

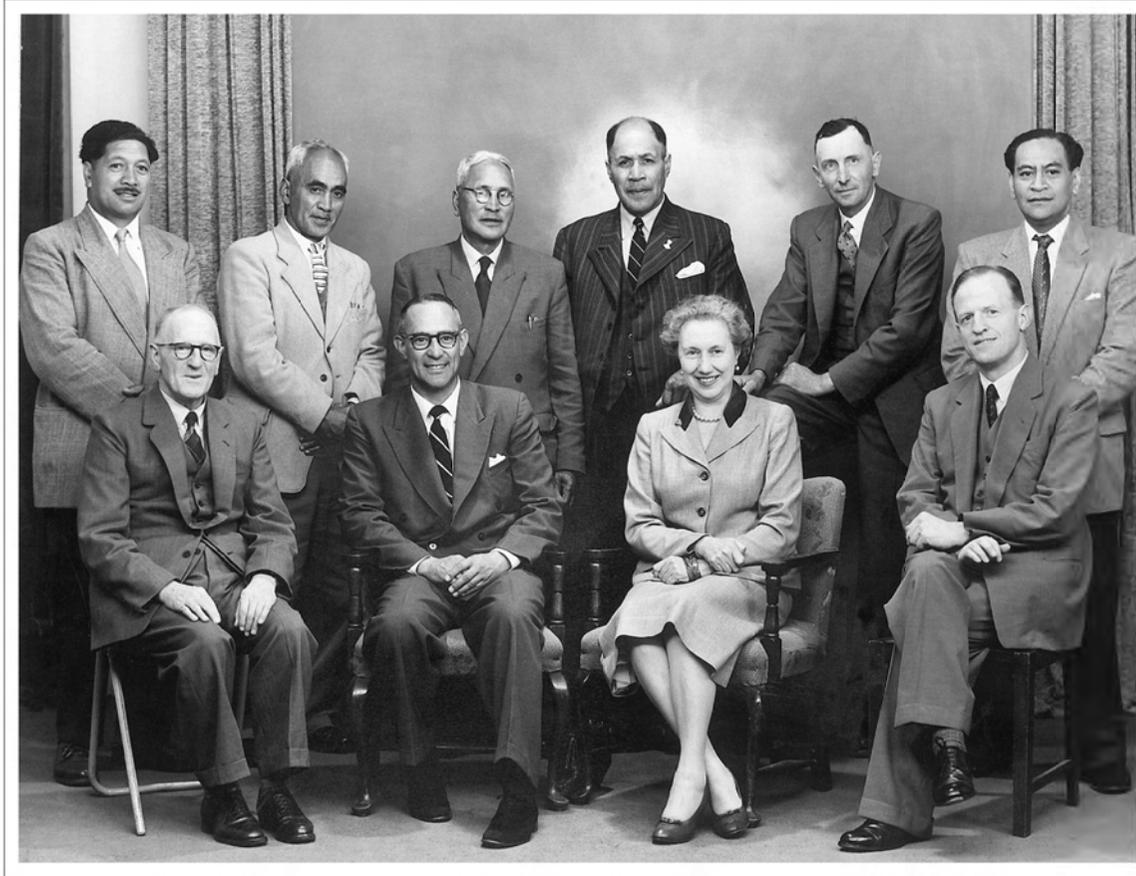


2006 Annual Report



MORIKAUNUI INCORPORATED BLOCK

COMMITTEE OF MANAGEMENT 1957-58



H. AMOHIA, S. ARAHANGA, W. POHE, R. TAPA, J. LIDDLE (Mgr), H. K. HIPANGO,
R. ROBSON (Secretary), W. R. METEKINGI, H. SCOTT, I. L. ROBSON (Secretary).



The stock count team.



Contents

	Page
Directory	4
Notice of meeting	5
Minutes of last AGM	6
Chairman's Report	9
Financial Report	11

Morikaunui Incorporation

[Registered originally in 1955 under the Maori Land Act, now under Te Ture Whenua Maori Act 1993 (“the Act”)]

Board: Hari Benevides (Ms) - *Chairman*
Ann Waitai
Don Robinson
Jimmy Edmonds
Rangipo Mete-Kingi
Tema Butler
Wiremu Konui

Secretary: Harvey Bell

Accountants: Balance Chartered Accountants Ltd

Farm Advisor: Manson Bell

Farm Consultant: Peter Bailey

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, Whanganui on Friday 1 Dec 2006 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. Appointment of Auditor – there being no resolution to change the auditor, under section 277 of Te Ture Whenua Maori Act, reappointment of Sewell & Wilson is automatic.
9. Appointment of Share Valuer – Balance Chartered Accountants Ltd have offered themselves for re-election.
10. Election of Board members.
“That **two** of the following be elected to the Board for a term of three years.”
Jimmy Edmonds (retiring by rotation and, being eligible, offers himself for re-election)
Rongowhakateka Hough
Thomas Turama Hawira
Turoa Ranginui
11. Report from Debbie Te Riaki on an employment initiative for shareholders and descendants with AFFCO.
12. Any other business
13. Whanganui Trust Report
14. Nominations and then a show of hands for a floor appointed Trustee to the Whanganui Trust

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

Harvey Bell
Secretary

Note: To vote (by show of hands) at the meeting, you need to hold up the **green identification card** sent with your notice of meeting. **Proxy holders** should get the voting cards and voting forms from the shareholder(s) they are representing.

Also note that to speak at the meeting you must hold up your green ID card or that of your Whanau Trust. If you have forgotten it, please ask one of the staff before the meeting starts.

Minutes of the Annual General Meeting of **Morikaunui Incorporation** held at the Memorial Hall on 2nd December 2005.

Welcome

The Chairman welcomed everyone and Nohi Wallace delivered a karakia.

Apologies

The following written apologies were received:

R Christiansen, M Thompson, B Rowe, J Maaka, B Moore, P Harper, W Pokai,

Minutes

The Minutes of the previous AGM were circulated.

Resolved:

“That the Minutes of the previous AGM be approved as a true and correct record.” -

Maudie Reweti/Hoani Hipango

Matter arising

There were no matters arising.

Chairman’s Report

The chairman spoke to his written report included in the Annual Report.

Dardi Metekingi-Mato asked where the Farm Supervisor’s report was on the Agenda. The Chairman said that farm issues would be addressed.

Hoani Hipango asked why the Morikau Station manager has resigned. He then added that he believed that an independent panel should be formed to make the new appointment of station manager.

The Chairman was asked whether locals with skills but who were unemployed could be considered. The Chairman said that a rigorous process was being managed by a Farm Consultant with considerable experience in recruitment.

Financial Report

John Summerhays spoke to the financials included in the Annual Report.

Key points:

Financial Position – *the book value of Assets, Liabilities and Shareholders Equity (Net Assets)*

- Total assets have grown by \$1.06m
- Liabilities have reduced by \$253k
- Shareholders equity has grown by \$1.32m (+16.6%)
 - \$141,683 after tax profit
 - \$1,176,076 net of revaluations, capital profits & distributions

Financial Performance – *the difference between Income & Expenditure*

- | | |
|---------------------------|-----------|
| • Net Farm Income | \$276,611 |
| • Other Income | 223,072 |
| • Non farm expenses | (327,447) |
| • NET SURPLUS before tax | \$172,236 |
| • Taxation | 30,553 |
| • NET SURPLUS (After tax) | \$141,683 |

There were questions about stock losses and why details of any losses were not shown. It was stated that while the fact that there were stock losses was known, quantifying them was

more difficult. With the benefit of hindsight, the confidence in the stock count in May is not high. There will be a major effort to ensure an accurate count as soon after the new manager's arrival as possible.

Resolved:

"That the Financial and Chairman's Report be received." - Bill Wright/Mary Phillips

Dividend

Resolved:

"That an ordinary dividend of \$2.00 per share and a special dividend of \$1.95 per share, both to be paid from Capital Reserves accumulated prior to 30 June 2004, be approved."

Dardi Metekingi-Mato/Te Uta Hibbard

Election of CoM member

Hoani Hipango challenged the proxy forms sent out with the Notice of Meeting by the Secretary and also the fact that the CoM nomination date was advised as being 31 October. The Secretary stated that the Te Ture Whenua Maori clearly shows that the resolutions to be considered should form part of the proxy form and that in his view the proxy forms accepted in the past without the resolutions included or attached was incorrect.

He also pointed out that while the 1994 Maori Incorporation Regulations had a Rule that nominations could be accepted up to three days prior to the meeting, it also had a rule allowing the Constitution to be changed and this was done in 1997, changing the nomination date to 31 October each year.

Hoani Hipango announced that he was withdrawing his name from consideration for CoM membership.

Resolved:

"That one of the following be elected to the Committee of Management for a term of one year. Bernard William Haami, Hoani Hipango, Rana Waitai, Te Maa Butler, Turoa Ranginui."

Debbie Te Riaki/Mary Phillips

A poll vote was called by the required five shareholder: Ron Hough, Rana Waitai, Hoani Hipango, Bobbie Gray, Doug Wright.

Auditor

Resolved:

"That Sewell and Wilson, being eligible and having offered themselves, are reappointed as Auditors." – Maudie Reweti/Mary Phillips

Share Valuer

Resolved:

"That Balance Chartered Accountants Ltd, being eligible and having offered themselves, are reappointed as Share Valuer." – Debbie Te Riaki/Rana Waitai

Discussion topic from Bill Wright - the make-up of the CoM

Bill presented (via a PowerPoint he had prepared) a background to his concerns about the make-up of the CoM. He believed that people should be on the CoM largely because of their abilities. "The Incorporations need a high calibre of skills in these times," he said.

His suggestion was that shareholders consider changing the make-up of the CoM to include four elected members, an appointed kaumatua with the historical background and tikanga of

the takiwa and Whanganui kawa, the Secretary and the Operations Manager making a total of seven, as currently.

There was some discussion but reaction was largely negative to the idea.

Any other business

Tulua Gardiner presented a case for expanding the kaumatua travel koha to members of a Whanau Trust. She pointed out that people had been encouraged not to split family shareholdings any further but by adhering to the wishes of the Incorporation, the beneficiaries were disadvantaged with regard to this koha.

There was discussion with the view generally supportive.

Resolved:

“That the beneficiaries of Whanau Trusts attending an AGM of the incorporation have the same rights as other shareholders with regards to the kaumatua travel koha.”

Tulua Gardiner/Barney Haami
Carried

Whanganui Trust

The Whanganui Trust Annual Report was circulated and the Chairman, Ms Hari Benevides, delivered her report.

Financial Performance

- Revenue for the year was \$146.8k with costs \$15.5.
- Grants for the year totalled \$35.8k leaving a net surplus of \$95.4k.

Financial Position

- The equity of the Trust increased by \$95.5k this year.
- Investments have increased by \$129.4k to \$1.05m.
- Unclaimed dividends have increased by \$113.3k to \$626k.
- Working Capital increased by \$79.3k to \$104.2k.

The Chairman also referred to the financial support from the Trust for the forthcoming River Queen premiere.

Te Uta Hibbard expressed concern that the Chairman’s Report was not in print. She then went on to thank the Trust on behalf of her daughter who had been a recipient of a Scholarship.

There was discussion about the \$30,000 support for the River Queen premiere. Josephine Maniapoto stated that she saw the funding as “an investment” and one well worth making given the possible upside for the region.

Concern was also expressed about the unclaimed dividends and the Secretary said that the issue was “live” and work to get addresses was on-going.

Resolved:

“That the Chairman’s report be received.” - Tulua Gardiner/Esther Tinirau

Floor Elected Trustee - Nominations

Josephine Maniapoto Nominated Debbie Te Riaki Seconded Meterei Tinirau
Te Uta Hibbard Nominated Mark Gray Seconded Rana Waitai

The nominations be closed: Debbie Te Riaki/Mary Phillips

Josephine Maniapoto was declared the winner on a show of hands.

Finally the Chairman acknowledged the roles and contributions of Lex Moodie and Meterei Tinirau in their roles as Secretary/Accountant and Chairman respectively.

The meeting closed with a karakia delivered by Mark Gray.

Chairman's Report

Manaaki Whenua, Manaaki Tangata, Haere Whakamua *(Care for the Land, Care for the People, Go Forward)*

The first Committee of Management was made up of seven people entrusted by the then owners with the kaupapa of our Tupuna - to get back the land, hold onto it and create an economic base to contribute to our wellbeing. They accepted their inherent responsibilities and incorporated our land, thus ensuring we would never be alienated and would always belong. It is with pride that I acknowledge their contribution to Morikau and I pay tribute to them today.

In order to move forward it is important for us to know and understand the past; only then can we acknowledge what has gone before and learn from it. In order to learn we have to first own it and only then are we able to fix it. This Board went back to the start, did a stock count and an assessment of Morikau Station. It was blatantly obvious that the state of the property was one of extreme neglect. Fences were not stock proof, staff accommodation was rundown and in urgent need of repair. In fact all the buildings were desperately in need of basic repairs and maintenance.

Investigation revealed the woolshed's leaking guttering had been flooding the foundations and had rotted out the H section steel joists holding up the shed. After removal of more than a metre of sheep waste it was discovered that the joists were up to 80% rusted away! The potential for disaster was horrific.

Mike Tosi was appointed as Manager in February and hit the ground running. Mike and his wife Teresa have yet to pause for breath! As fast as they sorted out one problem there were more. I can now report we have addressed the most serious of the historical issues. This Board and the staff take great pride in our achievements to date but we are deeply conscious of the need to restore our asset to its full potential. We will all once again be able to take pride in Morikaunui Station being the "Jewel in the Crown" of the Whanganui River.

An important part of that pride is our relationship with the community. Morikau Station is the major local employer and we need to build and maintain our relationships within the community. To attract and retain capable staff we must ensure that they and their families feel welcome. We recognize the importance of a viable and well resourced school and to assist we are sponsoring a satellite internet connection for the school.

We are fortunate to have the services of our farm consultant Peter Bailey and our farm advisor Manson Bell who work with Mike on a regular basis. Our goal is to achieve a cash operating surplus of \$650,000 within three to five years, with the planned capital development funded from station cash-flows. Our investment in paddock sub-division has enabled better pasture management resulting in grass covers being one year ahead of projections. The financial benefits have already started within less than six months of the work being done. This allowed us to purchase 120 yearling cattle that were sold three months later at a 100kg weight gain, realising a profit of around \$240 per head.

Docking has been completed and I can report that our lambing percentage has increased to an historical high of 133%.

The reported loss of just under \$270,000 for 2005/6 financial year highlights the consequences of the issues I have already referred to. Added to this is that the resignation of two long term staff members exposed us to an excessive liability for Leave that had either not been taken or not recorded. We are now confident that the considerable sums spent on dealing with these historical issues have got the station to a point from where growth can be achieved. The determination by your Board to address these issues has greatly increased the confidence of the station management and staff in their future. In the past the staff have had to work in less than ideal conditions and without the benefit of a plan.

Shareholder approval at the mid year Hui saw two changes relating to governance. Firstly, the "Committee of Management" is now known as the "Board". Secondly, the members' retirement rotation anomaly has been dealt with by the Board. In 2006 Don Robinson and Jimmy Edmonds, 2007 Ann Waitai, Wiremu Konui, and Rangipo Mete Kingi and in 2008 Tema Butler and I will retire by rotation.

Don Robinson who retires this year after 9 years, is not seeking re-election. On behalf of the Board I thank him and wish him well for the future.

This year has seen many challenges that have strengthened our resolve to meet and deal with whatever lies ahead with confidence for the future. This has been achieved by a united Board that supports the individual and the collective, has set goals and is focused on achieving them.

To my fellow Board members, our invaluable Secretary Harvey, Frances and Keri, Mike and Teresa and all the Morikau Station staff, I thank you for your support and hard work during the year. You are all important to the growth and development of the Incorporation in delivering the vision to shareholders. And last but not least, I thank you the shareholders for your support of Morikaunui Incorporation.

Hari Benevides (Ms)
Chairman

MORIKAUNUI INCORPORATION

Index to the Financial Statements

For The Year Ended 30 June 2006

	Page
Audit Report	I
Statement of Financial Position	II
Statement of Movement in Equity	III
Statement of Financial Performance	IV
Schedule of Investments	V
Station Profit and Loss Analysis	VI
Cashflow Statement	VII
Reconciliation with Operating Surplus	VIII
Taxation Statement	IX
Statement of Accounting Policies	X-XII

AUDIT REPORT

To the Members of Morikaunui Incorporation.

We have audited the financial report on pages II to XII. The financial report provides information about the past financial performance of the Incorporation and its financial position as at 30 June 2006. This information is stated in accordance with the accounting policies set out on page X to XI.

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 2006 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 II to XII.
 - complies with generally accepted accounting practice;
 - gives a true and fair view of the financial position of the Incorporation as at 30 June 2006 (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 31 October 2006 and our unqualified opinion is expressed as at that date.

Sewell & Wilson Ltd

Chartered Accountants
Wanganui

MORIKAUNUI INCORPORATION

Statement of Financial Position

as at 30 June 2006

2005		Notes	2006
\$	Current Assets		\$
12,082	Cash at Bank		80,301
244,870	Accounts Receivable		93,479
172,218	Wool on Hand		70,924
39,358	Income Tax Refund Due		114,553
4,813,351	Livestock		2,601,104
5,281,879	Total Current Assets		2,960,361
	Fixed Assets		
1,000,638	Farms - Land Buildings & Improvements	2/5	6,057,881
869,000	Commercial Buildings	2/5	780,000
336,875	Plant, Vehicles & Sundry	2	322,692
2,206,513	Total Fixed Assets		7,160,573
2,230,072	Investments		4,444,681
9,718,464	Total Assets		14,565,615
	Liabilities		
	Current Liabilities		
249,697	Accounts Payable	486,332	
184,149	Provision for Dividend	1,142,190	
10,919	Provision for Tribal Purpose	12,500	
15,755	GST Due		
460,520	Total Current Liabilities		1,641,022
\$ 9,257,944	Net Assets		\$12,924,593

MORIKAUNUI INCORPORATION
Statement of Equity
for the Year Ended 30 June 2006

2005		2006
\$		\$
	Represented by Equity of:	
7,940,185	Equity at 30 June 2005	7,756,036
184,149	Less Provision for Capital Dividend	1,142,190
<u>7,756,036</u>	Equity Available for Distribution Tax Free	<u>6,613,846</u>
	 Equity Available Distribution Post 30 June 2005	
	Equity at 30 June 2005	1,501,908
141,683	Profit for year	(269,669)
65,336	Capital Profits	83,100
	Revaluation of:	
222,500	Investment Properties	(55,761)
1,082,527	Livestock	(603,490)
	Farm Land & Buildings	5,676,328
	Shares	2,831
9,781	Interest on Scholarship Funds	-
<u>1,521,827</u>		<u>6,335,247</u>
	Less Distributions	
9,000	Scholarships	12,000
10,919	Whanganui Trust Distribution	12,500
<u>19,919</u>		<u>24,500</u>
1,501,908	Equity Available Distribution Post 30 June 2005	6,310,747
<u>\$ 9,257,944</u>		<u>\$12,924,593</u>

MORIKAUNUI INCORPORATION
Summarised Statement of Financial Performance
for the Year Ended 30 June 2006

2005		2006
\$	Income was Received from the following sources:	\$
2,095,996	Farms - Gross Income	1,282,483
1,819,385	Farm Expenses	<u>1,583,067</u>
276,611	Net farm Income	(300,584)
94,132	Rent from Properties	95,953
124,154	Interest and Dividends	352,848
4,786	Other Income	<u>20,185</u>
<u>223,072</u>		<u>468,986</u>
499,683	Total Income	168,402
	Less Expenses:	
186,230	Administration, Governance & Shareholders Meetings	335,896
20,078	Farm Training	-
121,139	Other Administration Costs	102,175
<u>327,447</u>		<u>438,071</u>
172,236	Net Surplus before Taxation	(269,669)
	Less:	
30,553	Provision for Taxation	
<u>\$ 141,683</u>	Net Surplus After Taxation	<u>\$(269,669)</u>

MORIKAUNUI INCORPORATION

Schedule of Investments

As at 30 June 2006

	2006	2005
	\$	\$
Bank of New Zealand Term Deposits		
Term Deposit - 7.30% due 11/11/2006	35,365	233,525
Term Deposit - 6.87% due 29/08/05	-	750,000
Term Deposit - 7.28% due 19/07/2006	3,090,557	-
	<u>3,125,922</u>	<u>983,525</u>
N Z Wool Services International		
24675 Shares	12,831	7,931
Ravensdown Fertiliser Co-operative		
125796 Ordinary Shares paid to \$1	125,796	119,868
PPG Wrightson Ltd.		
3034 Ordinary Shares	6,735	4,524
National Bank of NZ Ltd		
Client Funds Trust Account @ 6% on call	7,533	7,209
Term Deposit (1001) @ 7.0% due 19/10/2006	132,748	124,381
Term Deposit(1002) @ 7.0% due 15/12/2006	64,130	60,942
Term Deposit(1003) @ 7% due 19/10/2006	133,628	125,188
	<u>338,039</u>	<u>317,720</u>
Wool Equities Ltd		
9305 \$1 Shares Fully Paid	5,025	9,305
Hanover Finance		
Term Deposit 8.75% due 22/05/08	300,752	281,439
South Canterbury Finance		
Term Deposit 8.25% due 19/05/08	269,138	256,269
Deposit on call	260,443	249,491
	<u>529,581</u>	<u>505,760</u>
<u>Total Investments</u>	<u>\$ 4,444,681</u>	<u>\$ 2,230,072</u>

MORIKAUNUI INCORPORATION
 Station Financial Performance Analysis
 for the year ended 30th June 2006

	Morikau	Te Paenga	2006	2005
	\$	\$	Total	Total
			\$	\$
Gross Profit - Cattle	362,087	14,544	376,631	487,847
Gross Profit - Sheep	443,307	231,449	674,756	1,069,908
Net Proceeds - Wool	191,622	30,108	221,730	528,532
Sundry Income	8,098	1,268	9,366	9,709
	<hr/> 1,005,114	<hr/> 277,369	<hr/> 1,282,483	<hr/> 2,095,996
Farm Working Expenses	828,857		828,857	1,148,032
Pasture & Maintenance	599,163		599,163	452,670
Administration & Standing	112,936		112,936	122,441
Depreciation	67,170	(25,059)	42,111	96,242
	<hr/> 1,608,126	<hr/> (25,059)	<hr/> 1,583,067	<hr/> 1,819,385
Profit/(Loss)	<hr/> \$(603,012)	<hr/> \$ 302,428	<hr/> \$(300,584)	<hr/> \$ 276,611

MORIKAUNUI INCORPORATION
Cashflow Statement
for the year ended 30th June 2006

<u>2005</u>		<u>2006</u>
\$		\$
	<u>Cash Flow from Operating Activities</u>	
	Cash was provided from -	
984,759	Morikau Station	-
328,457	Te Paenga Station	2,182,360
2,416	Dividends Received	962
71,128	Interest Received	150,957
182,322	Rent Received	111,450
13,368	GST Received	69,417
127,168	Taxation Refund	-
<u>1,709,618</u>		<u>2,515,146</u>
	Cash was applied to -	
-	Morikau Station	492,249
454,670	Administration	339,108
-	Interest Paid	10,092
-	Taxation Paid	32,535
<u>454,670</u>		<u>873,984</u>
1,254,948	Net Cash Available from Operating Activities	1,641,162
	<u>Cash Flow from Investing Activities</u>	
	Cash was provided from -	
248,372	Investments Realised	1,450,000
16,444	Assets Realised	1,001,968
<u>264,816</u>		<u>2,451,968</u>
	Cash was applied to -	
321,001	Assets Purchased	347,131
750,000	Investments Made	3,500,000
<u>1,071,001</u>		<u>3,847,131</u>
(806,185)	Net Cash Available from Investing Activities	(1,395,163)
	<u>Cash Flow Applied to Financing Activities</u>	
112,341	Dividend Paid	125,781
	Advance Whanganui Trust	40,000
13,224	Tribal Purposes Grant	
15,000	Scholarships Paid	12,000
<u>140,565</u>		<u>177,781</u>
(140,565)	Net Cash Used in Financing Activities	(177,781)
<u>308,198</u>	Net Increase/(Decrease) in Funds Held	68,218
(296,115)	Add Opening Bank Balance	12,083
<u>\$ 12,083</u>	Closing Bank Balance	<u>\$ 80,301</u>

MORIKAUNUI INCORPORATION
 Reconciliation with Reported Operating Surplus
 as at 30 June 2006

	\$	\$
Reported Surplus		(269,669)
Less Provision for Taxation		<u>(269,669)</u>
Adjustment for Non Cash Items -		
Depreciation	40,826	
Stock Movement	1,667,238	
Compounded Interest	(155,852)	
Bonus Shares	(5,928)	
Fertiliser Rebate	<u>(15,484)</u>	
		1,530,800
Movement in Working Capital -		
Accounts Receivable	14,585	
Accounts Payable	233,090	
GST	47,063	
Income Tax	(75,195)	
Wool on Hand	<u>101,293</u>	
		320,836
Items Reclassified -		
Fixed Assets	-	
Interest Offset	(10,092)	
Scholarships Paid from Interest		
Dividend	69,287	
Tribal Purposes	-	
Rebate	<u>-</u>	
		<u>59,195</u>
Net Cash Used in Operating Activities		<u><u>\$ 1,641,162</u></u>

MORIKAUNUI INCORPORATIONTAXATION STATEMENT 2006

Loss as per Accounts		\$	269,669
Plus Depreciation on Commercial Buildings	<u>14,104</u>		
			<u>283,773</u>
Plus			
Livestock Tax Adjustments			
Morikau Station	(194,408)		
Te Paenga Station	<u>187,842</u>		
		(<u>6,566)</u>
			277,207
			<u>277,207</u>
Net Taxable Loss		\$	<u>277,207</u>

MORIKAUNUI INCORPORATION
Notes to the Financial Report
for the period ended 30 June 2006

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. Commercial 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 property which has not been depreciated.

Freehold Land and Leasehold Land:

Freehold Farm Land and buildings have been revalued to 2005 Rateable valuation.

Investment Property:

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

The property is jointly owned by Atihau-Whanganui Incorporation and Morikaunui Incorporation. The Properties was revalued by Bycroft Petherick on 26/06/2006 to market value as at 30/06/06 of \$780,000 for a ½ share.

Operating Revenue:

Gross operating revenue for the year was \$3,631,265

MORIKAUNUI INCORPORATION
Notes to the Financial Report (cont'd)

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 have been no changes to accounting policies this year.

2. FIXED ASSETS

Fixed Asset	Cost	Accumulated Depreciation	Book Value 30/6/06	Book Value 30/6/05
Freehold				
Improvements*	5,638,402	7,019	5,631,383	498,570
Tree Planting	2,681	-	2,681	2,681
Buildings*	1,391,990	188,173	1,203,816	1,261,671
Bridges	260	260	-	106,715
Plant & Machinery	126,184	82,050	44,134	71,907
Furniture & Fittings	40,153	14,576	25,577	41,058
Motor Vehicles	<u>379,054</u>	<u>126,072</u>	<u>252,981</u>	<u>223,911</u>
	<u>\$7,578,994</u>	<u>\$418,150</u>	<u>\$7,160,573</u>	<u>\$2,206,513</u>

* Takes into account re-valuations.

3. TE PAENGA STATION

All interests in Te Paenga Station were sold during the year and the lease held was surrendered.

4. RELATED PARTY INFORMATION

Related party matters arise with Atihau-Whanganui Incorporation and Whanganui Trust.

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. 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

2005 Government Valuation of Freehold Land – 12,606 acres	6,057,881
Market Valuation Investment Properties (½ share) @ 30/6/06	780,000
Book Value Plant, Equipment, Vehicles & Other Assets	<u>322,692</u>
	<u>\$7,160,573</u>

MORIKAUNUI INCORPORATION
Notes to the Financial Report (cont'd)

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 Incorporation's half share interest in the property.

8. EVENTS SINCE BALANCE DATE

There have been no significant events since balance date.

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.