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Annual Report and Financial Statements

For the year ended 30 June 2011

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the **Morikaunui Incorporation** will be held at the Memorial Hall, Whanganui on Thursday 8th December 2011 commencing at 10:00 am (tea & coffee will be served from 9:30am).

AGENDA

1. Mihimihi
2. Karakia
3. Apologies
4. Minutes of the 2010 AGM
5. Matters arising
6. Chairman's Report
7. Financial Report
8. Election of Board members: Hari Benevides and Tema Butler are retiring by rotation and there being no other nominations are duly re-elected.
9. 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, Sewell and Wilson Limited are automatically re-appointed pursuant to s277 (2) of Te Ture Whenua Maori Act 1993.
10. 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 Valuers."
11. Dividend
"That the payment of a dividend of \$2.00 per share as recommended by the Committee of Management be approved pursuant to s259 (1c) of the Act."
12. Special Resolution
"That the Constitution be amended to reflect (i) the date by which nominations must be received for the Committee of Management prior to a forthcoming AGM be changed from 31 October to 30 September; and (ii) that the date by which any Committee of Management member who is required to retire by rotation advises the Secretary in writing that he or she does not wish to seek re-election at the forthcoming AGM be changed from 31 October to 30 September."
13. Any other business

Whanganui Trust

1. The Whanganui Trust Chairman's Report
2. Discussion about the report.
3. Nominations and then a show of hands for a floor member to the Whanganui Trust.

Harvey Bell
Secretary

Morikaunui Incorporation

Explanation for the Special Resolution

Many shareholders over the years have asked if dividends can be paid earlier but the time-lines from the CoM nomination date to the date of the AGM have been too tight to safely schedule a meeting earlier than around 28 November.

The process is :

- audit completed and financials finalised;
- receipt of any CoM nominations;
- finalising the Annual Report to include the Agenda and the various accompanying forms (Proxy, Postal/Meeting voting form) with the CoM candidates listed;
- getting to the printers;
- printing;
- getting into the post 23 days prior to the meeting (if there is a Special Resolution), 16 days otherwise.

For any Resolutions (including the approval of the Dividend) to be unchallengeable in the Māori Land Court, the Notice period to shareholders as specified in the Constitution must be met, hence the need to err on the side of caution when setting the meeting date.

Giving another 30 days will allow us to have the AGM as early as the end of the second week in November.

Chairman's Report

Tēnā koutou nga rangitira

The highlight of the year was in May when, in response to the call at last year's AGM, we celebrated 100 years of continuous farming on the Morikau Station land. About 180 people attended the dinner and dance at the Memorial Hall and a fantastic time was had by all. The evening was made possible by the generous support of a group of sponsors who are all acknowledged in a History booklet written by Dr Penny Robinson. *[A copy is downloadable from our website www.morikau.com.]*

From a financial perspective, we ended with a loss of \$50,788. Although this is a significant improvement from last year's loss by around \$190,000, it is nevertheless disappointing. Stock prices were high - we averaged \$106 for lambs (against \$73 last year) and wool prices also improved to \$2.95 per kilogram. While there is still some way to go in terms of wool prices before it is a major contributor to profit, as sustainability becomes a demand driver for consumers globally the future for wool looks optimistic.

The station is still plagued by unacceptably high deaths & missing and getting to the bottom of this is a primary focus of our new manager Nigel McLeod who is determined to make a difference. He and his wife Lisa arrived at the end of October. Nigel has been managing a Māori Trust block east of Rotorua for five years and has considerable experience in managing large sheep and beef properties. Nigel has already implemented measures to improve mustering on the station with a return to the use of horses in addition to the bikes.

As signalled at last year's AGM, security measures have been put in place on the station. Motion activated cameras will now monitor traffic in and out of the station and strategic points are also camera monitored.

The year ahead looks promising with predictions of continuing good prices and having got through lambing and calving without the devastating storms of last year, the stage is set for a much improved performance.

The new Manager will report directly to next year's AGM and we look forward to significant improvement of stock performance under his experienced management.

I thank the staff for their support and pay tribute to my fellow Committee members and the office staff for their hard work and support for the last year.

Finally, I'd like to wish everyone a Merry Christmas and Happy New Year.

Heoi Nei

Ko te Tiamana

Ko Hari Benevides

Me Te Komiti Whakahaere

On behalf of the Committee of Management

MORIKAUNUI INCORPORATION

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STATEMENT OF FINANCIAL PERFORMANCE ANALYSIS

FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
Gross Profit - Cattle	428,465	188,242
Gross Profit - Sheep	615,487	607,444
Gross Profit - Wool	305,710	84,948
Sundry Income	39,085	8,739
Proceeds from Farming Operations	1,388,746	889,373
Change in Livestock Numbers	37,847	363,442
Gross Farm Income/(Loss)	1,426,593	1,252,815
Farm Working Expenses	819,355	786,162
Pasture Maintenance	161,293	127,736
Administration & Standing Charges	132,842	111,913
	1,113,489	1,025,811
Net Farm Income/(Loss)	313,104	227,004

The above Statement of Financial Performance should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
		\$	\$
Income was Received from the following sources:			
Proceeds from Farming Operations	1,388,746		889,373
Change in Livestock Numbers	37,847		363,442
Gross Farm Income/(Loss)		1,426,593	1,252,815
Farm Expenses		(1,113,489)	(1,025,811)
Net Farm Income/(Loss)		313,104	227,004
Interest and Dividends	30,561		58,396
Other Income	2,324		227
		32,886	58,623
Total Income/(Loss)		345,990	285,627
Less Expenses:			
Governance & Shareholder Meetings	179,298		246,825
Accountancy & Consultancy	74,276		81,621
Centennial Expenses (Net)	17,253		-
Audit Fees	12,507		9,379
		283,334	337,826
Net Surplus/(Deficit) before Cost of Finance & Depreciation		62,656	(52,199)
Less			
Cost of Finance			
Interest		11,510	18,090
		51,145	(70,289)
Less			
Depreciation		101,933	170,270
Net Surplus/(Deficit) Before Taxation		(50,788)	(240,559)
Less			
Provision for Taxation		-	-
Net Surplus/(Deficit) After Taxation		(50,788)	(240,559)

The above Statement of Financial Performance should be read in conjunction with the accompanying notes

STATEMENT OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

	2011	2010
	\$	\$
Opening Balance 30 June	6,194,266	6,194,266
Provision for Dividend	(93,240)	-
Dividend Paid	(69,930)	-
Equity Available for Distribution Tax Free	6,031,096	6,194,266
Equity Available for Distribution Post 30 June 2008		
Opening Balance 30 June	5,544,377	5,761,704
This Year's Loss	(50,788)	(240,559)
Revaluation of		
Farmland and Buildings	(1,037,778)	-
Capital Gain on Sale of Shares	-	847
Prior Period Tax Loss Adjustment	(89)	(194)
Capital Gain on Final Wool Board Distribution	5,403	-
Livestock	1,559,397	82,647
Shares - Revaluation	21,280	(14,233)
Unclaimed Dividend Reconciliation	1,093	(20,336)
	6,042,895	5,569,876
Less Distributions		
Scholarships	12,000	13,000
Whanganui Trust Distribution	12,500	12,500
	24,500	25,500
Equity Available Distribution - Taxable	6,018,395	5,544,376
	12,049,491	11,738,642

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

	Note	2011 \$	2010 \$
Equity		12,049,491	11,738,642
REPRESENTED BY:			
FIXED ASSETS			
Farm Land, Buildings & Improvements	2	6,881,919	7,895,723
Plant, Vehicles & Sundry	2	192,469	223,079
Total Fixed Assets		7,074,388	8,118,802
INVESTMENTS		600,102	758,812
CURRENT ASSETS			
Cash at Bank		128,391	-
Livestock		4,536,653	2,939,409
Wool on Hand		-	5,411
Accounts Receivable		115,209	123,163
Tax Refund Due		1,998	12,223
Total Current Assets		4,782,251	3,080,206
LESS			
CURRENT LIABILITIES			
Cash at Bank		-	3,579
Accounts Payable		266,103	201,326
Provision for Whanganui Trust		12,500	12,500
Provision for Dividend		93,240	-
Goods & Services Tax		35,406	1,773
Total Current Liabilities		407,249	219,178
WORKING CAPITAL		4,375,002	2,861,028
NET ASSETS		12,049,491	11,738,642

The above Statement of Financial Position should be read in conjunction with the accompanying notes

SCHEDULE OF INVESTMENTS

AS AT 30 JUNE 2011

	2011	2010
	\$	\$
BNZ T.D 3012 @ 7.75% due 19/09/09	-	300,000
Farm First Call Account	120,008	-
Ravensdown Fertiliser Co-Operative - 141,212 Shares	141,392	141,392
PGG Wrightson Ltd - 3,538 Shares	1,663	1,804
Innate Therapeutics - 13,481 Shares	1,348	1,348
Direct Property Investments - 2200 Shares	321,200	305,822
NZ Wool Services International - 24,675 Shares	12,338	7,896
Farmlands Co-Operative	550	550
Balance Agri-Nutrients Limited - 229 Shares	1,603	-
Total Investments	600,102	758,812

RECONCILIATION OF REPORTED OPERATING SURPLUS

AS AT 30 JUNE 2011

		2011
		\$
Reported Deficit		(50,788)
Adjustment for Non Operating Items		
Depreciation	101,933	
Stock Movement	(37,847)	
Compound Interest	(7,986)	
Interest Paid	11,510	67,610
Movement in Working Capital		
Accounts Receivable	13,366	
Accounts Payable	65,461	
GST	33,633	
Income Tax	10,224	122,684
Net Cash Used in Operating Activities		139,506

STATEMENT OF CASHFLOW

AS AT 30 JUNE 2011

	2011	2010
	\$	\$
Cash Flows from Operating Activities		
Gross Receipts from Farm Production	1,513,528	990,976
Other Income	129,062	41,619
Grants Received	-	1,740
Taxation (receipt)	(89)	(194)
<i>Cash was applied to</i>		
Cost of Goods Sold	(235,334)	(169,939)
Payments to Farm Suppliers	(672,648)	(597,942)
Payments to Employees	(286,388)	(313,518)
Administration & Governance Costs	(308,625)	(337,826)
Net Cash from/(used in) operating activities	139,506	(385,084)
Cash flows from investing activities		
Proceeds from sale of property, plant &	61,096	20,978
Proceeds from Investments realised	185,394	677,197
<i>Cash was applied to</i>		
Acquisition of property, plant & equipment	(156,395)	(114,330)
Purchase of Investments		
Net Cash from/(used in) investing activities	90,095	583,845
Cash Flow from Financing Activities		
Interest Received	7,986	35,820
Dividends Received	1,060	269
<i>Cash was applied to</i>		
Interest Paid	(12,246)	(18,352)
Distribution to Shareholders	(69,930)	(139,860)
Tribal Purposes	(12,500)	(12,500)
Scholarships Paid	(12,000)	(13,000)
Net Cash from/(used in) financing	(97,630)	(147,623)
Change in Bank Balance	131,971	51,138
Add Opening Bank Balance	(3,579)	(54,717)
Closing Bank Balance	128,392	(3,579)

CALCULATION OF PROFIT FOR TAXATION PURPOSES

AS AT 30 JUNE 2011

		2011
		\$
Taxable Loss From Financial Performance		(50,788)
Add Bank - Non Assessable Income		
PIE Income		21,515
		(72,303)
Less Non Deductible Expenses		
Donations/Koha		1,150
		(71,153)
Add Back		
Depreciation on Development Expenditure		(62,318)
		(8,835)
Plus Livestock adjustments		
Morikau Station - movement in numbers	(37,847)	
Plus Adjustment for Herd Scheme Revaluation		
Sheep	197,139	
Cattle	(144,768)	14,524
		5,689
Less		
Developmant Expenditure		88,328
Taxable Income/Loss		(82,639)
Loss carried forward from prior year		(2,734,581)
Total Losses available for future years		(2,817,220)

MORIKAUNUI INCORPORATION

Notes to the Financial Report
for the year ended 30 June 2011

1. STATEMENT OF ACCOUNTING POLICIESReporting Entity:

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

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

Measurement Base:

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

SPECIFIC ACCOUNTING POLICIES

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

Accounts Receivable:

Accounts Receivable are recorded at estimated net realisable value.

Investments:

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

Livestock on Hand:

Livestock are recorded at Market Value. A separate calculation has been undertaken for tax purposes using Herd Values.

Fixed Assets:

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

Depreciation

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

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

Freehold Land :

Freehold Farm Land and Buildings have been revalued to the Quotable Value valuation dated 01 September 2010.

Charges over Assets :

The Bank Of New Zealand overdraft facility (limit \$300,000) is secured over livestock.



Operating Revenue:

Gross operating revenue for the year was \$1,503,249. (2010: \$1,003,834)

Taxation:

Provision has been made for all known taxation liabilities. Taxation losses of \$2,817,220 (2010: \$2,734,126) are available to offset against future income.

Goods and Services Tax:

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

CHANGES IN ACCOUNTING POLICIES

Livestock has been valued in the financial statements using Market Values .Previously National Average Market Values were used. There have been no other changes in accounting policies in the year under review.

2. FIXED ASSETS

Fixed Asset	Cost/ Revaluation	Accumulated Depreciation	Book Value 30/6/11	Book Value 30/6/10
Freehold				
Improvements	5,741,499	43,807	5,697,692	6,349,586
Development	686,256	205,794	480,462	454,452
Buildings	868,021	171,613	696,408	1,091,685
Bridges	260	260	-	-
Plant & Machinery	217,250	150,473	66,777	81,989
Furniture & Fittings	50,338	39,497	10,841	13,788
Motor Vehicles	274,962	152,754	122,208	127,302
	<u>\$7,838,586</u>	<u>\$640,800</u>	<u>\$7,197,786</u>	<u>\$8,118,802</u>

3. RELATED PARTY INFORMATION

Related party matters arise with The Whanganui Trust.

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

4. DEVELOPMENT EXPENDITURE

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

5. CONTINGENT LIABILITY

The Incorporation is currently milling pre 1990 forests which do not qualify for exemption from the Emissions Trading Scheme. The obligation to replant is estimated to cost between \$50,000 and \$60,000 which is unlikely to be covered by the current harvest proceeds. (2010:Nil)

6. CAPITAL COMMITMENTS

There are no capital commitments. (2010:Nil)

7. EVENTS SINCE BALANCE DATE

There have been no significant events since balance date.

8. FINANCIAL INSTRUMENTS

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

The Incorporation does not require collateral from customers.

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

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

9. MAORI AUTHORITY TAX CREDIT

The balance at the year end was \$75,118.25. (2010 \$72,250.24).



AUDIT REPORT

TO : The Members of Morikaunui Incorporation

Report on the Financial Statements

We have audited the financial statements of Morikaunui Incorporation on pages 1 to 7 and 9 to 11, which comprise the Statement of Financial Position as at 30 June 2011, the Statement of Financial Performance, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Committees' Responsibilities for the Financial Statements

The Committee are responsible for the preparation of financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view of the matters to which they relate 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

DIRECTORS: Douglas Wilson B.C.A., C.A., Peter Redpath B.B.S., C.A.

ASSOCIATE: Grant Benson B.B.S., C.A. **CONSULTANT:** Michael Sewell F.C.A.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

Opinion

In our opinion, the financial statements on pages 1 to 7 and 9 to 11:

- Comply with generally accepted accounting practice in New Zealand
- Give a true and fair view of the financial position of Morikaunui Incorporation as at 30 June 2011 (including the estimated current market value of assets as required by Section 276(4)(c) of the Te Ture Whenua Maori Act 1993 and its financial performance and its cash flows for the year ended on that date.
- The Share Register and Index of Shareholder required by Section 263 of the Te Ture Whenua Maori Act 1993, has been compiled and correctly kept by the Incorporation

Report on Other Legal and Regulatory Requirements

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

In our opinion proper accounting records have been kept by Morikaunui Incorporation as far as appears from an examination of those records.

Sewell and Wilson Ltd

Sewell & Wilson Ltd

Chartered Accountants
Wanganui

21 October 2011

Morikaunui Incorporation
For the year ended 30 June 2011

Governance & Shareholder meetings

Governance	\$45,847
Governance admin & support	53,563
Office support	37,393
Operations support	3,902
Shareholder meetings	22,735
Travel reimbursement	16,158
	<hr/>
	\$179,598

Committee fees and travel

	Fees	Travel
Hari Benevides	\$20,250	\$6,573
Ann Waitai	5,100	4,926
Tema Butler	4,200	986
Bob Gray	4,800	2,326
William Konui	5,450	3,602
Jim Edmonds	5,400	1,581
Turama Hawira	3,000	254
	<hr/>	<hr/>
	\$48,200	\$20,248

Farm Performance Analysis

	2011	2010
Net sale proceeds		
Sheep per head	\$106	\$73
Cattle per head	997	775
Wool per kg	2.95	1.87

Effective farm surplus

<u>Effective area</u> 2,376 hectare		
Gross farm income per hectare	\$584	\$374
Farm operating expenses per hectare	469	432
Effective surplus per hectare	89	25
Gross farm income per stock unit	58	38