

Morikaunui Incorporation

DIRECTORY

Committee of Management:

Hari Benevides (Ms) - Chairman

Jimmy Edmonds

William (Bill) Konui

Turama Hawira

Robert (Bobby) Gray

Kataraina Millin

Harvey Bell

Secretary: Harvey Bell

Accountants: Balance Chartered Accountants Ltd
Chartered Accountants, Whanganui

Auditors: Spooner, Hood and Redpath Ltd, Whanganui
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 Friday 10th November 2017 commencing at 10:00 am (tea & coffee will be served from 9:30am).

AGENDA

1. Mihimihi
 2. Karakia
 3. Apologies
 4. Minutes of the 2016 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 10th of November 1957.”
 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 \$9,000 be made on account of Education Scholarships.”
- Note:** Hari Benevides and Harvey Bell 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 Memorial Hall on Friday 18th November, 2016 commencing at 10:00am.

Turama Hawira deliver the mihimihi and a karakia to commence the meeting.

Apologies

The Chairman called for apologies.

Aria Tauroa, Hinewai Howard, Patricia Jackson, Reo Rata Munro, Dorothy June Taiaroa, Peti Broadfoot, Kerri Wilson, Sharon Smeaton, Whatarangi Murphy-Peehi, Bubs Hibbard, Elizabeth Morehu, Richard Morehu, Oriwa Haddon, Rhipeti Wharekauri Mihiterina, Honetana, Wayne Menehira, Pine Hartley, Wilson Smith, John Waitai, Manson Bell

Olive Kawana/Hera Peina

Carried

Any other business items

The Chairman asked for general business items to be tabled now to be discussed at the end.

On behalf of the Wainuiarua Hiriti Whanau Trust a discussion on the use of 1080 was sought.

Minutes

“That the Minutes of 12 November 2015 as circulated are a true and correct record.”

Harvey Bell/Agnes Tomblinson

Carried

Matters arising

There were none.

Chairman's Report

- There were two factors that have adversely impacted on our overall result - the June 2015 weather bomb and severe facial eczema in our sheep.
- In line with requests from owners for many years, our manager is using locals for many of the regular station activities such as shearing, dagging, spot weed control, etc and it is working very well.
- We have embarked on a major development project on the station which we are very excited about. This will be discussed further in a presentation on the Strategic Plan.
- The key objective is to increase our stock units from 24,000 to 40,000 in 4 to 5 years achieved by re-grassing much of the station, sub-dividing paddocks for better pasture control, better watering from reticulation and improved animal health/welfare outcomes from remote stock handling facilities.
- In conclusion, we are reporting a cash surplus of \$127,614, translating into a loss of \$102,155 after a depreciation charge of \$229,869.
- While this is disappointing, it is reflective of the weather and FE.
- Global uncertainty is not conducive to the current season performing to budget but the situation is being carefully monitored.
- Glenn will go over the financials further on.
- We will now go to Harvey Bell presenting the Strategic Plan for the station.

Strategic Plan

Harvey Bell presented the Strategic Plan for the period 2016 to 2021 based on a proposal from the management team. The aim is to significantly increase gross revenue from an estimated 60% increase in consumable feed delivered as a result of extensive cropping and

re-grassing together with water reticulation from lined storage ponds and sub-division fencing. It has been estimated that 70% of the station could be re-grassed.

Harvey explained that there are well documented correlations between feed consumptions and weight gains likewise feed values of grasses and crops. This meant a theoretical analysis could be undertaken to test the claimed cost/benefits from the plan being proposed. It was because this analysis was positive that the development plan was approved.

Olive Hawira: How much land was lost to slips after last year's storm and how vulnerable are the hills now?

Response: We spent \$40,000 re-grassing and top-dressing the slips. That will help to hold that land. With the improved grazing on the hills we expect the root systems of the grass to be stronger and therefore the hills better protected from slipping.

Question: Why is there 30% that can't be re-grassed?

Response: That is our steeper hills and spraying out the grass on those hills would make them very vulnerable to slipping in the short term so it will probably not be attempted.

Question: Has Morikau adopted the One plan (from Horizons)?

Response: The manager has been working closely with Horizons in terms of fencing off vulnerable water-ways, native bush areas etc. Basically the station is working through its own environmental projects agreed to (and with some funding) by Horizons that is consistent with the One Plan requirements.

Question: Does new grass need to be sown every year?

Response: (The manager), no, we are planting five to seven year grasses.

Slideshow from manager

The station manager introduced himself and his wife Katrina to the meeting giving a summary of his rural roots having been born in the Waitatara Valley and working with his father from the age of around seven.

He went on to say that while he has worked or/managed several large farms, none has excited him as much as Morikau nor have they had the station's potential.

He then presented a pictorial view of the station showing many of the on-going development projects.

Among other things, the slides showed the recently completed three stand dagging facility at the White hut covered yards and the ground-work for the near eight million litre (8,000 m³) lined storage pond nearby.

Question: What level of fencing subsidy can you get from Horizon's?

Response: Between 50% and 70% with up to 100% from Ngā Whenua Rahui.

Question: How many lambs will be sold the season?

Response: We have budgeted for just over 11,000. Last year we sold 16,500 with 3,500 bought in to trade, some after balance date.

Question: What can be done to minimise the risk of facial eczema?

Response: Crops are a big part of the risk management in that FE is solely rye-grass related. We are also buying rams from the Gisborne area that have proven FE resistance.

Resolved:

“That the chairman’s report be received.”

Agnes Tomblinson/Perekawa Turoa Waeroa Whanau Trust

Carried

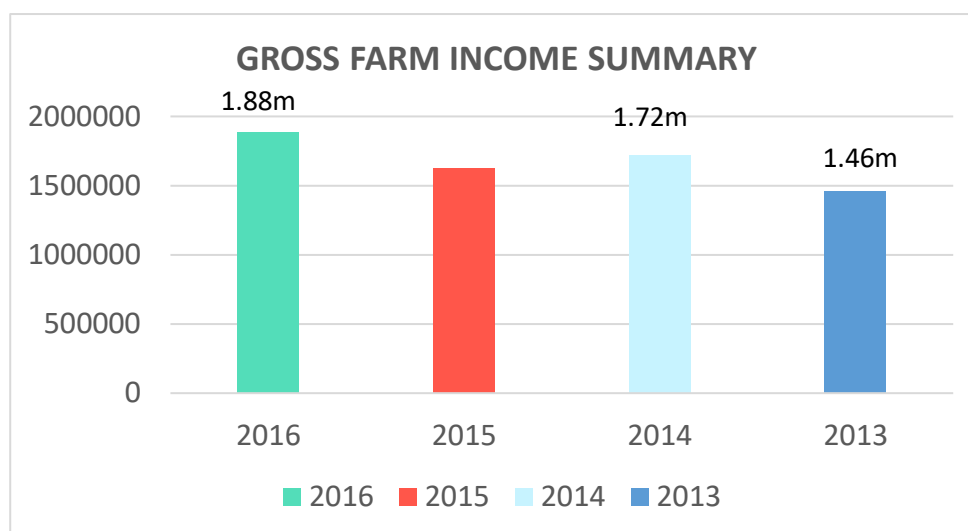
Financial Report

Glenn Brown from Balance Chartered Accountants Ltd presented a series of graphs depicting the financial performance of the incorporation for the financial year ending 30 June 2016.

Key figures:

| | | | | | |
|-------------------------|-------------------------|-------------------------|---------|---------------------|---------|
| <u>Gross revenue</u> | \$1.92m | <u>Operating Exp</u> | \$1.82m | <u>Store damage</u> | \$0.19m |
| <u>NET DEFICIT</u> | \$102.16k | (2015 Surplus \$164.8k) | | | |
| <u>Land & Bldgs</u> | \$8.16m | <u>Other assets</u> | \$6.18m | <u>Liabilities</u> | \$3.15m |
| <u>EQUITY</u> | \$11.19m (2015 \$10.99) | | | | |

He concluded with a graph showing the gross revenues over the last four years.

**Resolved:**

“That the financial report be received.”

Olive Hawira/Joseanna Goodall

Carried

Comments:

- That some Piechart graphs be included in the published report.
- That the font colours on the PPT presentation be darkened to make viewing easier.

Committee of Management Election

B Gray, W Konui and K Millin retired by rotation and offered themselves for re-election. There being no other nominations, they were declared duly 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 (*the firm’s*

new name after merging with Sewell and Wilson) 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.

Resolved:

“That pursuant to s278 of the Act, Balance Chartered Accountants Ltd be re-appointed as Share Valuer.”

Harvey Bell/Olive Hawira

Carried

Dividend

There was no discussion.

Resolved:

“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.”

Agnes Tomblinson/Raukura Waitai

Carried

Kaumaturua grant

There was no discussion.

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 18th of November 1956.”

Betty Tawaroa/Terrie Davey

Carried

Charitable purposes payments

There was no discussion.

Resolved:

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

Harvey Bell/Vera Wilson

Carried

Any other business

- (i) The issue re the use of 1080 had been answered by the manager previously – it is no being used on the station.
- (ii) The question was asked as to whether unclaimed dividend could be distributed to other shareholders. The chairman stated that under the current Act those unclaimed dividends remained a liability if an owner or successor claimed them so the answer is “no”.

The chairman ended the Morikau meeting and commenced The Whanganui Trust meeting.

THE WHANGANUI TRUST

Introduction

- The Trust deed requires the Trustees to report on its finances to the Morikau AGM and to seek nominations for an additional Trustee to be elected by the attendees at that meeting for the ensuing year.
- The Trustees are all the Morikau CoM members plus one “floor” member elected each year at the Morikau meeting with full participation and voting rights.

Chairman’s Report

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

Financial Report

Glen Brown presented the Financial report for the trust by way of graphs.

Key figures:

| | | | | | |
|----------------------|--------|-----------------|---------|---------------|---------------|
| <u>Gross revenue</u> | \$95.5 | <u>Expenses</u> | \$25.9k | <u>Grants</u> | \$42.1k (50%) |
|----------------------|--------|-----------------|---------|---------------|---------------|

| | |
|--------------------|---------|
| <u>NET SURPLUS</u> | \$24.2k |
|--------------------|---------|

| | | | |
|---------------|--------|--------------------|--------------------------------|
| <u>Assets</u> | \$1.8m | <u>Liabilities</u> | \$986.1k (unclaimed dividends) |
|---------------|--------|--------------------|--------------------------------|

| | |
|---------------|--------------------------|
| <u>EQUITY</u> | \$826.8k (2015 \$802.5k) |
|---------------|--------------------------|

Resolved:

“That the financial report be received.”

Harvey Bell/ Perekawa Turoa Waeroa Whanau Trust

Carried

Meeting elected Trustee

The Chairman called for nominations for the “floor” member to become a trustee for the year.

There were two nominees: Caroline Heta and Mariana Waitai.

Both address the meeting after which the Chairman asked for a show of hands for each nominee.

Mariana Waitai had the greater support and declared was duly declared the “floor trustee for the ensuing year”.

All business concluded, the Chairman declared the meeting closed at 12:15pm and invited attendees to stay for lunch.

Morikaunui Incorporation

Chairman's Report to Shareholders

Tēnā koutou Ngā Rangatira

We must always remember the aspirations of our tupuna, the founding Chairman and Committee for Morikaunui; to be commercially sound, resilient, dynamic, strong and provide for the generations to come. Although our journey is similar yet different, the Committee of Management remains focused on the preservation and improvement of our taonga. Our journey continues.

It is always important to pause and reflect on our goals, where we might improve and to reaffirm our direction.

He Titiro Whakamuri (The Year in Review)

To date we have experienced a very wet winter and this has extended into Spring. Our development program has met with some delays as a result as access to the Station has been difficult. The planned development encompasses additional sheep and cattle yards and continued sub-division of our large paddocks.

Despite the challenging weather two major projects are nearing completion – we have a new set of cattle yards near the White Hut which are now operational. The need to supply clean water to our stock has been an historical problem as the dams dry up in the summer. We have built a 9.5 million litre dam which is filled in part from the catchment of the new White Hutt covered yards. It was anticipated that it would take over 2 years to fill but due to the wet conditions since February it is almost full. The water is pumped to higher tanks and reticulated to 128 troughs. As we develop new pastures and continue sub-division the water scheme will be capable of meeting most of our future stock water needs.

The quality of our beef herd has been greatly improved with sound genetic input and our ewe flock has a sound genetic base. Last year we reported facial eczema as a result of the warm muggy conditions having an adverse impact on stock performance. This year the wet and cool conditions have impacted to a lesser degree – we are waiting for Spring growth to capitalise on our planned improved production.

He Putea (Financial)

The financial result reflects the major “investment” in improving the productive capacity of the Station with development cropping and an extensive repairs and maintenance regime.

Gross farm revenue is up nearly \$400,000 for the year to nearly \$2.3 million but this was overtaken by an increase in farm costs of \$540,000. The net cash generated from farming operations was \$320,500, an improvement of \$205,000 over last year. Glenn Brown will discuss the overall result in more detail in his Financial Report.

Te Anga Whakamua (The Year Ahead)

Lamb revenue this last year was disappointing both from a price (per kg) and slaughter weight perspective (with the less than ideal conditions). However recently prices have picked up considerably and the industry appears confident that current levels may be sustained. We are at the mercy of market fluctuations and can only meet these by increasing production and efficiency.

Morikaunui Incorporation

Chairman's Report to Shareholders

There had been predictions that beef prices were going to ease substantially but this has not happened with commentators currently less pessimistic. Management is achieving good margins from our Station bred cattle with a target daily weigh-gain adding between \$2.50 to \$4.00 per day to their value.

With wool, the less said the better! While in its heyday it contributed about a third of a sheep & beef operation's income, in today's market covering the shearing costs is a credible result.

On the expenditure front, the CoM has decided to consolidate on the infrastructural gains made to date and focus on forecast production gains. The establishment of improved pastures and the consequent ability to finish stock on-Station requires intensive management techniques and almost daily stock movements. We are fortunate to have the services of an experienced Manager who has established a strong support team.

Hui A Tau (Annual General Meeting)

Please note that the venue for this year's AGM is the Whanganui Racecourse.

Putea Tautoko (Kaumatua Travel)

I also remind you that we no longer distribute the Kaumatua grant by way of cash. Registration should be completed by 10.30am by handing in the claim form. The Kaumatua grant will be paid by direct credit.

He Tangata (The People)

Frances Te Porana has retired after working on the Incorporations' business for many years. We have all benefited from her devoted service and wish her well in her retirement.

Joining Keri and Liz to assist with the daily requirements of Morikau and its owners is Charmaine Teki. We thank the three women together with Glenn and Lupton.

We extend our thanks to Hamish and Katrina whose passion for Morikau Station is a credit to them.

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 1st March 2018. A registration form will be posted on the website (see the Panui sections) from mid-January. Those without Internet can call the office to register (06 348 7213) no earlier than 15th January 2018

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 2017

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Morikaunui Incorporation

Statement of Financial Performance

For the Year Ended 30 June 2017

| | Note | 2017 \$ | 2016 \$ |
|---|------|------------------|------------------|
| Livestock Trading Revenue | | | |
| Gross Profit from Sheep Trading | | 1,452,607 | 1,015,829 |
| Gross Loss from Horses Trading | | - | (5,739) |
| Gross Profit from Beef Cattle Trading | | 533,634 | 268,955 |
| Gross Profit from Livestock Trading | | 1,986,241 | 1,279,045 |
| Operating Revenue | | | |
| Wool Sales | | 224,258 | 539,475 |
| Rebates | | 12,910 | 28,935 |
| Sundry Farm Income | | 58,876 | 36,530 |
| Gross Profit from Trading | | 296,045 | 604,941 |
| Total Gross Profit | | 2,282,286 | 1,883,985 |
| Other Income | | | |
| Dividends Received | | 133 | 867 |
| Interest Received | | 119 | 603 |
| PIE Income | | 19,924 | 20,580 |
| Profit on Sale of Fixed Assets | | - | 6,509 |
| Total Other Income | | 20,176 | 28,559 |
| Gross Profit after Other Income | | 2,302,462 | 1,912,544 |
| Less Expenses | | | |
| Farm Working Expenses | | 529,173 | 610,125 |
| Pasture Management Expenses | | 596,233 | 413,697 |
| Repairs & Maintenance | | 133,764 | 116,683 |
| Motor Vehicle Expenses | | 91,069 | 83,763 |
| Personnel Expenses | | 431,846 | 387,597 |
| Finance Expenses | | 127,580 | 56,184 |
| Administration Expenses | | 178,738 | 155,236 |
| Incorporation Expenses | | 328,929 | 326,311 |
| Non Cash Expenses | | 327,840 | (328,901) |
| Total Expenses | | 2,745,173 | 1,820,696 |
| (Deficit)/Surplus before Extraordinary Items | | (442,710) | 91,848 |
| Plus Extraordinary Items | 2 | - | (194,003) |
| Net (Deficit)/Surplus | | (442,710) | (102,155) |

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

BALANCE CHARTERED ACCOUNTANTS

Statement of Financial Position

As at 30 June 2017

| | Note | 2017 \$ | 2016 \$ |
|--|------|-------------------|-------------------|
| Equity | | | |
| Capital | 5 | 260,876 | 260,876 |
| Retained Earnings | 6 | 903,079 | 1,368,383 |
| Reserves | 7 | 11,361,189 | 9,562,578 |
| Total Equity | | 12,525,144 | 11,191,837 |
| Represented by: | | | |
| Current Assets | | | |
| BNZ - Current A/c | | 76,802 | 57,290 |
| BNZ - Call Account | | 303 | 484 |
| Accounts Receivable | | 207,127 | 478,471 |
| The Whanganui Trust - Loan (Re Unclaimed Dividends) | | 1,022,487 | 929,946 |
| Income Tax Receivable | 4 | 9 | 60 |
| Other Current Assets | 8 | 65,790 | 43,920 |
| Total Current Assets | | 1,372,520 | 1,510,171 |
| Non-Current Assets | | | |
| Property, Plant & Equipment | 9 | 9,747,500 | 8,158,299 |
| Term Investments | 10 | 537,998 | 507,790 |
| Livestock on Hand | 11 | 4,726,843 | 4,162,627 |
| Total Non-Current Assets | | 15,012,341 | 12,828,716 |
| Total Assets | | 16,384,861 | 14,338,887 |
| Current Liabilities | | | |
| Accounts Payable | | 171,653 | 354,244 |
| The Whanganui Trust - Unclaimed Dividends Due | | 45,058 | 36,782 |
| Unclaimed Dividends (Due to Shareholders) | | 1,028,987 | 983,929 |
| Current Portion of Lease & Hire Purchase Liabilities | 12 | 57,442 | - |
| Other Loans | 13 | 2,477,000 | 1,555,000 |
| GST Payable | | 79,576 | 77,235 |
| Provision for Dividend | | - | 139,860 |
| Total Liabilities | | 3,859,717 | 3,147,050 |
| Net Assets | | 12,525,144 | 11,191,837 |

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

| | | | |
|---------------------|-----------|------|-------------------|
| Hari Benevides (Ms) | Chair | Date | 27 September 2017 |
| Harvey Bell | Secretary | Date | 27 September 2017 |

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

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 27 September 2017.

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. Herd Values have been used for taxation calculations.
- c) Trade Receivables
Trade Receivables are recorded at estimated net realised value.

These financial statements have been audited.

For the Year Ended 30 June 2017

d) Property, Plant & Equipment and Investment Property

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

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

| | |
|--------------------------------------|---------------|
| Freehold Land | 0% |
| Property Improvements | 0% - 15% DV |
| Development Expenditure | 10% SL |
| Forestry | 0% |
| Buildings | 0% - 3.6% DV |
| Development Plans 2016 | 0% - 25% DV |
| Bridges | 2.5% SL |
| Plant & Equipment | 9.6% - 67% DV |
| Development Plans 2017 | |
| Furniture & Fittings - Station | 10% - 30% DV |
| Furniture & Fittings - Incorporation | 10% - 25% DV |
| Motor Vehicles | 10% - 30% DV |
| Office Equipment | 16% - 67% DV |

Land

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

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

Income Tax is accounted 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 society 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 society 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).

These financial statements have been audited.

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

For the Year Ended 30 June 2017

h) Provisions

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

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

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

i) Goods and Services Taxation (GST)

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

j) Changes in Accounting Policies

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

2 Extraordinary Items

| | 2017 | 2016 |
|---|----------|------------------|
| | \$ | \$ |
| Extraordinary Expense - Storm Expenses 2015 | - | (194,003) |
| Total Extraordinary Items | - | (194,003) |

These financial statements have been audited.

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

For the Year Ended 30 June 2017

3 Tax Reconciliation

| | 2017 | 2016 |
|--|--------------------|--------------------|
| | \$ | \$ |
| Loss and Extraordinary Items before Income Tax | (442,710) | (102,155) |
| Permanent Differences | | |
| Increase/(Decrease) Tax Value of Sheep | (249,513) | 245,305 |
| Increase/(Decrease) Tax Value of Cattle | 196,941 | 395,578 |
| Increase/(Decrease) Tax Value of Horses | 3,004 | - |
| Change in Livestock Numbers Sheep | 184,069 | (194,630) |
| Change in Livestock Numbers Cattle | (167,557) | (364,140) |
| Non Deductible Expenditure | 189,856 | 137,167 |
| Non Assessable Income | (10,140) | (7,873) |
| Imputation Credits Assessable | 3,856 | 4,971 |
| Development Expenditure deductible | (342,010) | (445,169) |
| Tax Losses approved by the IRD | (2,741,731) | (2,401,632) |
| Losses from conversion of ICA Credits | (22,032) | (28,406) |
| Total Permanent Differences | (2,955,257) | (2,760,984) |
| Timing Differences | | |
| Holiday Pay Accrual | 26,801 | 19,253 |
| Total Loss | (3,371,166) | (2,741,731) |

4 Income Tax

| | 2017 | 2016 |
|--------------------------------|-------------|-------------|
| | \$ | \$ |
| Opening Balance | - | - |
| Plus: | | |
| Less: | | |
| RWT Paid | 9 | 60 |
| | 9 | 60 |
| Income Tax (Receivable) | (9) | (60) |

These financial statements have been audited.

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

For the Year Ended 30 June 2017

| | | | |
|----------|--|----------------|------------------|
| 5 | Capital | 2017 | 2016 |
| | | \$ | \$ |
| | Issued Shares | | |
| | Opening Balance | 260,876 | 1,879,611 |
| | Movements | - | (1,618,735) |
| | Closing Balance | 260,876 | 260,876 |
| | Total Share Capital | 260,876 | 260,876 |
| 6 | Retained Earnings | 2017 | 2016 |
| | | \$ | \$ |
| | Opening Balance | 1,368,383 | 14,163 |
| | Plus: | | |
| | Transfer from Capital | - | 1,618,735 |
| | Less: | | |
| | Net Deficit | 442,710 | 102,155 |
| | Grants & Scholarships | 22,500 | 22,500 |
| | Provision for Dividend | - | 139,860 |
| | Prior period adjustment | 94 | |
| | | 465,304 | 264,515 |
| | Retained Earnings Closing Balance | 903,079 | 1,368,383 |

These financial statements have been audited.

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

For the Year Ended 30 June 2017

| 7 | Reserves | 2017 | 2016 |
|---|--------------------------------------|-------------------|------------------|
| | | \$ | \$ |
| | Land Revaluation Reserve | | |
| | Opening Balance | 4,881,134 | 4,881,134 |
| | Movements for the period | 1,196,000 | - |
| | Closing Balance | 6,077,134 | 4,881,134 |
| | Realised Capital Reserve | | |
| | Opening Balance | 499,777 | 499,777 |
| | Closing Balance | 499,777 | 499,777 |
| | Share Revaluation Reserve | | |
| | Opening Balance | (15,307) | (23,298) |
| | Movements for the period | 21,881 | 7,991 |
| | Closing Balance | 6,574 | (15,307) |
| | Livestock Revaluation Reserve | | |
| | Opening Balance | 4,196,974 | 3,744,465 |
| | Movements for the period | 580,729 | 452,509 |
| | Closing Balance | 4,777,703 | 4,196,974 |
| | Total Reserves | 11,361,189 | 9,562,578 |
| 8 | Other Current Assets | 2017 | 2016 |
| | | \$ | \$ |
| | Wool on Hand | - | 43,920 |
| | Fencing Material on Hand | 65,790 | - |
| | Total Other Current Assets | 65,790 | 43,920 |

These financial statements have been audited.

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

For the Year Ended 30 June 2017

9 Property, Plant & Equipment

| | 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 | 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 |

| | Cost | Depreciation Charged | Accumulated Depreciation | Closing Book Value |
|--|------------------|-------------------------|-----------------------------|--------------------------|
| | \$ | \$ | \$ | \$ |
| Property, Plant & Equipment 2016 | | | | |
| Freehold Land | 5,534,000 | - | - | 5,534,000 |
| Property Improvements | 204,818 | 4,525 | 72,468 | 132,350 |
| Development Expenditure | 1,193,711 | 119,372 | 699,653 | 494,058 |
| Forestry | 48,535 | - | - | 48,535 |
| Buildings | 960,185 | 3,820 | 191,234 | 768,951 |
| Development Plans 2016 | 814,313 | 11,214 | 11,214 | 803,099 |
| Bridges | 260 | - | 260 | - |
| Plant & Equipment | 271,416 | 19,087 | 185,761 | 85,655 |
| Furniture & Fittings - Station | 42,683 | 1,213 | 35,848 | 6,835 |
| Furniture & Fittings - Incorporation | 5,736 | 341 | 4,314 | 1,422 |
| Motor Vehicles | 463,338 | 67,568 | 181,093 | 282,245 |
| Office Equipment | 7,159 | 695 | 6,011 | 1,148 |
| Total Property, Plant & Equipment | 9,546,155 | 227,835 | 1,387,856 | 8,158,299 |

These financial statements have been audited.

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

For the Year Ended 30 June 2017

| 10 Term Investments | Qty | 2017 | 2016 |
|------------------------------------|---------|----------------|----------------|
| | | \$ | \$ |
| Shares | | | |
| Ballance Agri-Nutrients Ltd | 10,752 | 87,091 | 75,805 |
| Farmlands Co-Operative Society Ltd | 3,556 | 3,556 | 3,556 |
| Innate Immunotherapeutics Ltd | 13,481 | 728 | 1,348 |
| PGG Wrightson Ltd | 3,538 | 2,052 | 1,486 |
| Property for Industry Ltd | 271,080 | 444,571 | 425,596 |
| Total | | 537,998 | 507,790 |
| Total Term Investments | | 537,998 | 507,790 |

| 11 Livestock on Hand | 2017 | 2016 |
|--------------------------------|------------------|------------------|
| | \$ | \$ |
| Sheep on Hand | 2,316,113 | 2,373,556 |
| Horses on Hand | 13,000 | 10,000 |
| Cattle on Hand | 2,397,730 | 1,779,070 |
| Total Livestock on Hand | 4,726,843 | 4,162,626 |

| 12 Lease & Hire Purchase Liabilities | 2017 | 2016 |
|---|---------------|------|
| | \$ | \$ |
| Hire Purchase- 2012 Duetz-Fahr K430 Tractor | | |
| Hire Purchase- 2012 Duetz-Fahr K430 Tractor | 54,667 | - |
| Less Unexpired Hire Purchase Charges 2012 Duetz-Fahr K430 Tractor | (2,775) | - |
| | 57,442 | - |
| Total Current Portion of Lease & Hire Purchase Liabilities | 57,442 | - |

These financial statements have been audited.

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

For the Year Ended 30 June 2017

| 13 Other Loans | 2017 | 2016 |
|-------------------------------------|------------------|------------------|
| | \$ | \$ |
| The Whanganui Trust Short Term Loan | 1,477,000 | 555,000 |
| BNZ Seasonal (CCAF) Loan | - | 1,000,000 |
| BNZ Carl Loan - Development -24 | 1,000,000 | - |
| Total Other Loans | 2,477,000 | 1,555,000 |

| 14 Retained Earnings Prior to 2004 | 2017 | 2016 |
|--|------------------|------------------|
| | \$ | \$ |
| Opening Balance | 2,718,124 | 1,239,249 |
| Transfer from Capital | - | 1,618,735 |
| Dividends | - | (139,860) |
| Total Retained Earnings Prior to 2004 | 2,718,124 | 2,718,124 |

| 15 Non Cash Items | 2017 | 2016 |
|-----------------------------|----------------|------------------|
| | \$ | \$ |
| Depreciation Expense | 311,328 | 229,869 |
| Change in Livestock Numbers | 16,512 | (558,770) |
| Total Non Cash Items | 327,840 | (328,901) |

16 Maori Authority Tax Credit

The balance of the Maori Authority Tax Credit Account at year end was \$88,927.46 (2016 \$85,150.35)

17 Taxation Losses

Accumulated Taxation losses of \$3,371,194 (2016 \$2,741,731) are available to offset against future income.

18 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.

These financial statements have been audited.

For the Year Ended 30 June 2017

19 BNZ Credit Facilities

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

As at the 30 June 2017 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.

20 Related Parties

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

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

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

21 Capital Commitments

The Incorporation has no capital commitments as at 30 June 2017, (2016 Nil).

22 Contingent Liabilities

The Incorporation has no contingent liabilities and no guarantees as at 30 June 2017. (2016: Nil).

23 Events Occurring After Balance Date

There are no known significant events after balance date.

INDEPENDENT AUDITORS' REPORT

To the Incorporation and Beneficial Owners of Morikaunui Incorporation

Unqualified Opinion

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 Chartered Accountants Australia & New Zealand.

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

We draw attention to Note 1 to the financial statements, which describes the basis of accounting. The financial statements have been prepared for the Shareholders, Inland Revenue and the Maori Land Court. As a result, the financial statements may not be suitable for another purpose

The Committee of Management's Responsibilities for the Financial Statements

The Committee of Management are responsible on behalf of the entity for determining that the SPFR for FPE 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 as a whole 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 Incorporation's internal control.
- conclude on the appropriateness of the use of the going concern basis of accounting by the Incorporation and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Incorporation'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 Incorporation to cease to continue as a going concern.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management. We communicate with the Incorporation 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

Chartered Accountants

Whanganui

28 September 2017

Supplementary Schedules

For the Year Ended 30 June 2017

Governance, Shareholder meetings & Admin details

| | 2017 | 2016 | 2015 |
|--|------------------|------------------|------------------|
| Accounting Fee - Accounts, Consultancy & Shareholder Support | 83,547 | 86,860 | 65,340 |
| Audit Fee | 17,209 | 10,810 | 8,310 |
| Consultancy (HR) | 14,290 | 7,268 | 13,320 |
| Governance * | 63,105 | 57,328 | 62,761 |
| Governance Admin & Support | 49,848 | 49,948 | 51,077 |
| Office Expenses | 35,214 | 36,148 | 35,922 |
| Shareholder Meetings | 33,508 | 37,558 | 42,152 |
| Travel Reimbursement | 22,208 | 25,391 | 26,001 |
| FOMA Special Levy | 10,000 | 15000 | 15000 |
| | \$328,929 | \$326,311 | \$319,883 |

*includes Committee fees

Committee fees and travel for 2016

| | Fees \$ | Travel \$ |
|----------------|-----------------|-----------------|
| Hari Benevides | 18,810 | 8,002 |
| Bob Gray | 5,280 | 1,737 |
| Jim Edmonds | 6,600 | 2,394 |
| K Millin | 5,610 | 833 |
| Turama Hawira | 4,620 | 1,416 |
| William Konui | 4,620 | 3,042 |
| Harvey Bell | - | 4,784 |
| | \$45,540 | \$22,208 |

Farm Performance Analysis

| | 2017 | 2016 | 2015 | 2014 | 2013 |
|--------------------------|----------|----------|----------|---------|--------|
| Net Sale Proceeds | | | | | |
| Sheep Per Head (Avge) | \$ 90 | \$ 82 | \$ 81 | \$ 78 | \$ 64 |
| Cattle Per Head (Avge) | \$ 1,462 | \$ 1,189 | \$ 1,273 | \$ 980 | \$ 864 |
| Wool Per Kilo (Avge) | \$ 2.50 | \$ 4.14 | \$ 3.24 | \$ 3.05 | \$2.43 |

Effective Farm Surplus

| | | | | | |
|--|-------|--------|--------|--------|--------|
| Effective Area Ha | 2,590 | 2,376 | 2,376 | 2,376 | 2,376 |
| Gross Farm Revenue Per Ha | 1026 | \$ 978 | \$ 758 | \$ 727 | \$ 631 |
| Farm Operating Expenses Per Ha | 757 | \$ 683 | \$ 506 | \$ 475 | \$ 462 |
| Net Farm Surplus (after depreciation) per Ha | 150 | \$ 230 | \$ 176 | \$ 110 | \$ 65 |
| Gross Farm Revenue Per Stock Unit | 101 | \$ 112 | \$ 83 | \$ 80 | \$ 98 |

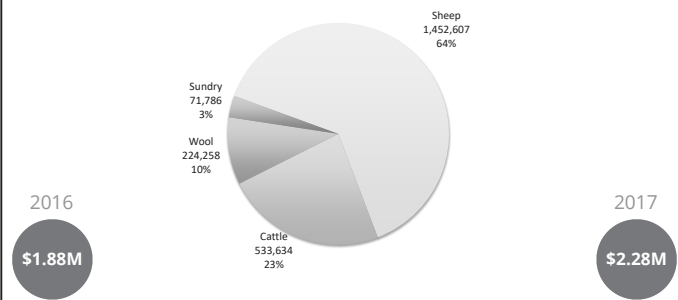
Supplementary Schedules

For the Year Ended 30 June 2017

2017 Livestock Summary

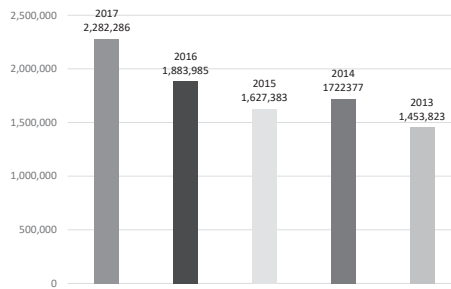
| Sheep | | | | Cattle | | | |
|----------------------|-----------------|---------------|--------------|----------------------|-----------------|--------------|-----------|
| | | Nos | | | | Nos | |
| Opening Stock | | 19,706 | | Opening Stock | | 1,688 | |
| Natural Increase | | 15,710 | 121% | Natural Increase | | 603 | 89% |
| Purchases | | 1,883 | | Purchases | | 293 | |
| Sales | | | | Sales | | | |
| | Per Head | | | | Per Head | | |
| Lambs | \$ 98 | (12,068) | \$ 1,177,661 | M A Cows | \$ 1,047 | (122) | \$127,759 |
| Ewes | \$ 87 | (3,232) | \$ 281,430 | R3 Strs | \$ 1,633 | (234) | \$382,065 |
| Hoggets | \$ 68 | (3,286) | \$ 222,098 | Bulls | \$ 1,688 | (5) | \$ 8,440 |
| | | | | R1 Bulls | \$ 588 | (16) | \$ 9,408 |
| | | | | R2 Bulls | \$ 1,659 | (118) | \$195,773 |
| | | | | | | | |
| | | 18,713 | \$ 1,681,189 | | | 2,089 | \$723,445 |
| Deaths & Missing | | (1,565) | 4% | Deaths & Missing | | (107) | 4% |
| | | | | | | | |
| Closing Stock | | 17,148 | | Closing Stock | | 1,982 | |

FARM INCOME

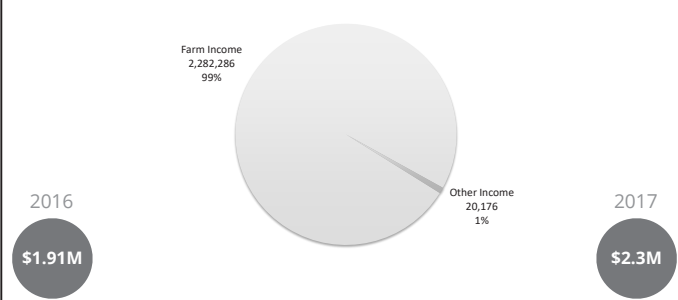


56%
INCREASE

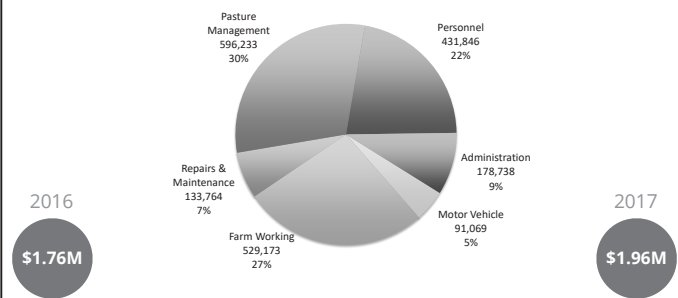
GROSS FARM INCOME SUMMARY



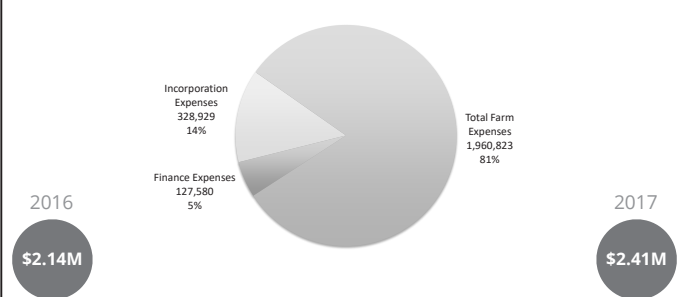
TOTAL INCOME



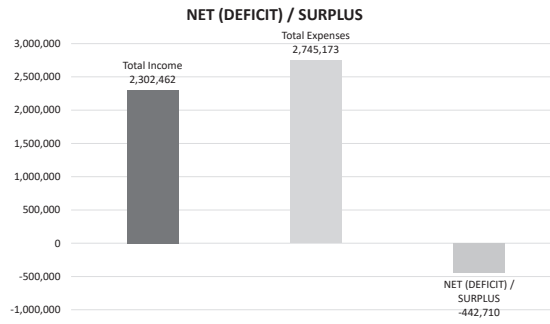
FARM EXPENSES



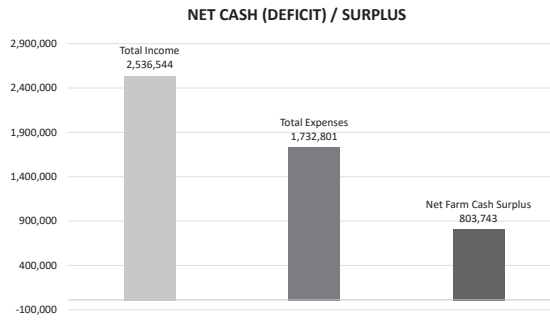
TOTAL EXPENSES (EXCLUDING NON CASH)



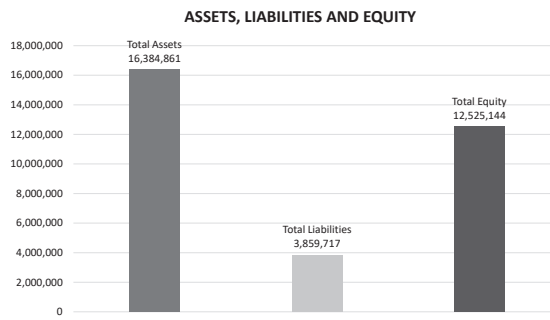
MORIKAUNUI INCORPORATION STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017



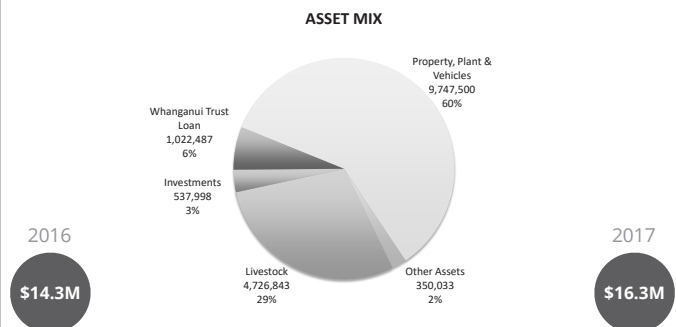
MORIKAUNUI INCORPORATION STATEMENT OF FARM CASH (DEFICIT)/SURPLUS
FOR THE YEAR ENDED 30 JUNE 2017



MORIKAUNUI INCORPORATION STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017



MORIKAUNUI INCORPORATION STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017



MORIKAUNUI INCORPORATION STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2017

