

**The Proprietors of Whangara B5
Annual Report
For the year ended 30 June 2011**

For and on behalf of the Committee of Management

Ingrid Collins MNZM

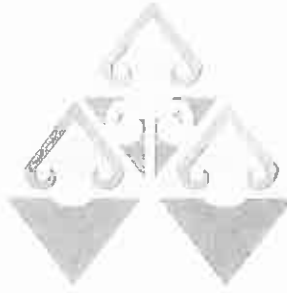
Chairperson
29 September 2011

Contents

<i>Notice of annual general meeting</i>	1
<i>Auditors report</i>	2
<i>Share valuation</i>	3
<i>2010 AGM minutes</i>	4
<i>Chairperson's report</i>	5
<i>Financial Statements -</i>	
Directory	6
Cattle tallies	7
Sheep tallies	8
Expenditure & other income	9
Statement of financial performance	11
Statement of movements in equity	12
Statement of financial position	13
Statement of cash flows	14
Notes to the financial statements	16

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 WHANGARA B5 **2011 ANNUAL GENERAL MEETING AT THE WHANGARA MARAE**

Notice is hereby given that the Annual General Meetings for Whangara B5, Pakarae and the Whangara Farms are all being held on the 7 October 2011 at Whangara Marae. The timetable for the meetings is as follows:

Registration from **8:30am.**

9:00 am Whangara Farms

11:00 am Proprietors of Whangara B5

11:00 am Proprietors of Pakarae A & Other Blocks

Lunch to follow

BUSINESS

1. Welcome.
2. Apologies.
3. Confirmation of previous year's minutes.
4. Matters arising
5. Election – for three positions, two caused by the retirement by rotation of Hone Taumaunu and Raniera Te Kani who being eligible offer themselves for re-election. One due to the passing of the Late John Mackey whose position is also for three years.

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. Partnership Structure
10. Appoint auditors and share valuers
11. Declare dividend, Kaumatua grants and donation fund

General Business.

Notes

1. Copies of the 2011 Balance Sheet and Accounts will be available to shareholders at the office from 30 September 2011
2. Please notify and inform family members of educational scholarship available in October.

Ingrid Collins MNZM
Chairperson

CERTIFICATE AS TO VALUE

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

The Proprietors of Whangara B5

We, BDO GISBORNE LTD 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 \$75.50.

This valuation does not include an estimated value for the forestry assets.

Dated this 29th day of September 2011.



CHARTERED ACCOUNTANTS

THE PROPRIETORS OF WHANGARA B5
MINUTES OF THE ANNUAL GENERAL MEETING
HELD ON FRIDAY 1 OCTOBER 2010 AT WHANGARA MARAE
COMMENCING AT 11.30AM

PRESENT:

I Collins (Chairperson), J Mackey, H Taumaunu, T Toroa, B Leach, H Leach, D Te Kani, T Kutia and shareholders (approx 92 in all).

ACTION

In attendance R Scholefield, C Torrie.

WELCOME:

I Collins welcomed everyone present to the meeting and the meeting was opened with a karakia from H Taumaunu.

APOLOGIES:

Apologies were received from Tini Glover, Manu Sinclair, John Nepia, Alice Chesley, Pearl Matahiki, Gerry Kohi, Mihi Kutia, Peter Hapi, Pussy and Rebecca Toroa, Albert Toroa, Nan Thomson, Len and Dan Tamepo, Cotter Maitai, Pere Maitai, Rewi Thompson, Ngapine Te Ao, Suki Temple, Peter Kaua Junior, Elizabeth Hansford(nee Koopu), Tania Fuller, Polly Leach, Joy Pohatu, Margaret Robson, Victor Mackey.

Apologies were approved.

MINUTES:

The minutes of the meeting held 2 October 2009 were approved.

There were no matters arising.

ELECTION:

I Collins advised that B Leach and I Collins retired by rotation and no other nominations had been received by the close off date. This being the case B Leach and I Collins were reappointed for a further 3 year term. I Collins advised that a nomination had been received after the cut off date which had not been accepted. I Collins reminded shareholders that the reason for the 3 week cut off point was to allow CV's to be submitted and sent out to shareholders so that shareholders knew who they were voting for.

I Collins and B Leach then thanked shareholders for their reappointment.

CHAIRPERSON'S REPORT:

I Collins went through her Chairperson's report and highlighted some of the issues in it. John Simpson asked who was running the horse trekking. I Collins said that D Te Kani was currently looking at this. J Ripia asked about Whanau Trusts and asked do more than one person in the Whanau Trust benefit from the likes of kaumatua grants and Education grants. She was advised that yes they do.

H Taumaunu then spoke about the scholarship. He said that a person can be a daughter or a son of a shareholder and no longer needed to be a shareholder.

ANNUAL REPORT:

C Torrie took the meeting through the Annual Report. C Hawkins asked questions on the forestry at Rototahi. C Hawkins was advised that the Incorporation was likely to nett \$200,000 to \$300,000 from this however those funds would be required to replant the forestry area.

T Kutia asked about comments on the expanding shareholder base. C Torrie said that although the number of shares on issue were not increasing, the number of shareholders was and they were simply having

less and less shares. In order to give shareholders with smaller shares in the Incorporation a relatively good return the overall profits of the Incorporation needed to increase and this could be achieved by increasing the asset base. Following further discussion the Annual Report was approved.

APPOINTMENT OF AUDITORS AND SHARE VALUERS:

The meeting approved the appointment of Roberts & Harper as the auditors and BDO Gisborne as the share value's.

DIVIDEND, KAUMATUA GRANT AND DONATIONS:

The meeting approved the recommendations of the Committee of Management that a dividend be set at \$1 per share, kaumatua grant \$120 nett and a donation fund of \$12,000.

RANGATAHI:

T Kutia then addressed the meeting and spoke about his time as a Rangatahi on Whangara B5. He said that this time reinforced for him the importance of shareholders. He said that farming is diversifying and that some times it's hard to manage change. He said it was important to embrace change however we still needed to honour the old ways. He thanked the committee for his past 2 years.

FUTURE DIVIDENDS:

I Collins addressed the meeting with regards to future dividends. She advised shareholders that due to the debt on the purchase of Tongataha there might be a need to reduce dividends in order to pay off the debt sooner and she would like to discuss this further with shareholders at next year's Annual General Meeting.

PAIKEA WHITIREA TRUST:

H Gibson then addressed the meeting on behalf of the Paikea Whitirea Trust. She thanked Whangara B5 for their generous grants every year. She advised that 4 years ago the Marae Committee built the ablution blocks and part of that was by way of a loan from Whangara B5 of \$4,400. She asked shareholders to consider writing off this debt. Shareholders agreed to the debt being written off.

FUTURE INVESTMENTS:

D Kutia asked if the Incorporation would look at buying their own truck to cart sand away from the sand mines. I Collins said that currently the sand mining operations were not happening as the resource consent in the area had been mined. Currently the Incorporation was working through obtaining a new resource consent to the area and something like this could be considered.

MEETING TIMES:

C Hawkins addressed the meeting and said he was disappointed that today's Whangara B5 meeting was being held at the same time as Pakarae A & Other Blocks. Being a shareholder in both he felt that it was inappropriate for these two meetings to be held at the same time. C Hawkins said that at last year's meeting I Collins reason for having the meetings at the same time was in order to celebrate the Ahuwhenua Cup win together. This was not the case in the current year. He said that the Partnership was set up for working for the shareholders but questioned how this could be the case if the Partnership was for shareholders. I Collins said that yes last year was about celebrations of the Ahuwhenua but we also needed to celebrate coming together and by having the meetings at the same time we were able to then celebrate together over lunch the successes of the Partnership. It was agreed that in the notice of the 2011 Annual General Meeting the issue of having the Whangara B5 meeting at the same time as the Pakarae meeting would be put to a vote by the Whangara B5 shareholders.

SCHOLARSHIP:

C Hawkins advised that he had applied for a scholarship last year and was disappointed that this had not been approved. P Te Kani also spoke about his daughter’s application for a scholarship. She had had an interview, it was approved and then 2 months later she was declined as she was not in the first year of study. H Taumaunu said that he took responsibility for the issue raised by P Te Kani. He said that the Incorporation does not fund someone partway through their course, the application did not show that the applicant was partway through her course and after he had found out he wrote a letter advising of the mistake. He then spoke about Doctorates and PHD’s and Masters. C Hawkins advised that a PHD or Masters could start at any time and this was unfair on applicants undertaking PHD’s and Masters.

WATER SYSTEM ON WHANGARA FARMS:

C Haines asked would the water supply from the Waimoko River and Pakarae River and the dam on Puatai be enough to support the requirements of livestock. C Torrie said he was unsure. D Te Kani said it was a good question and Committee of Management need to take this up with R Scholefield.

The meeting closed with a karakia from H Taumaunu at 1pm.

..... Chairperson

..... Date

WHANGARA B5 INCORPORATION

CHAIRS REPORT 2011

Nau mai haere mai ki a hui mai nei o Whangara B5 Maori Incorporation.

Thank you once again for attending today. This Annual Report is for Whangara B5 Incorporation, as a Partner of "Whangara Farms"

Firstly I would like to acknowledge the passing of our fellow Committee Member John Mackey. John has been a tower of strength, always questioning and debating the finer points of what affected Whangara B5 directly. Well prepared for our meetings with a no nonsense approach saw him commit to innovative strategies that would be of benefit to the success of Whangara B5 Incorporation. Each and every one of you is important us and we pass on our respects to all whanau that have lost loved ones over the past year. Especially to our dear Nan Thompson, a visionary, that supported change.

Haere, haere, haere atu ra. Ma te ringa o Te Atua e tiaki i a koutou mo nga wa katoa.

From my Whangara Farms report you will see that all is proceeding as planned. This year has seen a return on investment on Tongataha of 14%. We are mindful that we carry part of the debt for the purchase of Tongataha. Our share of the \$7m advance to Whangara Farms was \$4.3m. The \$1.2m we borrowed to purchase Rototahi in 1995 seems miniscule compared to this. The loan was repaid in 2001 three years ahead of time. We did it then, through a mini economic downturn and two years of drought. We can do it again. We ask once again for your support through this time.

You may have also seen in our Panui that two long serving Whangara employees resigned during the year. Both John and Rab Love resigned to take on other opportunities. I would like to thank them for their years of service and wish them well for the future.

Sand Mining

This has been a stop, start affair. Since 2009 we have not mined the area as we are awaiting a comprehensive report and direction from Gisborne District Council, Historic Places Trust and a public individual who, even though has been asked several times to produce a report and give his historical evidence has not been forthcoming. We are now in the process of inviting Archeologist to come and do a grid by grid dig and should they find nothing we will re-open the mining operation. The return to Whangara B5 was about \$40,000 pa.

Forestry

We are in a 50/50 Partnership with the Shanks family from whom we purchased Rototahi. Earlier in the year saw harvesting commence. The income and expenses from the operation is shared between Whangara B5 and the Shanks family. Since the purchase of Rototahi, forestry prices have been on a downward spiral. You will see our proportion of the income in the Annual Report. This sundry income will help repay debt, lend to Whangara Farms for ongoing operations or find another initiative for Whangara B5 to pursue.

Licence to Occupy

The committee accepted two applications from shareholders to build on the sections set aside for this development. Another application is being considered once we are satisfied that there is a whakapapa link. The development is on the Western side of the private road leading to the sand mining operation. Whangara B5 has a responsibility to fence off the total area. Apart from that the development cost is at the expense of the applicant.

Partnership Agreement

This has been discussed at Board level. If there are questions you would like to ask, please do so. This Agreement is the founding document of Whangara Farms. The Board and both Management Committee have had full discussion on changes or not and is available for your perusal.

Website

We hope you are all using this to keep up to date with what is happening throughout the year. Let all your whanau know the address please. It is www.whangarafarms.co.nz

Share Transfer

It has been a while since we set a minimum shareholding of 50 shares. Please whanau our list of non-transferred shares is getting out of hand. We ask that you form Whanau Trusts and keep the shares together. Please speak to a Committee member if you wish to discuss this further. There will be a list of the top 10 unclaimed dividends in the financial statements.

Whangara Farms Distribution to Whangara B5

The Board has made distributions this year of \$851,000 and repaid capital on the purchase of Tongataha of \$182,000 being our 61% share. Part of this is used to pay dividend, donations, loan to Whangara Farms and pay off the bank loan.

Election

This year the election is for three people. Two caused by the retirement by rotation of Hone Taumaunu and Raniera Te Kani who being eligible offer themselves for re-election and one due to the passing of the late John Mackey. This will be a three year appointment

Appointment of auditors and Share valuers

The committee recommend the re-appointment of Roberts and Harper as auditors and BDO as our share valuer.

Kaumatua Grant

The committee recommend a grant of \$125 net. This is now available from the 7th October 2011 until the 30th September 2012. This grant is non-accumulative.

Donation Fund

The committee recommend a donation fund of \$12,000. (Please check if this is right)

Dividend

The committee recommend a dividend of \$1.05 per share.

In closing I would like sincerely like to thank the Management Committee, Richard and his team, Chris and his group and the Whangara Farms Board for their tireless work on behalf of the shareholders of Whangara B5. To Pakarae A & Other Blocks, thank you for being our Partner.

Take pride in this achievement. We are doing it as group of people dedicated to the cause of Maori Economic development. No Government grants or claims just blood, sweat and laughs.

Noa rei ra

Ingrid Nea Collins MNZM
Chair
Whangara B5 Incorporation

**The Proprietors of Whangara B5
Financial Statements
For the year ended 30 June 2011**

Directory

Nature of business	Farming - sheep and cattle (Partnership) and forestry
Location of property	Main Road Whangara
Registered office	1 Peel St, Gisborne
Committee of management	Ingrid Collins (Chairperson) Brian Leach Hemi Leach John Mackey (Deceased) Hone Taumaunu Raniera Te Kani Tony Toroa
Secretary	Chris Torrie, BDO Gisborne Ltd
Accountants	BDO Gisborne Ltd Gisborne
Auditors	Roberts & 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) \$
	2010	2011	2010 \$	2011 \$	2010 \$	2011 \$	
M A Cows	811	811	850	1,056	689,350	856,416	167,066
Rsg 2yr Heifers	236	236	700	850	165,200	200,600	35,400
Rsg 1yr Heifers	330	330	450	500	148,500	165,000	16,500
Rsg 3yr Steers	101	101	950	950	95,950	95,950	-
Rsg 2yr Steers	322	322	900	850	289,800	273,700	(16,100)
Rsg 1yr Steers	332	332	550	600	182,600	199,200	16,600
Breeding Bulls	24	24	1,300	1,500	31,200	36,000	4,800
Rsg 1yr Bulls	120	120	550	550	66,000	66,000	-
	<u>2,276</u>	<u>2,276</u>			<u>1,668,600</u>	<u>1,892,866</u>	<u>224,266</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	9,540	9,540	90	170	858,600	1,621,800	763,200
2th Ewes	3,500	3,500	95	160	332,500	560,000	227,500
Ewe Hoggets	3,898	3,898	75	140	292,350	545,720	253,370
Wether Hoggets	200	200	60	100	12,000	20,000	8,000
Breeding Rams	155	155	80	60	12,400	9,300	(3,100)
Ram Hoggets	243	243	100	80	24,300	19,440	(4,860)
Killers	72	72	55	60	3,960	4,320	360
	<u>17,608</u>	<u>17,608</u>			<u>1,536,110</u>	<u>2,780,580</u>	<u>1,244,470</u>

Statement of financial performance

Expenditure & other income

	2011	2010
	\$	\$
Operating expenses		
ACC Levies	133	164
Bank Fees	139	2,064
General Expenses	11,518	10,311
Insurance	3,637	2,236
	<hr/>	<hr/>
	15,427	14,775
	<hr/>	<hr/>
Finance expenses		
Interest - BNZ	74	3
Interest - BNZ Loan	248,023	-
Interest - Inland Revenue	1,768	-
	<hr/>	<hr/>
	249,865	3
	<hr/>	<hr/>

Statement of financial performance

Expenditure & other income

	2011	2010
	\$	\$
Administration expenses		
Accountancy - as quoted	24,300	22,020
Accountancy - unquoted	9,369	8,635
Audit Fees	953	976
Committee Fees & Expenses	24,590	21,617
Consultancy Fees	3,000	13,411
FOMA Expenses	5,581	4,264
AGM Expenses	3,256	3,734
	<u>71,049</u>	<u>74,657</u>
Total cash expenses	<u><u>336,341</u></u>	<u><u>89,435</u></u>
Other income		
Forestry Income	54,085	-
Forestry Expenses	<u>3,222</u>	<u>2,770</u>
	50,863	(2,770)
Sand Royal (c/mtr 2011:NIL 2010:3411)	-	<u>28,141</u>
	<u>50,863</u>	<u>25,371</u>
Interest receivable	Tax credits	
Bank of New Zealand	2,104.81	11,301
Inland Revenue Department	-	-
Whangara Farms	-	-
	<u>2,104.81</u>	<u>11,301</u>
	<u><u>2,104.81</u></u>	<u><u>11,301</u></u>
Dividends receivable		
Ballance Agri-Nutrients Co-Op Ltd	35.21	107
NZ Wool Services Ltd	<u>46.49</u>	<u>145</u>
	81.70	-
	<u><u>81.70</u></u>	<u><u>252</u></u>

Statement of financial performance

	2011 \$	2010 \$
Income		
Sundry income	50,863	25,371
Share of Whangara Farms Profit/(Loss)	1,847,242	910,091
	<u>1,898,105</u>	<u>935,462</u>
Less expenses		
Operating	15,427	14,775
Depreciation	26,292	26,378
	<u>41,719</u>	<u>41,153</u>
Net surplus/(deficit)	<u>1,856,386</u>	<u>894,309</u>
Less other expenses		
Finance	249,865	3
Administration	71,049	74,657
	<u>320,914</u>	<u>74,660</u>
Net operating surplus/(deficit)	<u>1,535,472</u>	<u>819,649</u>
Plus other income		
Dividends receivable	252	-
Interest receivable	11,301	41,061
	<u>11,553</u>	<u>41,061</u>
Net surplus/(deficit)	<u>1,547,025</u>	<u>860,710</u>
Provision for taxation	255,939	181,629
Net surplus/(deficit) after taxation	<u><u>1,291,086</u></u>	<u><u>679,081</u></u>

Statement of movements in equity

	2011 \$	2010 \$
Opening equity	25,798,786	25,738,857
Net surplus/(deficit)	1,291,086	679,081
Net livestock holding gains/(losses)	1,602,326	(192,341)
Investment revaluation	(800)	-
	<hr/>	<hr/>
Total recognised revenues and expenses for the year	2,892,612	486,740
Donations	(11,234)	(9,755)
Kaumatua Grant	(6,600)	(5,280)
Dividend Declared	(374,342)	(411,776)
	<hr/>	<hr/>
	(392,176)	(426,811)
	<hr/>	<hr/>
Closing equity	<u>28,299,222</u>	<u>25,798,786</u>

Statement of financial position

		2011 \$	2010 \$
Total equity	8	<u>28,299,222</u>	<u>25,798,786</u>
Current assets			
Prepayments		1,272	1,543
Goods & Services Tax		2,893	2,499
Accounts receivable		47,277	34,167
Bank accounts	2	66,161	68,267
Whangara Farms	11	<u>2,669,885</u>	<u>1,543,684</u>
		2,787,488	1,650,160
Livestock			
Cattle		1,892,866	1,668,600
Sheep		<u>2,780,580</u>	<u>1,536,110</u>
		4,673,446	3,204,710
Non current assets			
Investments	3	370,056	362,290
Capital into Whangara Farms	12	4,082,254	4,264,354
Forestry Asset	7	618,570	568,098
Fixed assets	6	20,052,872	20,079,164
Intangible assets	15	<u>2,187</u>	<u>-</u>
		25,125,939	25,273,906
Total assets		<u>32,586,873</u>	<u>30,128,776</u>
Current liabilities			
Accounts Payable		70,981	12,421
Inland Revenue Department		153,862	107,680
Unclaimed Dividends		<u>378,108</u>	<u>343,089</u>
		602,951	463,190
Non current liabilities			
Loans	10	<u>3,684,700</u>	<u>3,866,800</u>
Total liabilities		<u>4,287,651</u>	<u>4,329,990</u>
Net assets		<u>28,299,222</u>	<u>25,798,786</u>

Statement of cash flows

	2011 \$	2010 \$
Cash flows from operating activities		
Sand Royalties	-	32,121
Forestry	59,821	-
Dividends received	181	-
Distribution from Partnership	850,949	186,360
Interest received	5,745	38,051
Operating expenses	(60,642)	(88,312)
Repairs & maintenance	-	(2,770)
Taxation	(206,929)	(116,010)
GST	1,993	344
Interest payable	(249,865)	(3)
	-	-
Net cash inflow (outflow) from operating activities	401,253	49,781
Cash flows from investing activities		
Working capital repayments from Partnership	510,072	353,454
Working capital advances to Partnership	(510,072)	(353,454)
Capital Expenditure repayments from Partnership	-	485,730
Capital Tongataha	182,100	(4,291,699)
Investments matured	-	700,000
Sand mining	(2,187)	-
Forestry	(44,349)	-
Interest bearing investment	-	(343,560)
Net cash inflow (outflow) from investing activities	135,564	(3,449,529)
Cash flows from financing activities		
New Loan - secured	-	3,866,800
Loan Repayments - secured	(182,100)	-
Dividends	(339,323)	(442,103)
Kaumatua Grants	(6,600)	(5,280)
Donations	(10,900)	(9,200)
Net cash inflow (outflow) from financing activities	(538,923)	3,410,217
Increase/(decrease) in cash	<u>(2,106)</u>	<u>10,469</u>
Cash		
Balance at beginning of year	68,267	57,798
Balance at end of year	66,161	68,267
Increase/(decrease) in cash	<u>(2,106)</u>	<u>10,469</u>

Statement of cash flows

	2011 \$	2010 \$
Reconciliation		
Net surplus as per financial statements	1,291,086	689,087
Add/(deduct) non-cash items		
Depreciation	26,292	26,378
Forestry write-off	3,222	600
Dividends Received	(71)	-
Whangara Farms income per accounts	(1,847,242)	(910,091)
Interest received	(8,566)	-
	<u>(1,826,365)</u>	<u>(883,113)</u>
Increase/(decrease) in working capital		
Increase in accounts payable	58,563	(5,219)
Increase in accounts receivable	(13,110)	(25,289)
Increase in taxation payable	49,598	55,025
Decrease in GST payable	(394)	(387)
Decrease in Prepayments	271	(790)
	<u>94,928</u>	<u>23,340</u>
		(170,686)
Plus item classified as investing activity		
Accounts payable classified as investments	(9,345)	-
	<u>(9,345)</u>	-
Plus item classified as financing activity		
Distribution from partnership	850,949	186,360
Accounts payable classified as capital advances	-	6,762
Accounts receivable classified as capital advances	-	27,345
	<u>850,949</u>	<u>220,467</u>
Net cash inflow (outflow) from operating activities	<u><u>401,253</u></u>	<u><u>49,781</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 FRS10 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 - 31.2%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.

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.

Forestry

The forestry asset has been revalued to the latest insurable value, plus permanent improvements since (at cost).

Taxation

The income tax expense is equal to the income tax payable in the current year. Timing differences between accounting profit 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
	\$	\$
Bank of New Zealand Current Account	7,189	3,915
Bank of New Zealand On Call Account	58,972	64,352
	<u>66,161</u>	<u>68,267</u>

Registered first mortgage over property situated at State Highway 35, Gisborne C/T: GS6/A530
Perfected Security interest in a ll present and after acquired Sheep & Cattle of The Proprietors of Whangara B5 Blocks.

3. Investments

	2011	2010
	\$	\$
Interest bearing investments		
Bank of New Zealand term deposits	362,320	353,754
	<u>362,320</u>	<u>353,754</u>
Shares in companies	No	
Ballance Agri-Nutrients Co-Op Ltd	1494	94
Farmlands Trading Society Ltd	-	-
NZ Wool Services International Ltd	3390	1,695
NZ Wool Equities	5947	5,947
	<u>7,736</u>	<u>8,536</u>
Total investments	<u>370,056</u>	<u>362,290</u>

4. Maori Authority Credit Account

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

	2011	2010
	\$	\$
Balance at beginning of year	663,851	530,868
Plus taxation paid	209,759	132,983
	<u>873,610</u>	<u>663,851</u>
Less Credits attached to dividends paid	-	-
Taxation refunded	-	-
	<u>873,610</u>	<u>663,851</u>

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

Notes to the financial statements

5. Exempt dividends

	2011 \$	2010 \$
Opening balance	999,783	1,416,839
Less: Dividends paid	374,342	411,776
Kaumatua Grants	6,600	5,280
Closing balance	<u>618,841</u>	<u>999,783</u>

6. Fixed assets

	2011 \$	2010 \$
Land & Buildings - Whangara B5		
Revaluation and additions	14,701,801	14,701,801
Accumulated depreciation	<u>333,549</u>	<u>324,947</u>
	14,368,252	14,376,854
Land & Buildings - Rototahi		
Revaluation	5,966,693	5,966,693
Accumulated depreciation	<u>282,073</u>	<u>264,383</u>
	5,684,620	5,702,310
Total fixed assets	<u>20,052,872</u>	<u>20,079,164</u>

Depreciation

	2011 \$	2010 \$
Land & Buildings - Whangara B5	8,602	8,688
Land & Buildings - Rototahi	<u>17,690</u>	<u>17,690</u>
Total depreciation	<u>26,292</u>	<u>26,378</u>

Rating valuation 1/09/08:

Property	Hectares	Land	Improvements	Capital
Freehold				
Whangara B5				
Sec 1 SO4248, Secs 2-10 Blk VI Secs 6-8 12-16 Blk 1 Pt Whangara B2A BV1 Blks VI VII X XI Whangara SD	1713.198	13,500,000	1,210,000	14,710,000
Rototahi				
Sec 3 Kirikiriroa 12A 2B1 Pts T Uawhata 1B1 2A 2B1A 2B2 2B3 4AB	805.707	4,930,000	790,000	5,720,000
	<u>2518.905</u>	<u>18,430,000</u>	<u>2,000,000</u>	<u>20,430,000</u>

Notes to the financial statements

7. Forest asset

	Insurance valuation
Whangara B5 has two blocks of forestry on its property.	
(i) Rototahi	
This forest is half owned by the Incorporation and half owned by the Shanks Family.	
Whangara B5 is entitled to half the proceeds from the 40ha block of Pinus Radiata. The trees were planted in 1984 and harvesting commenced in May 2011.	232,000
(ii) Panikau Road	
This covers 40ha of Pinus Radiata of which 20ha was planted in 1993 and 20ha was planted in 1994.	334,948
Total insurance value	566,948
Costs since (Panikau)	1,150
Costs since (Rototahi)	50,472
	<u>618,570</u>

8. Equity

	2011 \$	2010 \$
Reserves		
Revaluation of property to Govt Valuation		
Opening balance	15,279,739	15,279,739
Revaluation of forestry to Insurance Valuation	396,818	396,818
	<u>15,676,557</u>	<u>15,676,557</u>
Capital account		
Opening Balance	5,802,873	5,995,214
Livestock Gains/(Losses)		
Cattle	218,407	(16,648)
Sheep	1,383,919	(175,693)
Investment revaluation	800	-
Closing balance	<u>7,404,399</u>	<u>5,802,873</u>
Profit and loss appropriation account		
Opening Balance	4,319,356	4,067,086
Net Income	1,291,086	679,081
	5,610,442	4,746,167
Donations	11,234	9,755
Kaumatua Grant	6,600	5,280
Dividend Declared	374,342	411,776
	<u>392,176</u>	<u>426,811</u>
Closing balance	<u>5,218,266</u>	<u>4,319,356</u>
Total equity	<u>28,299,222</u>	<u>25,798,786</u>
Shareholding		
Total shares =	374,342	

Notes to the financial statements

10. Term liabilities

	2011 \$	2010 \$
Secured loans -		
BNZ Loan 3010	3,684,700	3,866,800
	<u>3,684,700</u>	<u>3,866,800</u>

The 3010 loan is secured by Registered first mortgage over property situated at State Highway 35, Gisborne C/T: GS6/A530
Perfected Security interest in all present and after acquired Sheep & Cattle of The Proprietors of Whangara B5 Blocks. The loan is interest only for five years. This period will expire on 30 June 2015.

Interest rates applicable to the 3011 loan are as follows:

\$476,900 floating at 4.42%
\$400,000 fixed for 1 year to 29/06/12 at 4.89%
\$842,000 fixed for 2 years to 29/06/12 at 6.43%
\$842,000 fixed for 3 years to 28/06/13, capped rate 7.23%, floor rate 6.73%
\$561,900 fixed for 4 years to 30/06/14, capped rate 7.59%, floor rate 6.99%
\$561,900 fixed for 5 years to 30/06/15, capped rate 7.89%, floor rate 7.29%

11. 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.

	2011 \$	2010 \$
Current Accounts		
Opening balance	1,543,683	904,139
Share of profit/(loss)	1,847,242	910,091
Distributions paid	(850,949)	(186,360)
Livestock revaluation reserve	133,590	(67,247)
Other transactions	(265)	(555)
	<u>2,673,301</u>	<u>1,560,068</u>
Share of RWT/Imputation Credits	(3,416)	(16,385)
	<u>2,669,885</u>	<u>1,543,683</u>
Closing balance		

Notes to the financial statements

12. Whangara Farms - Capital

	2011 \$	2010 \$
Opening balance	4,264,354	-
Capital into Whangara Farms	-	4,264,354
Payments received from Whangara Farms	(182,100)	-
Closing balance	<u>4,082,254</u>	<u>4,264,354</u>

14. Unclaimed dividends - Shareholders owed the most

Heni Pomare Kingi
Richard Awatea Thompson Whanau Trust Thompson
Georgina Ripeka Gregory
Elizabeth Jacqueline Te Kani
Rutene Kuhukuhu Maitai
Est MV Kutia
Hector Wairau Whanau Trust
Est Mei Roto Hayes Rangī
Kere Makarete Walker Meha
Bernard H Kingi
Okeroa Peihana
David & Beverley Reed Whanau Trust
Bernadine Clark
Wikitoria Morell Hale
Apirana Te Rauna Hape
Stuart Rewi Leach
Meri Erina Teroha Stewart
Apikara Hemopereki Meremere Blake Whanau Trust
Ahipene Rangī Paenga
Te Herepunga Tautau

15. Intangible assets

	2011 \$	2010 \$
Sand Mine	<u>2,187</u>	<u>-</u>

Costs incurred to-date relating to the resource application consent for sand mining.

Notes to the financial statements

16. Taxation

	2011	2010
	\$	\$
Net surplus/(deficit) before taxation	1,547,025	860,710
Livestock adjustment for tax purposes	(171,471)	340,001
	<u>1,375,554</u>	<u>1,200,711</u>
Add credit adjustments -		
Whangara Farms for tax purposes	- 1,793,281	653,381
Paikea Whitireia	4,400	-
	<u>1,797,681</u>	<u>653,381</u>
	<u>3,173,235</u>	<u>1,854,092</u>
Less debit adjustments -		
Whangara Farms as per accounts reversed	- 1,847,242	910,091
Development Expenditure Claim	2,252	2,815
	<u>1,849,494</u>	<u>912,906</u>
	<u>1,323,741</u>	<u>941,186</u>
Other deductions		
Donations	11,234	9,755
	<u>11,234</u>	<u>9,755</u>
Taxable income	<u><u>1,312,507</u></u>	<u><u>931,431</u></u>
Donations to Maori Authorities -		
Total qualifying paid	= \$11,234	
Limited to net income before donations	= \$1,323,741	
Taxation liability		
Tax on above	255,939	181,629
Less:		
RWT	4,615	13,453
Imputation Credits	989	10,952
Provisional Tax Paid	96,472	52,100
	<u>153,863</u>	<u>105,124</u>
Taxation Payable/(Refundable)	<u><u>153,863</u></u>	<u><u>105,124</u></u>

Profit before Taxation

