

MORIKAUNUI INCORPORATION  
Annual Report and Financial Statements  
For the year ended 30 June 2005

**Committee:** Rangipo Mete Kingi (Chairman)  
Ann Waitai (Deputy Chairman)  
Whatarangi Murphy-Peehi  
Don Robinson  
Jimmy Edmonds  
Wiremu Konui  
Hari Benevides

**Secretary:** Harvey Bell, BCA

**Accountants:** Balance Chartered Accountants Ltd

**Farm Supervisor:** Manson Bell

**Auditors:** Sewell & Wilson, Whanganui

**Bankers:** Bank of New Zealand, Whanganui

**Solicitors:** Horsley Christie, Whanganui

**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, Wanganui on Friday 2 Dec 2005 commencing at 9:30am.

---

### **AGENDA**

1. Mihimihi
2. Karakia
3. Apologies
4. Minutes of the last AGM
5. Matters arising
6. Chairman's Report
7. Financial Report
8. Brief update – Nga Whenua Rahui consultation
9. Approval of recommended dividend  
“That an ordinary dividend of \$2.00 per share be approved together with a special dividend of \$1.95 per share to be paid from Capital Reserves accumulated prior to 30 June 2004.”
10. Election of Committee of Management members  
“That **one** of the following be elected to the Committee of Management for a term of one year in line with the remaining term of the resigning member. Those for consideration are Bernard William Haami, Hoani Hipango, Rana Waitai, Te Maa Butler and Turoa Alan Ranginui.”
11. Appointment of Auditor – Sewell and Wilson have offered themselves for re-election.
12. Appointment of Share Valuer – Balance Chartered Accountants Ltd have offered themselves for re-election.
13. Discussion topic from R R W (Bill) Wright:  
“That a recommendation be made to amend the Constitution reducing the number of Committee of Management to four members elected by shareholders with the fifth appointee being a Kaumatua with the historical background and tikanga of the takiwa and Whanganui kawa.”
14. Any other business
15. Whanganui Trust Report
16. Nominations and then a show of hands for a floor member to the Whanganui Trust

**Note:** *The Constitution permits those unable to attend to appoint a Proxy and a form is enclosed with this notice.*

**Harvey Bell**  
Secretary

**Note:** To vote (by show of hands) at the meeting, you need your **green** card that has all your details on it and that will be validated when you hand in your registration form (sent with your Notice of Meeting). **Registration will commence at 9:00am and the meeting will start at 9:30am sharp.**

## Chairman's Report to Shareholders

For the year ended 30 June 2005

E mihi ana ki te rangi, E mihi ana ki te Whenua  
E mihi ana ki a koutou I roto I nga tini ahuatanga o te wa.  
Kua tae mai nei maua ki te whakarongo, ki te korero atu  
Ki te kaupapa e karanga nei ki a totou I tenei ra.  
No reira tatou e huihui nei, kia ora tatou katoa.

The 50<sup>th</sup> year of our incorporation has seen some major changes in how the incorporation is managed and where its future focus needs to be.

These changes have been generated largely by shifts in the makeup of the Committee of Management ("CoM"), the restructuring of our accounting and administration entities and the need to evaluate strategically how we use and conserve the land assets. It's about why incorporations move ahead and why they fail to move at all.

This year Morikaunui Incorporation has had stand-alone meetings instead of joint meetings with Atihau-Whanganui Incorporation. In recent years Morikaunui and Atihau have had five CoM members who sat on the boards. Last year that changed and at the end of this year only one member will hold that status.

Morikaunui's accounting and administration service had been ably rendered by Robson and Partners for over fifty years and the accounting function has now passed to Balance Chartered Accountants Ltd while the secretarial role has been contracted out to Harvey Bell, a qualified accountant with commercial and administrative experience both here and overseas.

I would like to acknowledge the professional services rendered by Robson and Partners over a long period of time, and in particular mention should be made of Lex Moodie who retired this year.

Acknowledgement must also be given to two long serving committee members, Meterei Tinirau and Rhody McGregor. They represent the bridging generations from which Morikaunui was incorporated and built. Whatarangi Murphy-Peehi has resigned from the CoM and his contribution to Morikaunui is also acknowledged.

A further change occurred recently and was referred to at the mid-year hui. The lease on Te Paenga was being surrendered and this was completed recently. The result is that our reserves have increased significantly and I will refer to this later in the report.

This leads me on to a further acknowledgement. After over 32 years of loyal service on Morikau Station, the last 5 years as manager, Dennis Ranginui has recently resigned. His contribution over this time has been significant. I am sure shareholders will join me and the Committee of Management in wishing him well for the future.

As an interim measure, Guy Parkinson has been brought in as acting manager and he will be working with our farm supervisor on a number of jobs that have been given priority. These include:

- covered yards sufficient to hold sheep for two days shearing;
- smaller paddocks from a programme of sub-division that would then allow a more intensive farming regime on the easier front country;
- better access to the adjacent Mokonui block;
- a re-configuration of staff accommodation

At the mid-year hui a commitment was given to undertake an analysis regarding the development potential of the land proposed for the Nga Whenua Rahui covenant. This has not yet been done but is high on the priority list for the coming months.

There was also a commitment to undertake a consultation process regarding the history and Wāhi Tapu of Morikaunui Incorporation. I am happy to report that I have given the responsibility for this consultation process to my deputy Ann Waitai who will give a brief oral report on progress to date at the AGM.

## Year's Results

The net pre-tax surplus for the 2005 year is just over \$172,000 against \$266,000 last year. Given the problems that were referred to in my mid year report, this result is satisfactory. I should however state that your CoM believes that it can be improved upon significantly. The projects at Morikau Station outlined above and the qualities the new appointee to the manager's position will bring to the incorporation will combine to create the means by which better financial performance will be given priority.

## Dividends

The CoM is recommending that the ordinary dividend be held at \$2.00 per share. A special dividend of \$1.95 per share is also being recommended.

It should be noted that as a result of the change in taxation relating to Maori Incorporations, these dividends can be paid tax free resulting in their value in the hands of shareholders increasing by at least 25%, depending on individual's tax rate.

## Surplus Funds

After the completion of the early surrender of the Te Paenga lease we will have a cash surplus. The CoM will be evaluating the options to put for discussion at the 2006 mid-year hui.

## Mid-year hui

The mid-year hui proved to be useful in getting issues up for discussion. Some issues are important enough to require prior notice in writing before the hui takes place, for example, a request to revise or add to the Constitution. Other issues may require only an explanation of policy and can be taken from the floor. During the year the CoM may convene work that requires research to be undertaken. The mid-year hui is an opportunity to report back.

Another issue we will be addressing at the next mid-year hui is the confusion that has developed around the tenure of committee members. When elected, a committee member serves three years unless they are replacing someone who has died or resigned early in which case their replacement should serve only the remainder of their term and not three years. The CoM will be putting up a proposal to deal with this.

## Shareholder Register

During the next few months we are proposing to list on our website the names of shareholders for whom we have no addresses. If you know anyone on the list please ask them to contact the office.

## General

You will have noticed that the documents you have received with your Notice of Meeting are significantly different from previous notices. They are all designed to streamline the administration processes.

One of those documents is a request for information. We are moving towards the direct debiting of dividends and in order to be able to deduct the minimum tax from a taxable dividend we need your IRD number. If you are not attending the AGM complete the update form and post it back to our office.

I would like to thank the staff on our farms and in the office, especially Frances who to many of you is the "face" of Morikaunui. The dedication of the staff is fundamental to the success of our incorporation.

I would also like to acknowledge my fellow CoM members whose commitment to our incorporation is invaluable, even more so given that we have had some extraordinary challenges to deal with this year.

No reira, kua mutu korero I tenei taha, nga mihi o te wa  
Tena koutou, tena koutou, tena koutou katoa.

## **Rangipo Mete Kingi**

## **AUDIT REPORT**

To the Members of Morikaunui Incorporation.

We have audited the financial report on pages 1 to 11. The financial report provides information about the past financial performance of the Incorporation and its financial position as at 30 June 2005. This information is stated in accordance with the accounting policies set out on page 9 to 11.

### **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 2005 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.

### **Unqualified Opinion**

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

In our opinion

- proper accounting records have been kept by the Incorporation so far as appears from our examination of those records: and
- the financial report on pages 1 to 11.
  - complies with generally accepted accounting practice;
  - gives a true and fair view of the financial position of the Incorporation as at 30 June 2005 (including the estimated current market value of assets as required by Section 276(4)(c) of the Te Ture Whenua Maori Act 1993) and the results of its operations and cashflows 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 16 November 2005 and our unqualified opinion is expressed as at that date.

**Sewell & Wilson**  
**Chartered Accountants**  
**Wanganui**

MORIKAUNUI INCORPORATION  
Index to the Financial Statements  
For The Year Ended 30 June 2005

	<b>Page</b>
Statement of Financial Position	1
Statement of Movement in Equity	2
Statement of Financial Performance	3
Schedule of Investments	4
Station Profit and Loss Analysis	5
Cashflow Statement	6
Reconciliation with Operating Surplus	7
Taxation Statement	8
Statement of Accounting Policies and Notes	9-11

MORIKAUNUI INCORPORATIONStatement of Financial Position  
as at 30 June 2005

<b>2004</b>		<b>2005</b>
<b>\$</b>		<b>\$</b>
-	<b>Current Assets</b>	
804,835	Cash at Bank	12,082
180,284	Accounts Receivable	244,870
177,974	Wool on Hand	172,218
4,103,769	Income Tax Refund Due	39,358
<u>5,266,862</u>	Livestock	<u>4,813,351</u>
	<b>Total Current Assets</b>	<b>5,281,879</b>
	<b>Fixed Assets</b>	
868,216	Farms - Land Buildings & Improvements	1,000,638
646,500	Commercial Buildings	869,000
283,261	Plant, Vehicles & Sundry	<u>336,875</u>
<u>1,797,977</u>	<b>Total Fixed Assets</b>	<b>2,206,513</b>
<b>1,589,050</b>	<b>Investments</b>	<b>2,230,072</b>
<u><b>8,653,889</b></u>	<b>Total Assets</b>	<u><b>9,718,464</b></u>
	<b>Liabilities</b>	
	<b>Current Liabilities</b>	
296,114	Bank Overdraft	-
291,388	Accounts Payable	249,697
93,239	Provision for Dividend	184,149
13,223	Provision for Tribal Purpose	10,919
19,740	GST Due	15,755
<u>713,704</u>	<b>Total Current Liabilities</b>	<u>460,520</u>
<u><b>7,940,185</b></u>	<b>Net Assets</b>	<u><b>9,257,944</b></u>

MORIKAUNUI INCORPORATIONStatement of Equity  
for the Year Ended 30 June 2005

<b>2004</b>		<b>2005</b>
	<b>Represented by Equity of:</b>	
7,555,281	Equity at 30 June 2004	7,940,185
<u>97,903</u>	Less Provision for Capital Dividend	<u>184,149</u>
<b><u>7,457,378</u></b>	<b>Equity Available for Distribution Tax Free</b>	<b><u>7,756,036</u></b>
200,982	Tax paid Profit for year	141,683
28,984	Capital Profits	65,336
	Revaluation of	
128,000	Investment Properties	222,500
133,621	Livestock	1,082,527
<u>8,244</u>	Interest on Scholarship Funds	<u>9,781</u>
<b>499,831</b>		<b>1,521,827</b>
	Less Distributions	
3,800	Scholarships	9,000
<u>13,224</u>	Whanganui Trust Distribution	<u>10,919</u>
<b>17,024</b>		<b>19,919</b>
	<b>Equity Available Distribution Post 30 June 2004</b>	<b>1,501,908</b>
<b><u>7,940,185</u></b>		<b><u>9,257,944</u></b>

MORIKAUNUI INCORPORATION  
Summarised Statement of Financial Performance  
for the Year Ended 30 June 2005

<b>2004</b>			<b>2005</b>
\$			\$
1,967,344	Income was Received from the following sources:		
<u>1,587,227</u>	Farms - Gross Income	2,095,996	
<b>380,117</b>	Farm Expenses	<u>1,819,385</u>	
	<b>Net farm Income</b>		<b>276,611</b>
88,190	Rent from Properties	94,132	
106,193	Interest and Dividends	124,154	
<u>-</u>	Other Income	<u>4,786</u>	
194,383			<u><b>223,072</b></u>
<b>574,500</b>	<b>Total Income</b>		<b>499,683</b>
	<b>Less Expenses:</b>		
137,535	Administration, Governance & Shareholders Meetings	186,230	
56,981	Interest	-	
24,482	Farm Training	20,078	
89,172	Other Administration Costs	121,139	
<u>308,170</u>			<u><b>327,447</b></u>
<b>266,330</b>	<b>Net Surplus before Taxation</b>		<b>172,236</b>
	Less:		
65,348	Provision for Taxation		30,553
<u><b>200,982</b></u>	<b>Net Surplus After Taxation</b>		<u><b>141,683</b></u>

MORIKAUNUI INCORPORATION

## Schedule of Investments

as at 30 June 2005

		\$
Bank of New Zealand Term Deposits		
Term Deposit - 6.87 % Due 29/08/05	750,000	
Term Deposit - 5.30% due 17/09/2005	<u>233,525</u>	
		983,525
N Z Wool Services International		
24,675 Shares		7,931
Ravensdown Fertiliser Co-operative		
119,868 Ordinary Shares paid to \$1		119,868
Wrightson Ltd.		
2,631 Ordinary Shares		4,524
National Bank of NZ Ltd		
Client Funds Trust Account 4.55% on call	7,209	
Term Deposit 6.75% due 22/12/2005	124,381	
Term Deposit 6.5% due 08/12/2005	60,942	
Term Deposit 6.75% due 22/12/2005	<u>125,188</u>	
		317,720
Wool Equities Ltd		
9,305 \$1 Shares Fully Paid		9,305
Elders Finance Limited		
Term Deposit 8.25% due 22/05/2006		281,439
South Canterbury Finance		
Term Deposit 7% due 18/05/06	256,269	
Term Deposit 7.50% due 20/02/06	<u>249,491</u>	
		505,760
<b>Total Investments</b>		<u><b>2,230,072</b></u>

MORIKAUNUI INCORPORATION  
 Station Financial Performance Analysis  
 for the year ended 30th June 2005

	<b>Morikau</b>	<b>Te Paenga</b>	<b>Total</b>
	\$	\$	\$
Gross Profit - Cattle	323,678	164,169	487,847
Gross Profit - Sheep	576,294	493,614	1,069,908
Net Proceeds - Wool	212,533	315,999	528,532
Sundry Income	2,945	6,764	9,709
	<hr/> 1,115,450	<hr/> 980,546	<hr/> 2,095,996
Farm Working Expenses	571,270	576,762	1,148,032
Pasture & Maintenance	308,428	144,242	452,670
Standing Charges	33,968	88,473	122,441
Depreciation	59,000	37,242	96,242
	<hr/> 972,666	<hr/> 846,719	<hr/> 1,819,385
<b>Profit/(Loss)</b>	<hr/> <b>142,784</b>	<hr/> <b>133,827</b>	<hr/> <b>276,611</b>

MORIKAUNUI INCORPORATION

## Cashflow Statement

for the year ended 30th June 2005

2004			2005
\$	<u>Cash Flow from Operating Activities</u>	\$	\$
	Cash was provided from -		
290,495	Morikau Station		984,759
	Te Paenga Station		328,457
8,541	Dividends Received		2,416
1,542	Interest Received		71,128
96,738	Rent Received		182,322
	GST Received		13,368
	Sundry Income		
	Taxation Refund		127,168
<u>397,316</u>			<u>1,709,618</u>
	Cash was applied to -		
-	Morikau Station	-	
193,517	Te Paenga Station	-	
245,139	Administration	454,670	
56,981	Interest Paid	-	
259,624	Taxation Paid	-	
13,228	GST Paid	-	
<u>768,489</u>			<u>454,670</u>
( 371,173)	Net Cash Available from Operating Activities		1,254,948
	<u>Cash Flow from Investing Activities</u>		
	Cash was provided from -		
19,678	Investments Realised	248,372	
104,720	Assets Realised	16,444	
<u>124,398</u>		<u>264,816</u>	
	Cash was applied to -		
33,360	Assets Purchased	321,001	
	Investments Made	750,000	
<u>33,360</u>		<u>1,071,001</u>	
91,038	Net Cash Available from Investing Activities		( 806,185)
	<u>Cash Flow Applied to Financing Activities</u>		
99,404	Dividend Paid	112,341	
29,600	Tribal Purposes Grant	13,224	
7,800	Scholarships Paid	15,000	
<u>136,804</u>		<u>140,565</u>	
( 136,804)	Net Cash Used in Financing Activities		( 140,565)
( 416,939)	Net Increase/(Decrease) in Funds Held		308,198
<u>120,824</u>	Add Opening Bank Balance		<u>( 296,115)</u>
<u>( 296,115)</u>	<b>Closing Bank Balance</b>		<u><b>12,083</b></u>

MORIKAUNUI INCORPORATIONReconciliation with Reported Operating Surplus  
as at 30 June 2005

	\$	\$
Reported Surplus		172,235
Less Provision for Taxation		<u>30,553</u>
		141,682
Adjustment for Non Cash Items -		
Depreciation	97,314	
Stock Movement	372,945	
Compounded Interest	( 42,747)	
Bonus Shares	( 4,537)	
Fertiliser Rebate	<u>( 9,086)</u>	
		413,889
Movement in Working Capital -		
Accounts Receivable	559,963	
Accounts Payable	( 38,166)	
GST	( 3,984)	
Income Tax	138,616	
Wool on Hand	<u>8,066</u>	
		664,495
Items Reclassified -		
Fixed Assets		
Interest transferred to Scholarship Funds	9,780	
Scholarships Paid from Interest	6,000	
Dividend	19,102	
Tribal Purposes	-	
Rebate	<u>-</u>	
		<u>34,882</u>
<b>Net Cash Used in Operating Activities</b>		<u><u><b>1,254,948</b></u></u>

MORIKAUNUI INCORPORATION  
Taxation Statement 2005

		\$
Profit as per Accounts		172,236
Less Depreciation on Commercial Buildings	<u>14,104</u>	
		<u>158,132</u>
Add		
Interest re Scholarships	14,599	
Amalgamation Expenses	<u>45,647</u>	
		<u>60,246</u>
		218,378
Deduct		
Livestock Tax Adjustments		
Morikau Station	( 104,564)	
Te Paenga Station	<u>155,342</u>	
		<u>50,778</u>
		167,600
Less Whanganui Tust Distribution (\$218,378 x 5 %)		<u>10,919</u>
<b>Net Taxable Income</b>		<u><u>156,681</u></u>
<b>Taxation on \$156,681 at 19.5%</b>		<u><u>30,553</u></u>

MORIKAUNUI INCORPORATIONNotes to the Financial Report  
for the period ended 30 June 2005**1. STATEMENT OF ACCOUNTING POLICIES**Reporting Entity:

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

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 are stated at Cost.

Livestock on Hand:

Livestock have been valued using "Herd Scheme" Values. To obtain market values would require a separate valuation which has not been undertaken. The effect on equity is not considered material.

Separate calculation has been undertaken for tax purposes using National Standard Cost where applicable. The effect of this calculation is shown in the Calculation of Profit Taxation Purposes.

Fixed Assets:

Fixed assets other than land and buildings are stated at original cost price less accumulated depreciation. Land and buildings market valuations are shown by way of note.

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 1994 except for investment properties which have not been depreciated.

Freehold Land and Leasehold Land:

Freehold Land is recorded at cost price with the latest Government Valuation shown by way of note.

Investment Properties:

Investment Properties have been disclosed in the financial statements in accordance with Statement of Standard Accounting Practice No. 17.

MORIKAUNUI INCORPORATION

## Notes to the Financial Report

The properties are jointly owned by Atihau-Whanganui Incorporation and Morikaunui Incorporation.

The Properties were revalued by Bycroft Petherick on 13/10/2005 to market values as at 30/06/05 as follows:-

Moutoa Building	½ share	\$74,000
Westpac Building	½ share	\$795,000

Operating Revenue:

Gross operating revenue for the year was \$2,997,638

Statement of Cash Flows:

The Cashflow statement has been prepared showing the net cash income from each farming activity rather than showing a combined gross cash income figure. This is considered to be more informative for shareholders.

Taxation:

Provision has been made for all known taxation liabilities. Income tax expense recognises the current obligations and all amounts arising from differences between the accounting results and assessable income for the period. This is the liability method applied on a comprehensive basis.

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.

Borrowings:

The bank overdraft is secured by way of a charge over livestock and a registered first mortgage over Morikau Station being Lot 1 DP47540.

**CHANGES IN ACCOUNTING POLICIES**

There has been one change in accounting policies this year in relation to livestock on hand in that all livestock is valued at Herd values for accounting purposes. The effect of adjustments to National Standard Cost is shown in the Taxation Reconciliation. All other policies have been applied on bases consistent with those used in previous years.

**2. FIXED ASSETS**

Fixed Asset	Cost	Accumulated Depreciation	Book Value 30/6/05	Book Value 30/6/04
Freehold				
Improvements	502,860	4,290	498,570	497,965
Tree Planting	2,681	-	2,681	2,681
Buildings	1,497,997	236,326	1,261,671	902,135
Bridges	145,260	38,545	106,715	111,935
Plant & Machinery	194,534	122,627	71,907	72,930
Furniture & Fittings	53,989	12,935	41,058	104
Motor Vehicles	<u>449,361</u>	<u>275,450</u>	<u>223,911</u>	<u>210,227</u>
	<u>2,846,682</u>	<u>640,169</u>	<u>\$2,206,513</u>	<u>\$1,797,977</u>

**3. TE PAENGA STATION**

It is proposed that Improvements and Livestock owned by Te Paenga Station will be sold to Atihau- Whanganui Incorporation as at 1 July 2005.

MORIKAUNUI INCORPORATION

## Notes to the Financial Report

Valuations of Improvements and Livestock are been obtained as at 1 July 2005 as a basis to ascertain fair market value.

**4. RELATED PARTY INFORMATION**

Related party matters arise with Atihau Whanganui Inc. and Whanganui Trust Inc.

Significant related party transactions relate to joint ownership of the Westpac and Moutoa buildings, the rentals and expenditure for which are handled by Atihau and accounted for to Morikaunui on an annual basis. In addition Te Paenga Station is leased by Morikaunui Inc. from Atihau-Whanganui Inc. at \$55,000 per annum.

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.

**5. VALUATIONS of Fixed Assets**

Government Valuation of Freehold Land – 12,606 acres	2,488,000
Valuation of Improvements of Atihau Leasehold 30/06/05	770,000
Market Valuation Investment Properties (1/2 share) 30/6/05	<u>869,000</u>
	<u>4,127,000</u>

**6. CAPITAL COMMITMENTS**

There were no capital commitments at balance date

**7. CONTINGENT LIABILITY GUARANTEE**

The Incorporation has acted as guarantor in respect of Atihau-Whanganui Incorporation mortgage over the Westpac Building, the charge being limited to the Incorporations half share interest in the property.

**8. EVENTS SINCE BALANCE DATE**

Since balance date a payment has been made that is going to impact on the net profit for the next financial year. It is the Committee of Management's view that there were sound commercial reasons for the payment.

**9. FINANCIAL INSTRUMENTS**

- a) Credit 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, accounts payable, bank loans and overdraft (secured) and Finance company deposits are equivalent to their fair value. Investments on Company Shares are shown at market value. Any variation between carrying and fair value is immaterial.

**10. 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.