

**The Proprietors of Pakarae A & Other  
Blocks  
Annual Report  
For the year ended 30 June 2011**

For and on behalf of the Committee of Management

*Matire Kupenga-Wanoa*

Chairperson  
29 September 2011

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# WHANGARA INCORPORATED BLOCKS

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



SECRETARIES  
BDO GISBORNE LIMITED  
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## **THE PROPRIETORS OF PAKARAE A & OTHER BLOCKS** **2011 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 7 October 2011 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. Election – for two positions caused by the retirement by rotation of Matire Kupenga-Wanoa and Patrick McGhee who being eligible offer themselves for re-election.

Note – (1) Nominations duly completed by nominator and candidate must be lodged at the Incorporation's office, 1 Peel Street, Gisborne not later than **5pm Friday 16 September 2011**.

(2) Proxy forms and Powers of Attorney must be lodged at the Incorporation's office by 11:00 am on **Wednesday 5 October 2011**.

6. Report from Chairperson.
7. Receive and adopt the annual accounts for the year ended 30 June 2011.
8. Vote on AGM time for Whangara B5 and Pakarae A & Other Blocks.
  - (a) Both Whangara B5 and Pakarae A & Other Blocks meeting be held at the same time.
  - (b) That the meetings be staggered by one hour to allow people to attend both meetings should they desire.
9. Appoint auditors and share valuers
10. Declare dividend, Donation fund
11. General Business

### **Notes**

1. Copies of the 2011 Balance Sheet and Accounts will be available to shareholders at the office from 30 September 2011.

Matire Kupenga-Wanoa  
*Chairperson*





**ROBERTS & HARPER LTD**  
C H A R T E R E D   A C C O U N T A N T S

*Principal:* W D Roberts (ca)  
*Associates:* R D Hull (ca)  
A R Baldwin (ca)

**AUDITORS REPORT**

**To the Shareholders of Proprietors of Pakarae A & Other Blocks.**

We have audited the financial statements on pages 7 to 22. The financial statements provide information about the past financial performance and financial position of the Incorporation as at 30 June 2011. This information is stated in accordance with the accounting policies set out on page 16.

**Committee of Management's Responsibilities**

The Committee of Management is responsible for the preparation of financial statements which comply with generally accepted accounting practice and give a true and fair view of the financial position of the Incorporation as at 30 June 2011 and of the results of their operations and cash flows for the year ended on that date.

**Auditors' Responsibilities**

It is our responsibility to express an independent opinion on the financial statements presented by the Committee of Management and report our opinion to you.

**Basis of Opinion**

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements.

It also includes assessing:

- the significant estimates and judgments made by the Committee of Management in the preparation of the financial statements; and
- whether the accounting policies are appropriate to the businesses circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of the information in the financial statements.

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

**Unqualified Opinion**

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

In our opinion

- proper accounting records have been kept by the Incorporation as far as appears from our examination of those records; and
- the financial report on pages 7 to 22;
  - \* Complies with generally accepted accounting practice; and
  - \* Gives a true and fair view of the results of the Incorporation's operations for the year ended 30 June 2011.
  - \* complies with Section 276 (4) (c) of the Maori Land Act 1993
- \* The share register complies with Section 263 of the above Act.

Our audit was completed on 03 October 2011 and our unqualified opinion is expressed as at that date.

**GISBORNE**

*Address: 400 Palmerston Road, P O Box 69, Gisborne, New Zealand. Phone: 0-6-868 5059. Fax: 0-6-867 8562  
Email : roberts@farmaccounting.co.nz*



**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 2011 is assessed by us in the manner provided by Section 278 of the Te Ture Whenua Maori Act 1993 at \$49.95.

Dated this 29th day of September 2011.

*BDO Gisborne Ltd*

CHARTERED ACCOUNTANTS

**PROPRIETORS OF PAKARAE A & OTHER BLOCKS**

**MINUTES OF THE ANNUAL GENERAL MEETING**

**HELD AT THE WHANGARA MARAE ON FRIDAY 1 OCTOBER 2010 AT 11.25AM**

**PRESENT:**

M Kupenga-Wanoa (Chairperson), P McGhee, I Noanoa, S Pardoe, W Amaru, M Tangohau, H Swann (co-opted member), (41 shareholders in attendance).

**ACTION**

In attendance: K Potae.

**WELCOME:**

M Kupenga-Wanoa welcomed everyone present.

**APOLOGIES**

Apologies were received from R Keelan, K Waipara, R Waipara, which were approved by the meeting.

**MINUTES:**

Minutes of the meeting held on 2 October 2009 were taken as circulated and approved by the meeting.

**MATTERS ARISING:**

- W Amaru stated that the issue regarding proxies has been resolved.

**CO-OPT MEMBER TO THE MANAGEMENT COMMITTEE:**

M Kupenga-Wanoa introduced H Swann as the appointed co-opted member to the committee and as a part of the succession planning for the committee.

H Swann addressed the meeting.

**CHAIRPERSON'S REPORT:**

M Kupenga-Wanoa spoke to her report. Discussion was held on the Tongataha purchase. M Pardoe commended the committee on the purchase of Tongataha. W Amaru added that the partnership is doing outstandingly well compared to other farming entities at this time. The Country Calendar screening was discussed as a positive profile for Māori farming.

D McGhee stated that the partnership is to look after the farming activities, and that Pakarae needs to focus on the hapu.

M Kupenga-Wanoa discussed the rationale for the name change; it was to be more inclusive of the farms in the Whangara area and nothing more.

Discussion was held on the current partnership split of 39.3% to Pakarae. The rationale of it being their share that went into the partnership at the beginning and to increase it they need to put more in.

R Woods questioned the Chair's comments of a reduced dividend in the future should the committee decide to use funds to decrease debt. Discussion was held, shareholders stated that they trusted the committee to make a balanced decision each year on the dividend distribution but also that the dividend was important to the shareholders.

The chairperson's report was approved.

Moved: M Pardoe, Seconded: H Lardelli

**CARRIED**

**ANNUAL FINANCIAL STATEMENTS:**

K Potae 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 profitability of the Partnership.

**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. K Potae advised that the tax free funds have been exhausted, Pakarae has MACA's to use to offset the RWT but at some point in the future the dividends will have tax deducted.

**DONATION:**

It was the Committee of Management's recommendation that a donation fund of \$6,500 be set aside which was approved by the meeting.

**WAIHAU BAY PROPERTY:**

M Kupenga-Wanoa advised that due to objections on the sale of the Waihou Bay property the committee will now have to formalise the process with a public meeting. This will be held in November 2010 at BDO offices. There are no offers for purchase at present but should an offer be put to the committee they want to be in a position to sell.

Previous shareholder support for the sale has been minuted, however, under the Historic Places Trust the public meeting must go ahead.

Moved: M Pardoe, Seconded: H Lardelli

*CARRIED*

**PUATAI:**

M Pardoe updated the meeting that a clean up had happened at Puatai and asked the key holders to take responsibility if anyone they give the key to leaves the site in a mess. The committee (key holders) accepted M Pardoe's comments.

**AGM TIME:**

R Woods addressed the meeting around the time of the AGM. Namely that it was at the same time as the Whangara B5 AGM. He raised the points that it worked well for many years and only changed last year to accommodate the winning of the Ahuwhenua Trophy. He has also had sympathy's from some committee members on this matter. W Amaru responded that the core business was discussed in the partnership meeting. M Kupenga-Wanoa also stated that the intention is so the whanau can all finish and lunch together without shareholders having to wait for the other AGM to finish. R Woods stated it is the one time the shareholders get to look their committee in the eye to judge if they are acting with integrity and to ask questions. The shareholders supported R Woods comments.

M Kupenga-Wanoa advised that the committee will discuss the issue in light of R Woods comments and the shareholders support.

**GENERAL BUSINESS:**

R Love addressed the meeting and was congratulated for his recent appointment as manager on Pakarae. M Kupenga-Wanoa added that R Scholefield had given her positive feedback on his progress to date.

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

The meeting closed at 12.45 pm with a karakia by S Pardoe.

..... Chairperson

..... Date



# **PROPRIETORS OF PAKARAE A & OTHER BLOCKS CHAIRPERSON'S REPORT TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2011**

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 of Pakarae A & Other Blocks.

**Our vision An outstanding Agribusiness, delivering sustainable ongoing returns for shareholders, providing growth for future generations**

Your committee of management recently reviewed our terms of reference and endorsed the newly presented strategic and business plan. As your chairperson and a member of the Board, it is important that we continue to strive for excellence and our vision provides us with the right impetus to look for new opportunities and seek out ways to better our economic position and ensure sustainable returns for our tamariki and mokopuna.

Success is not just about the economic, we also need to grow ourselves and our staff. Therefore, we will know when we are successful when we retain skilled staff, attract the talented and develop our kaimahi and committees of management. We will also know we are successful when our partners, shareholders and staff understand the longterm direction of our business and work with us to achieve our goal.

I am pleased to report that this year Whangara Farms generated a significant profit and acknowledge the hard work of our General Manager Richard Scholefield and staff as well as the contribution made by Whangara Farms Partnership Board, which consists of Ingrid Collins as Chairperson, myself, Stan Pardoe, Mike Petersen and our new Board member Bernard Card.

## **Partnership Governance**

The Partnership board continues to meet every two months to review progress against strategic plans, budgets and receive reports from the general manager.

## **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 keeps us all 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**

Hayden Swann is our current Co-opted member for Pakarae and has been attending all committee of management meetings. Hayden says that he has learnt so much about Committee protocols, farming operations, and the history of our Farms. He says he is very privileged to be given this opportunity to find out about the decisions needed to ensure the profitability and sustainability of our whenua and has especially enjoyed getting to know the Committee/Board members and travelling over the farms on our field trips. Hayden's 2 year position ends April 2012. If you are interested in learning more about how Maori Incorporations are governed and administered then please send your curriculum vitae to BDO by February 2012. The Committee is committed to planning for succession and this position ensures that we are grooming our leaders of the future.

## **Elections:**

I am pleased to advise that Pat McGhee and I have been re-elected for a further 3 years and will continue to serve you through governance with integrity, honesty and professionalism.

## **Financial**

We are reporting a profit of \$770,000 after tax this year. This is double last years reported profit. This has been achieved through the record result of the Partnership.

As we reported last year, in purchasing Tongataha Station, we increased our level of debt to \$3.15m. In June 2010 the Partnership made its first repayment on that debt of \$118,000. The Partnership plans to make further repayments in October 2011 and in June 2012.

## **Dividends and donations**

The purchase of Tongataha means that Pakarae have a significant amount of debt and repaying this will be our key focus and priority for the next 2 to 5 years. However, because we have had a fantastic year we are able to repay debt as well as maintain the current dividend. Therefore, the Committee of Management recommends that we pay a dividend at the rate of \$0.25 cents per share. We also recommend an allowance for donations of up to \$6,500.

## **Auditor and Share Valuer**

The Committee approved the recommendation of Roberts & Harper as auditor and BDO Gisborne be appointed as Share Valuer.

## **Waihou Bay Property:**

Last year we advised you that to progress the selling of our Waihou Bay Property at Loisel and obtain approval from the Historic Places Trust we were required to hold a public meeting to consult and hear people's views. This meeting was held in November 2010 and to progress this matter we wrote to the Historic Places Trust. The Historic Places Trust have advised that as this land is recorded as an headland pa site, it is protected by the archaeological provisions of the Historic Places Act 1993, from damage, modification or destruction. Your committee of management are determined to progress this matter and are seeking independent advice.

## **Foreshore and Seabed**

The committee of management understand our shareholders concern regarding the foreshore and seabed and have responded by providing a no interest loan to Te Aitanga-a-Hauiti to support their legal battle against Te Runanga O Ngati Porou that not only protects our assets but also our mana. We have also applied for Management of Customary Fishing - Tangata Kaitiaki. Customary fishing rights not only govern access to fish but also determine the right to manage fishing activity.

## **Conclusion**

This has been another successful year for the Partnership. 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

28 September 2011



**Proprietors of Pakarae A & Other Blocks  
Financial Statements  
For the year ended 30 June 2011**



## **Directory**

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

## Statement of financial performance

### Cattle tallies

	On hand		Market value		Total value		Holding gains/ (losses) \$
	2010	2011	2010 \$	2011 \$	2010 \$	2011 \$	
M A Cows	524	524	850	1,056	445,400	553,344	107,944
Rsg 2yr Heifers	164	164	700	850	114,800	139,400	24,600
Rsg 1yr Heifers	221	221	450	500	99,450	110,500	11,050
Rsg 3yr Steers	27	27	950	950	25,650	25,650	-
Rsg 2yr Steers	200	200	900	850	180,000	170,000	(10,000)
Rsg 1yr Steers	225	225	550	600	123,750	135,000	11,250
Breeding Bulls	20	20	1,300	1,500	26,000	30,000	4,000
Rsg 2yr Bulls	56	56	800	830	44,800	46,480	1,680
Rsg 1yr Bulls	89	89	550	550	48,950	48,950	-
	<u>1,526</u>	<u>1,526</u>			<u>1,108,800</u>	<u>1,259,324</u>	<u>150,524</u>

## Statement of financial performance Sheep tallies

	On hand		Market value		Total value		Holding gains/ (losses) \$
	2010	2011	2010	2011	2010	2011	
			\$	\$	\$	\$	\$
Rsg 3&4 Yr Ewes	6,155	6,155	90	170	553,950	1,046,350	492,400
2th Ewes	2,910	2,910	95	160	276,450	465,600	189,150
Ewe Hoggets	3,110	3,110	75	140	233,250	435,400	202,150
Wether Hoggets	394	394	60	100	23,640	39,400	15,760
Breeding Rams	54	54	80	60	4,320	3,240	(1,080)
Ram Hoggets	70	70	100	80	7,000	5,600	(1,400)
	<u>12,693</u>	<u>12,693</u>			<u>1,098,610</u>	<u>1,995,590</u>	<u>896,980</u>



## Statement of financial performance

### Expenditure & other income

	2011	2010
	\$	\$
<b>Operating expenses</b>		
ACC Levies	94	44
Bank Fees	18	1,541
General Expenses	4,753	4,918
Insurance	444	-
	<u>5,309</u>	<u>6,503</u>
 <b>Repairs and maintenance</b>		
General R & M	-	277
	<u>-</u>	<u>277</u>
 <b>Finance expenses</b>		
Interest - BNZ Overdraft	1,447	11
Interest - BNZ Loan	206,583	66,634
Interest Payable - Inland Revenue Department	1,319	-
	<u>209,349</u>	<u>66,645</u>

## Statement of financial performance

### Expenditure & other income

	2011 \$	2010 \$	
<b>Administration expenses</b>			
Accountancy - quoted	18,850	18,853	
Accountancy - Special	3,921	4,926	
Audit Fees	851	872	
Committee Fees & Expenses	15,849	15,461	
FOMA Expenses	2,097	1,927	
Honorarium	1,000	1,000	
Legal Expenses	435	-	
Meeting Expenses	3,629	3,617	
MFOY 2009	-	829	
	<u>46,632</u>	<u>47,485</u>	
<b>Total cash expenses</b>	<u>261,290</u>	<u>120,910</u>	
<b>Sundry farm income</b>			
Rent Received	<u>500</u>	<u>500</u>	
<b>Other income</b>			
	<b>Tax credits</b>		
<b>Interest receivable</b>			
Bank of New Zealand	337.51	1,927	12,345
Whangara Farms	-	-	3,204
Inland Revenue Department	-	-	1,001
	<u>337.51</u>	<u>1,927</u>	<u>16,550</u>
<b>Dividends receivable</b>			
NZ Wool Services International Ltd	<u>33.09</u>	<u>100</u>	<u>-</u>

## Statement of financial performance

	2011 \$	2010 \$
<b>Income</b>		
Sundry farming income	500	500
Share of Whangara Farms Profit/(Loss)	1,195,990	589,235
	<u>1,196,490</u>	<u>589,735</u>
<b>Less expenses</b>		
Operating	5,309	6,503
Repairs and maintenance	-	277
Depreciation	8,333	11,530
	<u>13,642</u>	<u>18,310</u>
<b>Net farming surplus/(deficit)</b>	1,182,848	571,425
<b>Less other expenses</b>		
Finance	209,349	66,645
Administration	46,632	47,485
	<u>255,981</u>	<u>114,130</u>
<b>Net operating surplus/(deficit)</b>	926,867	457,295
<b>Plus other income</b>		
Dividends	100	-
Interest Receivable	1,927	16,550
	<u>2,027</u>	<u>16,550</u>
<b>Net surplus/(deficit)</b>	928,894	473,845
Provision for Taxation	156,269	95,312
<b>Net surplus/(deficit) after taxation</b>	<u><u>772,625</u></u>	<u><u>378,533</u></u>

## Statement of movements in equity

	2011 \$	2010 \$
<b>Opening equity</b>	20,006,175	19,889,355
Net surplus	772,625	378,533
Net livestock holding gains/(losses)	1,133,995	(148,522)
<b>Total recognised revenues and expenses for the year</b>	<u>1,906,620</u>	<u>230,011</u>
	21,912,795	20,119,366
Donations	(4,966)	(4,960)
Dividend declared	(108,230)	(108,231)
<b>Closing equity</b>	<u><u>21,799,599</u></u>	<u><u>20,006,175</u></u>

## Statement of financial position

	Note	2011 \$	2010 \$
<b>Equity</b>	3	21,799,599	20,006,175
<b>Current assets</b>			
Bank accounts	2	90,704	41,254
Accounts receivable		-	1,359
Te Aitanga-a-Hauiti	12	5,000	-
Whangara Farms	10	1,730,116	1,001,009
Goods & Services Tax		2,273	2,378
		1,828,093	1,046,000
<b>Livestock</b>			
Cattle		1,259,324	1,108,800
Sheep		1,995,590	1,098,610
		3,254,914	2,207,410
<b>Non current assets</b>			
Investments	5	1,170	1,170
Capital into Whangara Farms	11	2,643,041	2,760,941
Fixed assets	8	17,525,641	17,533,974
		20,169,852	20,296,085
<b>Total assets</b>		25,252,859	23,549,495
<b>Current liabilities</b>			
Accounts Payable		5,326	7,177
Inland Revenue Department		53,536	38,263
Unclaimed Dividends		364,098	349,680
		422,960	395,120
<b>Non-Current liabilities</b>			
Loans	6	3,030,300	3,148,200
<b>Total liabilities</b>		3,453,260	3,543,320
<b>Net assets</b>		21,799,599	20,006,175

## Statement of cash flows

	2011 \$	2010 \$
<b>Cash inflows (outflows) from operating activities</b>		
Sundry farm income	500	500
Dividends received	100	-
Interest received	1,927	16,550
Distribution from partnership	550,947	120,658
Operating expenses	(52,373)	(52,907)
Repairs & maintenance	-	(277)
Interest payable	(209,349)	(66,645)
GST	146	2,128
Taxation	(138,785)	(56,461)
<b>Net cash inflows (outflows) from operating activities</b>	<b>153,114</b>	<b>(36,454)</b>
<b>Cash inflows (outflows) from investing activities</b>		
Working capital repayments from Partnership	330,244	228,843
Working capital advances to Partnership	(330,244)	(228,843)
Capital Expenditure repayments from Partnership	-	179,654
Capital Tongataha	117,900	(2,762,300)
Investments matured	-	300,000
Te Aitanga-a-Hauiti	(5,000)	-
<b>Net cash inflows (outflows) from investing activities</b>	<b>112,900</b>	<b>(2,282,646)</b>
<b>Cash inflows (outflows) from financing activities</b>		
New Loan - secured	-	2,398,200
Loan repayments	(117,900)	-
Dividends paid	(93,814)	(91,215)
Donations	(4,850)	(4,500)
<b>Net cash inflows (outflows) from financing activities</b>	<b>(216,564)</b>	<b>2,302,485</b>
<b>Increase/(decrease) in cash</b>	<b>49,450</b>	<b>(16,615)</b>
<b>Cash</b>		
Balance at beginning of year	41,254	57,869
Balance at end of year	90,704	41,254
<b>Increase/(decrease) in cash</b>	<b>49,450</b>	<b>(16,615)</b>

## Statement of cash flows

	2011 \$	2010 \$
<b>Reconciliation</b>		
<b>Net surplus as per financial statements</b>	772,625	385,011
<b>Add/(deduct) non-cash items</b>		
Depreciation	8,333	11,530
Whangara Farms income per accounts	<u>(1,195,990)</u>	(589,235)
	(1,187,657)	
<b>Increase/(decrease) in working capital</b>		
Accounts payable	(1,850)	(3,032)
Accounts receivable	1,359	(1,359)
Taxation payable	17,484	32,373
GST payable	<u>105</u>	1,961
	17,099	
<b>Plus item classified as financing activity</b>		
Distributions from partnership	550,947	120,658
Accounts payable classified as donations	100	(100)
Accounts payable classified as capital advances	-	4,381
Accounts receivable classified as capital advances	<u>-</u>	1,358
	551,047	
<b>Net cash inflow (outflow) from operating activities</b>	<u><u>153,114</u></u>	<u><u>(36,454)</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, except for FRS 10 Statement of cash flows.

#### ***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 capital account. 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, with the exception of receivables and payables which are recorded inclusive of GST.

#### ***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

	2011 \$	2010 \$
BNZ Current Account	3,095	39,282
BNZ Call Account	87,609	1,972
	<u>90,704</u>	<u>41,254</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 Lot 3 Dp 5317 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

	2011 \$	2010 \$
<b>Capital account</b>		
Opening Balance	18,842,419	18,990,941
Holding gains/(losses) - Cattle	146,730	(4,236)
Holding gains/(losses) - Sheep	987,265	(144,286)
	<u>19,976,414</u>	<u>18,842,419</u>
<b>Profit and loss appropriation account</b>		
Opening Balance	1,163,756	898,414
Net Income	772,625	378,533
	<u>1,936,381</u>	<u>1,276,947</u>
Donations	4,966	4,960
Dividend declared	<u>108,230</u>	<u>108,231</u>
	<u>113,196</u>	<u>113,191</u>
Closing balance	<u>1,823,185</u>	<u>1,163,756</u>
<b>Total equity</b>	<u>21,799,599</u>	<u>20,006,175</u>
<b>Shareholding</b>		
Total shares =	432,922	

## Notes to the financial statements

### 4. Exempt dividends

	2011 \$	2010 \$
Opening balance	9,278	117,509
Less: Dividends paid	9,278	108,231
Closing balance	-	9,278

### 5. Investments

	2011 \$	2010 \$
<b>Shares in Companies</b>	<b>No</b>	
New Zealand Wool Services International Ltd	2,340	1,170
	1,170	1,170

### 6. Term liabilities

	2011 \$	2010 \$
<b>Secured loans -</b>		
BNZ Loan 3010	-	750,000
BNZ Loan 3011	3,030,300	2,398,200
	3,030,300	3,148,200

The 3010 loan matured 1 November 2010 and the principal was 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:

\$312,100 floating at 4.42%  
 \$150,000 fixed for 1 year to 30/06/11 at 4.89%  
 \$545,000 fixed for 1 year to 30/06/12 at 6.43%  
 \$150,000 fixed for 2 years to 30/06/12 at 5.56%  
 \$150,000 fixed for 3 years to 30/06/13 at 6.08%  
 \$545,000 fixed for 3 years to 30/06/13, capped rate 7.23%, floor rate 6.73%  
 \$364,100 fixed for 4 years to 30/06/14, capped rate 7.59%, floor rate 6.99%  
 \$450,000 fixed for 4 years to 30/06/14, capped rate 6.76%, floor rate 6.05%  
 \$364,100 fixed for 5 years to 30/06/15, 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:

	2011 \$	2010 \$
Balance at beginning of year	211,105	114,034
Plus taxation paid	142,315	67,071
	353,420	211,105
Less Credits attached to dividends paid	22,730	-
taxation refunded	1,319	-
	329,371	211,105
	329,371	211,105

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

	2011 \$	2010 \$
<b>Land &amp; Buildings</b>		
Revaluation plus costs since	15,539,343	15,539,343
Accumulated depreciation	270,511	262,357
	15,268,832	15,276,986
<b>Land &amp; Buildings - Mataki</b>		
Revaluation plus costs since	2,259,906	2,259,906
Accumulated depreciation	3,097	2,918
	2,256,809	2,256,988
<b>Total fixed assets</b>	17,525,641	17,533,974

### Depreciation

	2011 \$	2010 \$
Buildings	8,154	11,636
Buildings - Mataki	179	197
	8,333	11,530
<b>Total depreciation</b>	8,333	11,530

## Notes to the financial statements

### 9. Land and buildings

#### Rating valuation

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

	<b>Hectares</b>	<b>Land</b>	<b>Improvements</b>	<b>Capital</b>
<b>Pakarae Property -</b>				
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>
<b>Mataki Property -</b>				
Lot 3 DP 8358 Valn No 8170/71215	0.4250	325,000	-	325,000
Lot 1 2 DP Mataki Str 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>

## 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

	2011	2010
	\$	\$
Opening balance	1,001,009	586,939
Share of profit/(loss)	1,195,990	589,235
Livestock revaluation	86,492	(43,539)
Distributions received	(550,947)	(120,658)
Other transactions	(216)	(360)
	<hr/>	<hr/>
Share of RWT/Imputation credits	1,732,328	1,011,617
	(2,212)	(10,608)
	<hr/>	<hr/>
Closing balance	<u>1,730,116</u>	<u>1,001,009</u>

### 11. Whangara Farms - Capital Account

	2011	2010
	\$	\$
Opening balance	2,760,941	-
Capital into Whangara Farms	-	2,760,941
Payments received from Whangara Farms	(117,900)	-
	<hr/>	<hr/>
Closing balance	<u>2,634,041</u>	<u>2,760,941</u>

### 12. Te Aitanga-a-Hauiti

The Proprietors of Pakarae A & Others have advanced to Te Aitanga-a-Hauiti the sum of \$5,000. This is to acknowledge their support of the Foreshore & Seabed claim against Te Runanga o Ngati Porou. These funds are advanced as an unsecured loan, interest free, repayable on demand.

## Notes to the financial statements

### 13. Taxation

		2011	2010
		\$	\$
Net surplus/(deficit) before taxation		928,894	473,845
Livestock adjustment for tax purposes		(86,214)	187,593
		<u>842,680</u>	<u>661,438</u>
<b>Add credit adjustments -</b>			
Whangara Farms for tax purposes	- 1,161,053		423,029
		<u>1,161,053</u>	<u>423,029</u>
		2,003,733	1,084,467
<b>Less debit adjustments -</b>			
Whangara Farms as per accounts reversed	- 1,195,990		589,235
Development Expenditure Claim	1,399		1,491
		<u>1,197,389</u>	<u>590,726</u>
		806,344	493,741
<b>Special deductions</b>			
Allowable donations (Sec DI2)	4,966		4,960
		<u>4,966</u>	<u>4,960</u>
<b>Taxable income</b>		<u>801,378</u>	<u>488,781</u>
<b>Donations to Maori Authorities -</b>			
Total qualifying paid	= \$4,966		
Limited to taxable income before donations	= \$806,344		
<b>Taxation liability</b>			
Tax on above		156,269	95,312
Less			
RWT		1,988	6,627
Imputation Credits		595	7,091
Provisional Tax Paid		100,149	44,986
		<u>53,537</u>	<u>36,608</u>
Taxation Payable/(refundable)		<u>53,537</u>	<u>36,608</u>

# Profit before Taxation

## Pakarae

