNUI INCORPORATION STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018

TOTAL EXPENSES (EXCLUDING NON CASH)

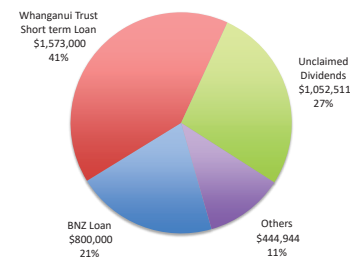


2017
\$2.41M

2018
\$2.6M

MORIKAUNUI INCORPORATION STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2018

LIABILITIES



2017
\$3.8M

2018
\$3.8M