

**The Proprietors of Pakarae A & Other
Blocks
Annual Report
For the year ended 30 June 2010**

For and on behalf of the Committee of Management

Matire Kupenga-Wanoa

Chairperson
23 September 2010

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WHANGARA INCORPORATED BLOCKS

COMPRISING
WHANGARA FARMS
PROPRIETORS OF:
WHANGARA B5
WHANGARA B20
PAKARAE A AND OTHER BLOCKS



SECRETARIES
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THE PROPRIETORS OF PAKARAE A & OTHER BLOCKS 2010 ANNUAL GENERAL MEETING AT THE WHANGARA MARAE

Notice is hereby given that the Annual General Meeting for Pakarae, Whangara B5 and the Whangara Farms are being held on 1 October 2010 at Whangara Marae. The timetable for the meeting is as follows:

Registration from 8:30am.
9:00am Whangara Farms
11:00am Proprietors of Pakarae A & Other Blocks
11:00am Proprietors of Whangara B5
Lunch to follow

BUSINESS

1. Welcome.
2. Apologies.
3. Confirmation of previous year's minutes.
4. Matters arising
5. Report from Chairperson.
6. Receive and adopt the annual accounts for the year ended 30 June 2010.
7. Appoint auditors and share valuers
8. Declare dividend, Donation fund
9. Public meeting regarding the possibility of the sale of the Waihou Bay section.
10. General Business

Notes

1. Copies of the 2010 Balance Sheet and Accounts will be available to shareholders at the office from 24 September 2010.

Matire Kupenga-Wanoa
Chairperson



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CERTIFICATE AS TO VALUE

In accordance with Section 278 of Te Ture Whenua Maori Act 1993

Proprietors of Pakarae A & Other Blocks

We, BDO GISBORNE LIMITED of GISBORNE being the duly appointed share valuers of the above named Incorporation HEREBY CERTIFY that the value of each one share in the Incorporation as at 30th day of June 2010 is assessed by us in the manner provided by Section 278 of the Te Ture Whenua Maori Act 1993 at \$46.08.

Dated this 23rd day of September 2010.

BDO Gisborne Ltd.

CHARTERED ACCOUNTANTS

PROPRIETORS OF PAKARAE A & OTHER BLOCKS

MINUTES OF THE ANNUAL GENERAL MEETING

HELD AT THE WHANGARA MARAE ON FRIDAY 2 OCTOBER 2009 AT 12.10PM

PRESENT:

M Kupenga-Wanoa (Chairperson), P McGhee, I Noanoa, S Pardoe, W Amaru (35 shareholders in attendance).

ACTION

In attendance: C Torrie.

WELCOME:

M Kupenga-Wanoa welcomed everyone present.

CHANGE OF AGENDA:

M Kupenga-Wanoa advised that in order to accommodate shareholders in both Pakarae and Whangara B5 that the Agenda was going to be changed such that the resolutions under Agenda item 10 would be discussed following the election at Agenda Item 5.

APOLOGIES

Apologies were received from A Underwood, G Tamepo, D Tamepo, K Wharekino, the Wilkins Whanau, R Irwin, K Waipara, R Waipara, which were approved by the meeting.

MINUTES:

Minutes of the meeting held on 17 October 2008 were taken as circulated and approved by the meeting.

MATTERS ARISING:

- Under the heading of Collection of Proxies, C Hawkins asked that the statement which reads "She confirmed that the Committee of Management do not condone such action and expects a certain level of behaviour from its shareholders" be changed such that the word shareholders be changed to Committee of Management Members. Ramai McGhee said this is the behaviour we would want from anyone not just Committee Members. M Kupenga-Wanoa stated that she made the statement and her recollection was using the word shareholders. It was then decided that the minutes would stand as recorded.

- W Amaru said that he had spoken to the person that the issue of gaining proxies concerned and she had said that she did not feel threatened but the witness had. C Hawkins said he had spoken to this person two days ago and that this person did feel threatened. Ramai McGhee said the subject is a serious matter, there are people out there that can feel hounded on getting proxies. She asked that if this was a concern the shareholder should write a letter to the Committee of Management if need be. P Morrell spoke in support of C Hawkins position, M Kupenga-Wanoa said that she wanted the discussion to stop, that she expected respect from all shareholders and Committee of Management when collecting proxies and this matter would go no further unless a letter was written by the shareholder concerned to the Committee of Management.

ELECTION:

M Kupenga-Wanoa asked if there were 5 shareholders present who wished the election to be conducted by shares, which there were. Rawiri McGhee Jnr then advised that he was withdrawing his nomination to the Committee of Management. C Torrie asked if there were shareholders who had already voted that wished to reconsider their vote which there were and their votes were recollected. Candidates then addressed the meeting.

CO-OPTING MEMBER TO THE MANAGEMENT COMMITTEE:

M Kupenga-Wanoa spoke to the resolution about the Committee having the ability to co-opt a trainee for a one year period onto the Committee of Management. L Te Momo spoke in favour of the resolution. H Swann congratulated the Committee of Management and said that the existing Committee of Management would be good mentors for this person and also spoke in favour of it. C Hawkins also spoke in favour of this and said this was part of the succession planning for the Committee of Management. The resolution was then put to the meeting as follows:

"That the Committee of Management be given the authority to co-opt an additional member to the Committee of Management in order for them to learn about the workings of the Committee. This person would have no voting rights but would have speaking rights. They would be appointed for a 12 month period and would receive a full Committee Member fee for attending meetings. They would be subject to the normal confidentiality rules and it would have to be a shareholder or a child of a shareholder."

The meeting then approved this resolution unanimously.

NOMINATIONS:

M Kupenga-Wanoa spoke about the resolution of changing the Constitution such that nominations for the Committee of Management needed to be in three weeks prior to the Annual General Meeting. W Amaru spoke about the current rule of nominees only having to be in 3 days prior to the meeting and how unfair this was to people who were voting by proxy as they had no idea who was standing.

C Hawkins spoke in support of the resolution. He said you are given time to consider the candidates and the candidates are able to put forward CVs. Ramai McGhee also spoke in favour of the resolution.

The resolution was then put to the meeting as follows:

"Nominees for vacant Committee of Management positions and retirement by rotation be put forward three weeks prior to an AGM (with CVs so shareholders can be informed of who they are voting for)".

It was then approved unanimously by the meeting.

CHAIRPERSON'S REPORT:

The Chairperson's report was taken as circulated.

ANNUAL FINANCIAL STATEMENTS:

C Torrie took the meeting through the annual financial statements, these showed that the Incorporation had traded profitably during the year mainly as a result of the increased profitability of the Partnership. There was some discussion on growing the asset base and the Committee was reminded that there were Treaty settlements coming where funds may be available to increase the asset base.

APPOINTMENT OF AUDITORS & SHARE VALUERS:

The meeting approved the appointment of Roberts & Harper as auditors and BDO as share valuers.

DIVIDEND:

The Committee of Management recommended a dividend of 25 cents per share which was approved by the meeting. C Torrie advised that this is likely to be the last year that the dividend is exempt for tax purposes to shareholders.

DONATION:

It was the Committee of Management's recommendation that a donation fund of \$5,000 be set aside which was approved by the meeting.

M Tangohau then spoke on behalf of the Hauti Marae and thanked the Committee of Management and shareholders for their donation last year.

WAIHAU BAY PROPERTY:

S Pardoe then spoke about the potential sale of the Waihou Bay property. He asked that shareholders once again approve the recommendation of the Committee of Management that this property be sold which the meeting approved. W Amaru spoke about the property and the discussions that he has been having with the Historic Places Trust.

REPRESENTATIVE CLAIMANT:

D McGhee then asked for a mandate for R McGhee Jnr to speak on behalf of the Incorporation. S Pardoe said the Chairperson has the right to speak on our behalf, the Block has the mandate and not an individual. B Tupara said that we want a named claimant to work on behalf of the group. It was decided that we did not need a resolution as R McGhee Jnr can represent the Hauti cluster as this is already in place.

PUATAI:

M Tangohau advised that the Puatai Church had been put to rest and buried in January 2009. The reserve however still exists.

MATATINI:

M Tangohau spoke about the up the coming Matatini event in Gisborne. He said that there was a need to be clear of the boundaries as they had not been signed off yet and it was in appropriate to present on this subject at this time until the boundary matter was settled.

PUATAI RESERVE:

There was discussion on the Puatai Reserve. S Pardoe said it was a Reserve with separate Trustees and that the Pakarae Committee of Management and Trustees could not make a decision on this.

The meeting closed at 1.55 pm.

ELECTION RESULTS:

Follow the Annual General Meeting it was announced that the successful candidates from the election were W Amaru, I Noanoa, S Pardoe and M Tangohau.

..... Chairperson

..... Date

PROPRIETORS OF PAKARAE A & OTHER BLOCKS CHAIRPERSON'S REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2010

Nga mihi nui ki a koutou katoa.

On behalf of the Committee of Management, I am pleased to present this report to you the shareholders in Pakarae A & Other Blocks.

Key Successes:

Purchase of Tongataha:

Following on from last year and the many successes of forming the partnership, the Committee of Management was proud to announce that we have achieved two of our key goals with the purchase of Tongataha Station in April 2010. Situated in Ruakituri, Tongataha Station is 1,452 hectares of premium breeding and finishing country with an abundance of easy contour. Tongataha is a superior property and provides some key advantages for the partnership as the farm is considered summer safe and in close proximity to Wairoa and the local freezing works. The purchase of this property for Pakarae shareholders means we are growing our asset base, mitigating our risks and ensures our General Manager has more opportunities to increase our profitability and productivity.

In July 2010, our employees and our farm featured on Country Calendar. I believe the programme showed Maori farming and Incorporations in a positive light. It was a fantastic acknowledgement and showcase of our success as Maori. Pakarae shareholders demonstrated their courage, foresight and their willingness to strive for excellence by mandating the formation of the Partnership.

As with last year I would like to acknowledge Whangara Farms Partnership Board, which consists of Ingrid Collins as Chairperson, myself, Stan Pardoe, Mike Petersen and James Brownlie. Again, I applaud the hard work and commitment of the General Manager Richard Scholefield and his team who continue to be innovative with their farming practices improve their capability and employ the best people for our farms so they make a positive contribution on the year end results from the Partnership.

Partnership Governance

The Partnership board continues to meet every two months to review progress against strategic plans, budgets, receive reports from the general manager. In addition to this the board operates within the agreed Terms of Reference as set out by the Pakarae and Whangara B5 Committees of Management.

Pakarae Committee of Management activities

The Pakarae Committee of Management continues to monitor the activities of the Partnership, approves the annual budget of the Partnership, elects one member to the Partnership Board, monitors the financial position of the Incorporation, approves share

transfers, makes recommendations to shareholders on distributions and donations funds and looks at other business opportunities.

Website

The Website is operational and ensures you are kept up to date with any news or events. We are committed to ensure that the shareholders receive regular communications so that you know what is happening and how the farms are being managed and governed.

Co-opted member

I am pleased to announce the appointment of Hayden Swann as the Co-opted member for Pakarae. Hayden regularly attends the Pakarae AGM and field days. He has a teaching background and is keen to find out how Maori Incorporations are governed and administered. The committee needs to make sure that succession is being planned for and this position ensures that we are grooming our leaders of the future.

Elections:

We have no members standing for election this year.

Financial

Through our 39.3% interest in the Partnership, we received \$589,000 of the \$1,499,000 profit reported from the Partnership. After allowing for our own costs we are reporting an overall profit after tax of \$385,000. A very credible result.

The major change we have this year is in the carrying of the debt for the purchase of Tongataha. You will see that we now have \$3,148,000 of loans. The loan has been split into many different parts that allow us the flexibility to pay off early if we have the ability to and has allowed us to spread our interest rate risk. The Partnership makes monthly payments to us which allows us to meet the repayment terms to the bank. We believe this debt will be paid off over 7 to 9 years, all things going well.

Dividends and donations

The Committee of Management recommends that we pay a dividend at the rate of \$0.25 cents per share. The Partnership has reported a good result. However the cash flows are still being reinvested back into the farm and the purchase of Tongataha means that Pakarae have a significant amount of debt that needs to be repaid. Over the next 12 months the Committee of Management will need to carefully consider any future dividends to shareholders as our priority over the coming years will be reducing our debt.

As well as the dividend referred to above, we also recommend an allowance for donations of up to \$6,500.

The committee also advise that Pakarae has used all exempt reserves and all dividends would be taxable to the shareholders from now on.

Waihau Bay Property:

In order for Pakarae to progress the selling of our Waihau Bay Property at Loisel and obtain approval from the Historic Places Trust, the Committee of Management have decided to hold a public meeting to consult and hear people's views. We advise this meeting will be held November 2010 at BDO, Gisborne.

Conclusion

This has been another successful year for the Partnership despite the extremely dry conditions. Pakarae and B5 shareholders have purchased Tongataha and showcased our staff, Partnership and Committee of Management talents and success on Country Calendar.

To my fellow Partnership Board members, I would like to thank you for your continued support in making sure that we manage the assets of the shareholders as effectively as we can. To my fellow Committee of Management members, I would also like to thank you for your wisdom, guidance and support during the year.

Reported on behalf of the Committee of Management

Matire Kupenga-Wanoa

Chairperson

23 September 2010

**Proprietors of Pakarae A & Other Blocks
Financial Statements
For the year ended 30 June 2010**

Directory

Nature of business	Farming - sheep and cattle (Partnership)
Location of property	Pakarae Road Whangara
Registered office	1 Peel St, Gisborne
Committee of management	Matire Kupenga-Wanoa (Chairperson) Wayne Amaru Pat McGhee Ian Noanoa Stan Pardoe Maui Tangohau
Co-opt member	Hayden Swann
Secretary	Chris Torrie, BDO Gisborne Ltd
Accountants	BDO Gisborne Ltd Gisborne
Auditors	Roberts and Harper Gisborne
Bankers	Bank of New Zealand Gisborne
Solicitors	Wilson Barber & Co Gisborne

Statement of financial performance

Cattle tallies

	On hand		Market value		Total value		Holding gains/ (losses) \$
	2009	2010	2009 \$	2010 \$	2009 \$	2010 \$	
M A Cows	524	524	780	850	408,720	445,400	36,680
Rsg 2yr Heifers	164	164	684	700	112,238	114,800	2,562
Rsg 1yr Heifers	221	221	570	450	125,970	99,450	(26,520)
Rsg 3yr Steers	27	27	900	950	24,300	25,650	1,350
Rsg 2yr Steers	200	200	800	900	160,000	180,000	20,000
Rsg 1yr Steers	225	225	470	550	105,750	123,750	18,000
Breeding Bulls	20	20	1,500	1,300	30,000	26,000	(4,000)
Rsg 2yr Bulls	56	56	720	800	40,320	44,800	4,480
Rsg 1yr Bulls	89	89	630	550	56,070	48,950	(7,120)
	<u>1,526</u>	<u>1,526</u>			<u>1,063,368</u>	<u>1,108,800</u>	<u>45,432</u>

Statement of financial performance

Sheep tallies

	On hand		Market value		Total value		Holding gains/ (losses) \$
	2009	2010	2009 \$	2010 \$	2009 \$	2010 \$	
Rsg 3&4 Yr Ewes	6,155	6,155	95	90	584,725	553,950	(30,775)
2th Ewes	2,910	2,910	110	95	320,100	276,450	(43,650)
Ewe Hoggets	3,110	3,110	95	75	295,450	233,250	(62,200)
Wether Hoggets	394	394	95	60	37,430	23,640	(13,790)
Breeding Rams	54	54	80	80	4,320	4,320	-
Ram Hoggets	70	70	100	100	7,000	7,000	-
	<u>12,693</u>	<u>12,693</u>			<u>1,249,025</u>	<u>1,098,610</u>	<u>(150,415)</u>

Statement of financial performance

Expenditure & other income

	2010 \$	2009 \$
Operating expenses		
ACC Levies	44	(3,101)
Bank Fees	1,541	277
General Expenses	4,918	1,946
Insurance	-	500
	<u>6,503</u>	<u>(378)</u>
 Repairs and maintenance		
General R & M	<u>277</u>	<u>-</u>
 Finance expenses		
Interest - BNZ	11	7,020
Interest - BNZ Loan	66,634	60,765
	<u>66,645</u>	<u>67,785</u>

Statement of financial performance

Expenditure & other income

	2010 \$	2009 \$
Administration expenses		
Accountancy - quoted	18,853	18,639
Accountancy - Special	4,926	7,256
Audit Fees	872	878
Committee Fees & Expenses	15,461	16,155
Consultancy Fees	-	2,188
FOMA Expenses	1,927	500
Honorarium	1,000	1,000
Meeting Expenses	3,617	2,500
MFOY 2009	829	825
	<u>47,485</u>	<u>49,941</u>
Total cash expenses	<u>120,910</u>	<u>117,348</u>
Sundry farm income		
Rent Received	<u>500</u>	<u>500</u>
Other income		
Interest receivable		
Bank of New Zealand	2429.26	12,345
Whangara Farms	680.55	3,204
Inland Revenue Department	-	1,001
	<u>3109.81</u>	<u>16,550</u>
Tax credits		
		<u>16,647</u>
Dividends receivable		
NZ Wool Services International Ltd	<u>-</u>	<u>35</u>

Statement of financial performance

	2010 \$	2009 \$
Income		
Sundry farming income	500	500
Share of Whangara Farms Profit/(Loss)	589,235	579,958
	<u>589,735</u>	<u>580,458</u>
Less expenses		
Operating	6,503	(378)
Repairs and maintenance	277	-
Depreciation	11,530	11,852
	<u>18,310</u>	<u>11,474</u>
Net farming surplus/(deficit)	<u>571,425</u>	<u>568,984</u>
Less other expenses		
Finance	66,645	67,785
Administration	47,485	49,941
	<u>114,130</u>	<u>117,726</u>
Net operating surplus/(deficit)	<u>457,295</u>	<u>451,258</u>
Plus other income		
Dividends	-	35
Interest Receivable	16,550	16,647
	<u>16,550</u>	<u>16,682</u>
Net surplus/(deficit)	<u>473,845</u>	<u>467,940</u>
Provision for Taxation	88,834	59,114
Net surplus/(deficit) after taxation	<u><u>385,011</u></u>	<u><u>408,826</u></u>

Statement of movements in equity

	2010 \$	2009 \$
Opening equity	19,891,011	22,007,761
Net surplus	385,011	408,826
Revaluation of property to rateable value	-	(2,954,175)
Net livestock holding gains/(losses)	(148,522)	541,928
Total recognised revenues and expenses for the year	<u>236,489</u>	<u>(2,003,421)</u>
	20,127,500	20,004,340
Donations	(4,960)	(5,098)
Dividend declared	(108,231)	(108,231)
Closing equity	<u><u>20,014,309</u></u>	<u><u>19,891,011</u></u>

Statement of financial position

	Note	2010 \$	2009 \$
Equity	3	<u>20,014,309</u>	<u>19,891,011</u>
Current assets			
Bank accounts	2	41,254	57,869
Accounts receivable		1,359	-
Whangara Farms	10	1,001,009	586,939
Whangara Farms - Loan	12	-	184,034
Goods & Services Tax		2,378	4,339
		<u>1,046,000</u>	<u>833,181</u>
Livestock			
Cattle		1,108,800	1,063,368
Sheep		1,098,610	1,249,025
		<u>2,207,410</u>	<u>2,312,393</u>
Non current assets			
Investments	5	1,170	301,170
Tongataha	11	2,760,941	-
Fixed assets	8	17,533,974	17,545,504
		<u>20,296,085</u>	<u>17,846,674</u>
Total assets		<u>23,549,495</u>	<u>20,992,248</u>
Current liabilities			
Accounts Payable		7,177	10,209
Inland Revenue Department		30,129	8,365
Unclaimed Dividends		349,680	332,663
		<u>386,986</u>	<u>351,237</u>
Non-Current liabilities			
Loans	6	3,148,200	750,000
Total liabilities		<u>3,535,186</u>	<u>1,101,237</u>
Net assets		<u>20,014,309</u>	<u>19,891,011</u>

For the year ended 30 June 2010

Statement of cash flows

	2010 \$	2009 \$
Cash inflows (outflows) from operating activities		
Sundry farm income	500	500
Dividends received	-	35
Interest received	16,550	20,128
Distribution from partnership	120,658	235,800
Farm working	(6,604)	(9,419)
Repairs & maintenance	(277)	-
Administration	(46,303)	(46,311)
Interest payable	(66,645)	(67,785)
GST	2,128	627
Taxation	(56,461)	(68,698)
Net cash inflows (outflows) from operating activities	(36,454)	64,877
Cash inflows (outflows) from investing activities		
Working capital repayments from Partnership	228,843	577,710
Working capital advances to Partnership	(228,843)	(577,710)
Capital Expenditure repayments from Partnership	179,654	193,725
Tongataha Capital Advanced to Partnership	(2,762,300)	-
Investments matured	300,000	-
New investments	-	(300,000)
Net cash inflows (outflows) from investing activities	(2,282,646)	(106,275)
Cash inflows (outflows) from financing activities		
New Loan - secured	2,398,200	250,000
Dividends paid	(91,215)	(108,282)
Donations	(4,500)	(9,500)
Loan repayments	-	(73,477)
Net cash inflows (outflows) from financing activities	2,302,485	58,741
Increase/(decrease) in cash	(16,615)	17,343
Cash		
Balance at beginning of year	57,869	40,526
Balance at end of year	41,254	57,869
Increase/(decrease) in cash	(16,615)	17,343

Statement of cash flows

	2010	2009
	\$	\$
Reconciliation		
Net surplus as per financial statements	385,011	408,826
Add/(deduct) non-cash items		
Depreciation	11,530	11,852
Whangara Farms	<u>(457,969)</u>	(340,858)
	(446,439)	
Increase/(decrease) in working capital		
Accounts payable	(3,032)	(7,039)
Accounts receivable	(1,359)	3,525
Taxation payable	21,765	(9,584)
GST payable	<u>1,961</u>	(1,964)
	19,335	
Plus item classified as financing activity		
Accounts payable classified as donations	(100)	4,500
Accounts payable classified as capital advances	4,381	(4,381)
Accounts receivable classified as capital advances	<u>1,358</u>	-
	5,639	
Net cash inflow (outflow) from operating activities	<u><u>(36,454)</u></u>	<u><u>64,877</u></u>

Notes to the financial statements

1. Statement of accounting policies

General accounting policies

The financial statements have been prepared in accordance with Te Ture Whenua Act 1993.

The measurement base adopted is that of historical cost except for the revaluation of certain assets as separately disclosed.

The Incorporation is a qualifying entity for differential reporting because it has no public accountability and is a small entity as defined in the framework for differential reporting. The Incorporation has taken advantage of all applicable differential reporting exemptions.

Depreciation

Depreciation has been charged in the financial statements at the maximum amount allowed by the Inland Revenue Department. This is as follows:

Land and Buildings	1.0%SL - 26.4%DV
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Fixed assets

Fixed assets are recorded at cost less accumulated depreciation except for land & buildings which are recorded at the most recent rating valuation plus permanent improvements since (at cost), less depreciation since & improvements retained in the Partnership. The Committee believe this to be a fair estimate of market value.

Livestock

Livestock is valued at estimated market values. These values are not those used for calculating taxable income. Changes in value of existing productive livestock are recorded as an unrealised holding gain or loss and are recorded in the livestock revaluation reserve. Changes in the numbers and/or the composition of the productive livestock are treated as revenue items.

Investments

Investments have been valued at cost unless otherwise stated. The Committee believe this to be a fair estimate of market value.

Accounts receivable

Accounts receivable are recorded at net realisable value.

Taxation

The income tax expense is equal to the income tax payable in the current year. Timing differences between accounting surplus and assessable income are not accounted for.

Goods and services tax

The financial statements have been prepared on a GST exclusive basis.

Changes in accounting policies

There have been no material changes in accounting policies. All policies have been applied on bases consistent with those used last year.

Notes to the financial statements

2. Bank accounts

	2010 \$	2009 \$
BNZ Current Account	39,282	8,595
BNZ Call Account	1,972	49,274
	<u>41,254</u>	<u>57,869</u>

Registered first mortgage over property situated at Waihau Road, Whangara, Gisborne, Certificate of Title Number GSD/220, GS5D/228, 6A/529 & GS6C/1337.

Registered Stock Security over Sheep & Cattle pastured/kept on property situated at Pt Puatai And Lot 1 Dp 6717 Pt Tauwhata & Pt Puatai A1 Block III held as detailed in Certificates/s of Title No. 6A/529, 5D/228, 6C/677, 5D/220

3. Equity

	2010 \$	2009 \$
Capital account		
Opening Balance	18,990,941	21,403,188
Revaluation of property to rateable value	-	(2,954,175)
Holding gains/(losses) - Cattle	(4,236)	96,477
Holding gains/(losses) - Sheep	(144,286)	445,451
	<u>18,842,419</u>	<u>18,990,941</u>
Profit and loss appropriation account		
Opening Balance	900,070	604,573
Net Income	385,011	408,826
	<u>1,285,081</u>	<u>1,013,399</u>
Donations	4,960	5,098
Dividend declared	108,231	108,231
	<u>113,191</u>	<u>113,329</u>
Closing balance	<u>1,171,890</u>	<u>900,070</u>
Total equity	<u>20,014,309</u>	<u>19,891,011</u>
Shareholding		
Total shares =	432,922	

Notes to the financial statements

4. Exempt dividends

	2010	2009
	\$	\$
Opening balance	117,509	225,740
Less: Dividends paid	108,231	108,231
Closing balance	<u>9,278</u>	<u>117,509</u>

5. Investments

	2010	2009
	\$	\$
Interest bearing investments		
BNZ Term 161 @ 4.82% Mature 30/09/09	-	300,000

Shares in Companies

	No		
New Zealand Wool Services International Ltd	2,340	1,170	1,170
		<u>1,170</u>	<u>301,170</u>

6. Term liabilities

	2010	2009
	\$	\$
Secured loans -		
BNZ Loan 3010	750,000	750,000
BNZ Loan 3011 (Tongataha)	2,398,200	-
	<u>3,148,200</u>	<u>750,000</u>

The 3010 loan is secured by first mortgage over the Mataki property as well as first stock mortgage over sheep and cattle. The 3010 interest rate is 8.94% with the principal repayable at the end of the period. This loan will mature 1st November 2010 and the principal will be added to the 3011 loan.

The 3011 loan is secured by first mortgage over the Tongataha property as well as a General Security Agreement over the assets & undertakings of Whangara Farms, with specific provision for livestock. The 3011 loan is a customised average rate loan, interest only for five years. This period will expire on 30 June 2015.

Interest rates applicable to the 3011 loan are as follows:

\$35,000 floating

\$545,000 fixed for 1 year at 5.59%

\$545,000 fixed for 2 years at 6.43%

\$545,000 fixed for 3 years, capped rate 7.23%, floor rate 6.73%

\$364,100 fixed for 4 years, capped rate 7.59%, floor rate 6.99%

\$364,100 fixed for 5 years, capped rate 7.89%, floor rate 7.29%

Notes to the financial statements

7. Maori Authority Credit Account

Details of the Incorporation's Maori authority credit account are as follows:

	2010 \$	2009 \$
Balance at beginning of year	144,034	75,336
Plus taxation paid	67,071	84,343
	<u>211,105</u>	<u>159,679</u>
Less Credits attached to dividends paid taxation refunded	-	-
	-	15,645
	<u>211,105</u>	<u>144,034</u>

The closing balance represents the Maori authority credits available to be attached to any future dividend distributions from the Incorporation's reserves.

8. Fixed assets

	2010 \$	2009 \$
Land & Buildings		
Revaluation plus costs since Accumulated depreciation	15,353,793 <u>76,807</u>	15,353,793 <u>65,474</u>
	15,276,986	15,288,319
Land & Buildings - Mataki		
Revaluation plus costs since Accumulated depreciation	2,257,900 <u>912</u>	2,257,900 <u>715</u>
	2,256,988	2,257,185
Total fixed assets	<u><u>17,533,974</u></u>	<u><u>17,545,504</u></u>

Depreciation

	2010 \$	2009 \$
Land & buildings	11,333	11,636
Land & buildings - Mataki	197	216
	<u>11,530</u>	<u>11,852</u>
Total depreciation	<u><u>11,530</u></u>	<u><u>11,852</u></u>

Notes to the financial statements

9. Land and buildings

Rating valuation

Particulars of the rating valuation as at 01/09/08 are as follows:

	Hectares	Land	Improvements	Capital
Pakarae Property -				
Lot 3 DP 5317 Pt Puatai Valn No 8170/722000	2039.7974	13,500,000	1,340,000	14,840,000
Lot 1 DP 6761 Pt Tauwhatu Valn No 8170/71800	122.4474	595,000	39,000	634,000
Pt Puatai A1 Blk III Valn No 8170/72201	2.5580	18,000	2,000	20,000
	<u>2164.8028</u>	<u>14,113,000</u>	<u>1,381,000</u>	<u>15,494,000</u>
Mataki Property -				
Lot 3 DP 8358 Valn No 8170/71215	0.4250	325,000	-	325,000
Lot 1 2 DP Mataki Stn Valn No 8170/71200	317.9597	1,790,000	140,000	1,930,000
	<u>2483.1875</u>	<u>16,228,000</u>	<u>1,521,000</u>	<u>17,749,000</u>

Book value (statement of financial position purposes)

	2010 \$	2009 \$
Pakarae		
Opening balance	15,288,319	17,919,130
Write down to rating valuation 01/09/08	-	(2,619,175)
	<u>15,288,319</u>	<u>15,299,955</u>
Less depreciation since	11,333	11,636
Closing balance	<u>15,276,986</u>	<u>15,288,319</u>
Mataki		
Opening balance	2,257,185	2,592,401
Write down to rating valuation 01/09/08	-	(335,000)
	<u>2,257,185</u>	<u>2,257,401</u>
Less depreciation since	197	216
Closing balance	<u>2,256,988</u>	<u>2,257,185</u>
Total property	<u>17,533,974</u>	<u>17,545,504</u>

Notes to the financial statements

10. Whangara Farms

A Partnership was formed between Pakarae A & Other Blocks and Whangara B5 starting on the 1st July 2006 called Pakarae/Whangara B5 Partnership. The name was changed to Whangara Farms in October 2009. All plant and machinery was sold into this Partnership and the livestock and land were placed at the use of this Partnership.

Current Account

	2010	2009
	\$	\$
Opening balance	586,939	462,238
Share of profit/(loss)	589,235	579,958
Livestock revaluation	(43,539)	(26,715)
Distributions received	(120,658)	(235,800)
Capital advances	-	(189,344)
Other transactions	(360)	(98)
	<u>1,011,617</u>	<u>590,239</u>
Share of RWT/Imputation credits	(10,608)	(3,300)
Closing balance	<u><u>1,001,009</u></u>	<u><u>586,939</u></u>

11. Whangara Farms - Capital Account

	2010	2009
	\$	\$
Tongataha	<u><u>2,760,941</u></u>	<u><u>-</u></u>

12. Whangara Farms - Loan

	2010	2009
	\$	\$
Loan for plant, vehicles & shares sold to the Partnership	<u><u>-</u></u>	<u><u>184,034</u></u>

This loan was repaid in full in October 2009.

Notes to the financial statements

13. Taxation

	2010	2009
	\$	\$
Net surplus/(deficit) before taxation	473,845	467,940
Livestock adjustment for tax purposes	187,593	48,432
	661,438	516,372
Add credit adjustments -		
Whangara Farms for tax purposes	- 389,808	373,423
	389,808	373,423
	1,051,246	889,795
Less debit adjustments -		
Whangara Farms as per accounts reversed	- 589,235	579,958
Development Expenditure Claim	1,491	1,589
	590,726	581,547
	460,520	308,248
Special deductions		
Allowable donations (Sec D12)	4,960	5,098
	4,960	5,098
Taxable income	455,560	303,150
Donations to Maori Authorities -		
Total qualifying paid	= \$4,960	
Limited to taxable income before donations	= \$460,520	
Taxation liability		
Tax on above	88,834	59,114
Less:RWT	6,627	6,427
Less:Imputation Credits	7,091	12
Less:Provisional Tax Paid	44,986	44,310
Taxation Payable/(refundable)	30,130	8,365