



OPEPE FARM TRUST

*Annual General Meeting*

20  
18





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# 2017 AGM MINUTES

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**Venue:** Opepe Drystock Farm,  
924 State Highway 5, Maunganamu, Taupō

**Date:** Saturday 16 December 2017

**Present:** *Trustees:* Temuera Hall (Chair), Ngahere Wall, Charlotte Severne, William Wall, Heemi Biddle. *Associate Trustees:* Tia Greenaway, Diane Karaitiana.

**In Attendance:** Brad Tatere (Director, OFLP).  
*He Akina:* Vernon Rameka (General Manager), Kathryn Moffat (Minute Taker), Miria Stephens, Rokamaye Hemara, Jan Baker, Amy Greaves, Tessa Ali, Vanessa Healey, Courtney Marshall (Registrations).

**Owners Present:** As per Attendance Register.

**Karakia:** Temuera Hall

**Meeting Commences:** 10.27am

**Apologies:** As per Apologies Register

## 1. HOUSEKEEPING

- The Chair welcomes the owners to the hui and provides an overview of the meeting agenda.
- Fire exits, farm protocols, and health & safety are clarified.

## 2. INTRODUCTIONS AND VIDEO PRESENTATION

- The trustees, associates, staff and support team are introduced.
- The Chair acknowledged the addition of the two associate trustees to the trustee team – Tia Greenaway and Diane Karaitiana.
- The trustees present a four-minute video that gives an overview of the Opepe farming operations (produced by Tautahanga Rameka and Raymond Hill).

## 3. ACKNOWLEDGEMENTS

The Chair acknowledges the following people and organisations who have contributed and helped towards the preparation of today's AGM.

- He Akina
- Opepe Farm Staff (past and present)
- Ryan Mason
- Tuwharetoa Health
- M21 Meats
- TKKM o Whakarewarewa i Te Reo Ki Tuwharetoa
- Taupo-nui-a-tia kapa haka roopu
- PGG Wrightson
- Reporoa Groundspread
- Northfuels
- Farmlands

## 4. CONFIRM PREVIOUS MINUTES – 2016 AGM

The 2016 AGM minutes are received in the 2017 AGM Book.

### RESOLUTION

That minutes of the previous meeting of 26 November 2016, are a true and accurate record of that meeting.

**Moved:** Aroha French

**Seconded:** Matiu Northcroft

**Motion Carried**

## 5. MATTERS ARISING

### URUPA

- Owners inquired about access to the urupa. Trustees clarified that because the urupa is part of the farm, health and safety procedures are put in place to mitigate any risk against the farm.
- Trustees are in the process of expanding the current urupa site, that includes fencing off the urupa area, providing car access and parking for the whānau.
- Trustees are also supporting TM12 with their plans to develop a new urupa site.

## 6. TRUSTEES REPORT

- The Trustees Report is received in the 2017 AGM Book.
- As part of the Trusts succession planning, 2017 saw the addition of two Associate Trustees – Tia Greenaway and Diane Karaitiana. The associate programme is about building capacity within the whānau and to create succession pathways for continuity of Trust mahi.
- It was a good year financially for the dairy farms. The profits made in 2017 will go back into the farm to improve current infrastructure, improve health and safety, regulatory compliance, future investments opportunity, and provision for AGM distribution packs.
- The Trust is aiming to improve the current farm processes by working smarter to reduce the NDA usage. Strategies include planting gullies with native trees, and improving the aesthetics of the farm by planting natives on the road lines and around the farm houses. This will be part of the kaitiakitanga policy that is currently being developed.
- In 2016, the trustees decided to restructure the Trust by adding a subsidiary business to manage farming operations, to drive investment strategy, and to further protect our taonga.

- The Trust initiated discussions with neighbouring Tauhara entities to discuss how the trusts can effectively work together. Potential areas of collaboration are the improvement of farming processes, tourism, affordable housing, and capacity building.
- Waikato Regional Council approved to give Opepe Farm, 2745kg of additional nitrogen from the 11000kg of Tuwharetoa development nitrogen. The additional nitrogen will support the sheep and strategies.

#### **RESOLUTION**

That the Trustees Report be received.

**Moved:** Matiu Northcroft

**Seconded:** Faye Walker

**Motion Carried**

## 7. FARMING REPORT

- All farming operations have been moved to the Opepe subsidiary company – Directors are Temuera Hall and Brad Tatere.
- After eight years of service to Opepe, Scott O'Brien decided to resign to pursue new challenges. This prompted the Limited Partnership (LP) to restructure the farm management team which resulted in the appointment of Leighton Swann and the internal promotion of Brady Sloss.
- Opepe 902 Dairy Farm placed fourth overall at the annual Miraka Awards, scoring 18 out of 20 points. These awards are about achieving farming excellence by improving on-farm practices, such as animal welfare, environmental practices and people development.
- The LP are looking at strategies to take Opepe 'beyond the farm gate'.
- Opepe received \$85k of MPI funding to go towards the Manuka Project. The LP planted 74 hectares of manuka in a trial to identify a manuka variety that can survive our harsh environments while still being able to produce high quality manuka

honey. The team will start assessing the quality of the nectar next spring.

- \$1.6 million operating cash surplus before tax. This is due to increased milk prices and the addition of milk futures that allows the LP to lock in a definitive milk price that is above operating costs.
- The drystock farm bred 8600 lambs in 2017 and sold a total on 10,600 at \$100 per head. The main responsibility of the drystock farm is to act as a support property for the dairy operations in regard to NDA usage.
- Priorities for 2018 to include the development of the kaitiakitanga policy, continuing to work with neighbouring Tauhara entities on mutual opportunities, and to continue to improve our overall on-farm performance.

#### **RESOLUTION**

That the Farming Report be received.

**Moved:** Georgina Te Heuheu

**Seconded:** Tom Northcroft

**Motion Carried**

## 8. FINANCIAL REPORT

- \$2.6 million operating profit for 2017 financial year. Increased milk prices and high production is the main driver for the increase in profit.
- \$894k net surplus after tax and distributions.
- \$52 million total equity, up from 2016. This is made up of mostly of land, buildings and stock.
- The Trust made the decision to sell the remaining Fonterra shares due to the dairy farms move to supply 100% of the milk to Miraka. There was little strategic or financial gain for the Trust to continue to retain the Fonterra shares and so sale of the shares went towards debt reduction.
- Reduced debt by a further \$1 million. Total debt reduction to date is \$1.5 million.

- \$45 million – the current value of the Opepe land.
- The Trust will be reviewing the current auditors for the next 2019 financial year.

#### **RESOLUTION**

That the audited Financial Reports for the year ending 30 June 2017 be received.

**Moved:** Aroha French

**Seconded:** Anne Clarke

**Motion Carried**

#### **RESOLUTION**

To appoint Crowe Howarth Chartered Accountants as auditor for Opepe Farm Trust for the next financial year.

**Moved:** Aroha French

**Seconded:** Hinemoa Henderson

**Motion Carried**

## 9. LOOKING AHEAD

- Owners Report was received and read as per the AGM book. 4694 total registered owners, as of November 2016.
- As part of the Trusts social and cultural aspirations, the trustees will continue to develop their relationship with neighbouring trusts –working towards opportunities that will benefit whanau. Discussion included: working with the farm to identify initiatives aimed at employing whanau, developing a kaitiaki policy to further improve current environmental practices, continued support to the Urupa Committee (specifically with the expansion of the urupa to improve access for whanau), and to review the current Distribution Policy. The implementation of the Associate Trustee programme ensures the Trust has some succession planning in place for continuity of the Trust. The Trust is also committed to continue to build trustee development and farm staff development to create robust career pathways.

- For a number of years, the Trust have been operating with a very low NDA. As a result, the farm used a number of strategies to keep the NDA usage down to maintain compliance with local and regional councils. Moving forward, the Trustees are committed to further improving their environmental footprint by implementing the Manuka Project, and to plant other underutilised areas of the farm with pine or native trees. The Trust is also looking to implement an environmental policy, implement reporting tools to better manage and report on NDA usage and carbon emissions, and continue to build positive relationships with local and regional council.
- Owners were in support of the Trust reviewing the current Tangihanga Policy (to possibly increase to \$500 and consider a discretion for whanau that reside overseas).
- The firewood distribution is currently on hold and is contingent on the availability of wildling trees that need to be removed.
- The Trust is considering organic farming however, there are specific rules and regulations to meet the 'organic' status as it will take a number of years to convert from conventional farming to organic farming. Right now, the LP are focusing on efficiency, profitability and getting the basics right.
- Other initiatives the Trust will look at in 2018 will be the establishment of a community maraakai. In order to move forward on this initiative, the Trust is keen to put in resources required but will need to establish a team to move this forward.

**Meeting Closed:** 1.08pm

**Karakia Whakamutunga:** Te Kanawa Pitiroi



# CHAIRMAN'S REPORT

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*"Kia whangaihia nga uri - a tinana, a hinengaro, a wairua"*

TO PROVIDE SUSTENANCE TO THE BENEFICIAL OWNERS AND THEIR DESCENDANTS - IN BODY, MIND, AND SOUL.

*Whaia te awa Waikato mai i a Atiamuri ki a Aratiatia ki te Toka a Tia. E rere ki runga i te Hukanui a Tia, taenoa ki te pūau o te awa, ara ki te pūtake ko Taupō-nui-a-Tia.*

*E piki ki ake ki te tahi o Tauhara maunga, ka titiro iho ki te whenua e hora atu ra ko Opepe tērā. Opepe te muimui, o te huhu no te wao nui a Tane.*

In keeping with our own whakatāuaki, at our annual hui we aim to feed your mind with information about your land, your Ahu Whenua Trust and its activities.

We also aim to fill your puku with kai and lift your spirits with music from our very own kura kapa haka groups and, (weather permitting) the up and coming band of locals 'Lost Tribe'.



ROI 4.8%

Debt to Equity ex ML 32.4%

This year we would like to celebrate our partnerships and relationships; Te Pae o Waimihia our partner in Tauhara properties Limited. Lake Taupo Forest Management (LTFT, LRFT) our forest land leasee. Tauhara Middle 15 our partners in the Tauhara North Block. Also our new partner Tauhara Middle lands in our farm lease partnership.

We see partnerships and collaborations as key to our growth and development.

*Manahua te tapu o Hinekōrako o te whatu*  
EMPOWER THE HEART (TO LEARN - TO TEACH)

*Manahua te tapu o Hineueuerangi o te uenuku*  
EMPOWER YOUR SENSES (NGĀ TAE O TE AROHA)

*Manahua te tapu o Hineatarau o te whakapapa*  
EMPOWER YOUR ANCESTRAL LINEAGE (PAST LIVES)

*Manahua te tapu o Hinemarama o te māramatanga e*  
EMPOWER YOUR AWARENESS

The Opepe Farm Trust places great importance on its environmental taōnga (treasured things, tangible and intangible) for cultural reasons including, the spiritual and physical relationship with the taōnga, a source of sustenance, a basis for manaakitanga (caring), waahi tapu (places of sacred, extreme importance), Turangawaewae, and for its role in asserting ahi kaa (rights of occupation and use).

In addition the Opepe Farm Trust values the taōnga for its ability to provide for the physical and economic needs of its beneficial owners.

These values have significant downstream benefits for the owners, the affiliated hapū and Ngāti Tūwharetoa as a whole.

The Trustees hold the mantle of kaitiaki (guardian/protector). As kaitiaki, the Trustees administer tino rangatiratanga over the Opepe Farm lands on behalf of its beneficial owners.

\$2.68 M Net Profit

\$55.3 M Equity

The agriculture sector is coming under increasing pressure as climate change and water quality issues lift in local and national importance. We continue to strive to balance our economic, environmental and social objectives upon a strong cultural values base. We continue look for alternative land uses and off farm investments.

We have joined the Mihi hemp collective and are in the process of appoint a General Manager to drive our goals and objectives. While we will always continue to optimise our farming units, our focus next year will also be on our whakarakei whenua project, implementing the beef strategy and improving how we provide benefits to you, the owners.

### *'Manahua te tapu o Tahitō'*

*We endeavour to empower ancestral knowledge in this rapidly changing world. Now more than ever is a time for Māori values and ethics to be realised as a solution to global issues. In working with others we can play our part.*

Mauriora



Temuera Hall  
Chairman



# FARMING REPORT

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For the year ending June 2018, New Zealand exported \$55.5 billion worth of goods, \$42.2 billion or 76% of these exports were from the primary industry and include dairy, red meat and fibre, all of which Opepe produce. Fundamentally, the world population continues to increase and the demand on food will only increase.

The outlook for 2019 continues to be positive although a cooling of dairy commodity prices will have an immediate impact on Opepe's revenue. Globally, Trump's trade war against China in particular will create a lot of uncertainty in an already highly volatile market and we are likely

to see this impact our trade agreements with the US and China.

As highlighted in previous reports the key drivers of economic performance for the farm business are:

- Favourable environmental conditions
- Buoyant commodity prices, and
- Capable people and management

The 2018 season was very rewarding in terms overall performance which resulted in an operating cash surplus before capital expenditure, depreciation and interest of \$2.7 million, \$1.1 million up on the previous year.

## FARM STATISTICS

	Cows	Sheep	Beef Cattle	Staff
Dairy	2719			10
Sheep & Beef		7637	714	4

Area	Hectares
Dairy - effective	700
Sheep & Beef - effective	2,050
Forestry Lease	1,350
Manuka / Kanuka	100
Non-effective	600

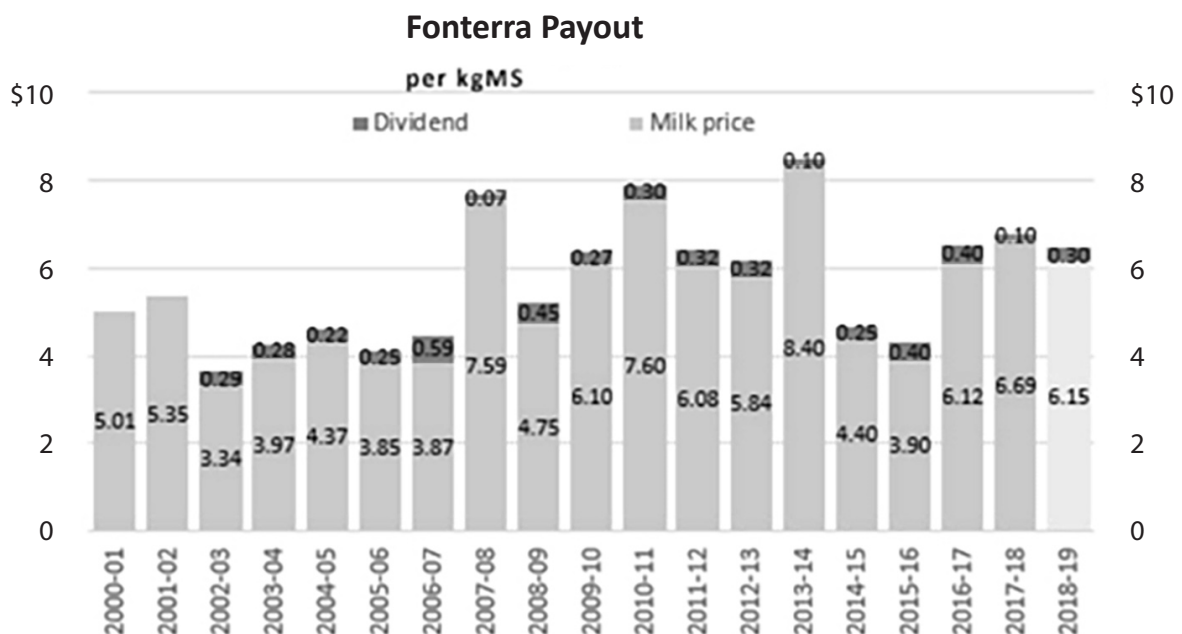
## ON FARM - DAIRY OPERATIONS

2018 was the first year of the new Dairy Management Team structure following the departure of our previous Manager. The investment in two Dairy Managers has proven successful with a greater focus directed towards Health and Safety in the workplace, animal welfare, environmental protection, production and cost control.

Milk production for the season finished at 786,026 kg of milk solids, 2% up on the previous year. Interestingly both farms were each 2% ahead at the finish line which is a great achievement from our farm teams.

Milk price remained buoyant for the second year in a row following two years of depressed milk prices. Opepe received a final milk price of \$6.80 per kg of milk solid produced. This equated to total milk revenue of \$5.3 million for the season.

The graph of Fonterra milk prices shows the range and volatility of milk price over the past 18 years.



It was the second year of Te Ara Miraka (Miraka's Farming with Excellence Programme), a quality assurance programme designed by Miraka.

Te Ara Miraka consist of 5 pou; Nga Tangata (people), Te Taiao (environment), Taurikura (prosperity) Nga Kau (cows) and Miraka (milk). Under each pou are mandatory standards and are all considered industry best practice for people management, animal welfare, environmental management and business management.

Miraka pays its suppliers an incentive of up to 20 cents per kilo of milk solid to meet the standards. Of the 20 cents available Opepe farms were awarded an average incentive payment of 15 cents per kg milk solid, totalling \$123,381 across both farms.

Te Ara Miraka forms the basis of Opepe's dairy management system and we will continue to focus on those areas which influences positive outcomes for our people, environment and bottom line results.

### *On Farm:*

## SHEEP AND BEEF OPERATIONS

The sheep and beef operation has historically been run as a support unit to the dairy operations, wintering all dairy cows and young dairy sock. During 2018 the board in conjunction with management changed the strategic direction to focus on red meat production.

While the sheep and beef operation will still support the dairy operation, the new strategy will see all dairy calves raised on farm where as previously only replacement calves were kept. This means, of the 1,800 calves born, all will be reared with 1,500 retained for the sheep and beef unit and balance being the replacement animals for the dairy operation.

The buoyant commodity prices were well received this year with the average price for both prime and store lambs being \$130 per head, 30% higher per head than the previous year.

## BIO-SECURITY

On farm bio-security became very real this year as the spread of Mycoplasma bovis (M. bovis) throughout the North and South Island posed a very real threat to Opepe.

M. bovis is a bacterial disease that can lead to serious conditions in cattle and create an animal welfare and productivity issue. The disease was first discovered in July 2017 on a South Island property.

If Opepe were to contract the disease the losses could be in the millions, and because there was little known about how it spread, a bio-security policy was quickly adopted by the OGP Board.

This saw the farms shut down access to anyone other than employees and those supplying necessary services such as vets.

All visitors accessing the properties were required to disinfect vehicles and clothing. Income livestock was held in quarantine and tested where possible to confirm status and, only livestock with known histories were purchased.

These measures and others were adopted to protect the integrity of Opepe disease free status.

Opepe remain vigilant going forward and are cognisant of the fact that bio-security will be an ongoing challenge for the business.

## FINANCIAL PERFORMANCE

The farming operations performed well this season and the buoyant commodity prices help achieve total gross farm income of \$7.8 million an increase of 22% on the previous year.

Farm and administration costs were \$4.7 million or 60% of total income which is acceptable for a corporate operation of this size.

The resulting cash operating surplus before tax, capital and depreciation expenses was \$2.7 million, a \$1.1 million increase on the previous year.

## LOOKING AHEAD

The outlook for 2019 operations continues to be positive for Opepe, although we are likely to have a substantial reduction in milk price with whole milk powder futures trending downwards to around \$6.00 per kg milk solid. If this trend continues, the result could see as much as \$600k off the bottom line.

This is the first year of the new partnership between Tauhara Middle Lands Trust and Opepe. It forms part of Opepe's strategy to bring together the Tauhara hapu land blocks to work collectively for the benefit of the collective ownership base.

Around 40 bee hives have been brought in this year and placed in two sites, one of these being the Mānuka block. The honey collected

from the Mānuka block will give us a good indication of performance of the overall quality of the honey.

Testing of the pollen from each plant variety will provide information on the quality and potential of those plants, which will be important when considering additional plantations.

Opepe has contracted Rural Property Solutions to be our property managers and look after the property maintenance, including property inspections. This will ensure the farm houses will be properly maintained and up to code.

We have high expectations of our farm staff and so it's appropriate that they are housed in warm, dry functional homes. The immediate outcome of this is the insulating, painting and renovation of some of the farm houses.





# FINANCIAL REPORT

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## OPEPE FARM TRUST

Consolidated Special Purpose Financial Statements

For the Year Ended 30 June 2018



# OPEPE FARM TRUST

Trust Directory

For the Year Ended 30 June 2018

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**Nature of Business:** Farming and Forestry

**Locations:** - Farm Opepe Farm Trust - State Highway 5, Taupo  
- Business 63 - 65 Waikato Street, Taupo

**Managing Trustees:** Temuera Hall  
Heemi Biddle  
Dr Charlotte Severne  
Ngahere Wall  
William Wall

**Bankers:** Bank of New Zealand, Taupo

**Solicitor:** Kahui Legal

**Auditors:** Crowe Horwath New Zealand Audit Partnership

**Accountant:** He Akina Limited

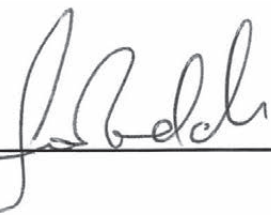
# OPEPE FARM TRUST

Annual Report

For the Year Ended 30 June 2018

The Trustees present their annual report, including the financial statements of the Trust for the year ended 30 June 2018.

For and on behalf of the Trust:

  
\_\_\_\_\_  
Trustee  
\_\_\_\_\_  
Trustee

26th November 2018  
\_\_\_\_\_  
Date



# OPEPE FARM TRUST

## Statement of Financial Performance

For the Year Ended 30 June 2018

	Note	Group 2018	Group 2017	Parent 2018	Parent 2017
<b>Surpluses (Deficits) From Operations (excl. Depreciation &amp; Finance)</b>					
Taupo Operations					
Dairy Unit Surplus (Deficit)		1,944,877	1,710,167	-	(35,120)
Drystock Unit Surplus		1,681,354	531,050	-	22,365
Other Income		81,348	75,286	78,325	73,706
		<u>3,707,579</u>	<u>2,316,503</u>	<u>78,325</u>	<u>60,951</u>
Property Surplus		71,850	61,220	71,850	61,220
Farm Lease		-	-	1,421,952	300,552
Forestry Activities		214,692	277,466	214,691	277,466
	<b>2</b>	<u>3,994,120</u>	<u>2,655,189</u>	<u>1,786,818</u>	<u>700,189</u>
<b>Surplus/Deficit From Investment Ventures</b>					
Tauhara North Block: Surplus Excluding Revaluations		64,611	61,732	43,745	41,098
Tauhara Properties Limited Partnership Surplus/(Deficit)	<b>12</b>	43,003	(177,858)	43,003	(177,858)
		<u>107,614</u>	<u>(116,126)</u>	<u>86,748</u>	<u>(136,760)</u>
<b>Less Administration &amp; Governance Costs</b>					
Administration Expenses		374,751	230,676	104,438	90,442
Audit Fees		24,112	21,629	24,112	21,629
Governance and Secretarial Expenses		153,717	163,688	153,717	163,686
		<u>552,580</u>	<u>415,993</u>	<u>282,267</u>	<u>275,757</u>
<b>Surplus Before Change in Value of Livestock Held, Depreciation, Interest &amp; Finance Costs</b>		<b>3,549,154</b>	<b>2,123,070</b>	<b>1,591,299</b>	<b>287,672</b>
<b>Plus (Less) Change in Value of Livestock Held Holding Gain</b>		<b>517,073</b>	<b>(63,594)</b>	<b>-</b>	<b>-</b>
Less Depreciation and loss on disposal adjustments		732,865	727,218	520,663	508,454
Less Interest & Finance Costs		216,741	176,771	112,475	176,771
<b>Surplus (Deficit) Before Taxation, Provisions, Impairment, Appropriations &amp; Capital Gains</b>		<b><u>3,116,621</u></b>	<b><u>1,155,487</u></b>	<b><u>958,161</u></b>	<b><u>(397,553)</u></b>
<b>Appropriations</b>					
Koha, Donations & Grants		49,030	56,374	49,030	56,374
<b>Operating (Loss)/Surplus Before Taxation</b>		<b><u>3,067,591</u></b>	<b><u>1,099,113</u></b>	<b><u>909,131</u></b>	<b><u>(453,927)</u></b>
Income Tax Expense	<b>8</b>	388,214	194,450	388,214	194,450
<b>Operating (Loss)/Surplus After Taxation</b>		<b><u>2,679,377</u></b>	<b><u>904,663</u></b>	<b><u>520,917</u></b>	<b><u>(648,377)</u></b>
<b>Surplus Attributable to Minority Interests</b>	<b>4</b>	<b><u>10,936</u></b>	<b><u>10,317</u></b>	<b><u>-</u></b>	<b><u>-</u></b>
<b>Net (Loss)/Surplus Attributable to the Parent Trust</b>		<b><u>2,668,441</u></b>	<b><u>894,346</u></b>	<b><u>520,917</u></b>	<b><u>(648,377)</u></b>



These financial statements should be read in conjunction with the accompanying Notes and Audit Report

# OPEPE FARM TRUST

## Statement of Movements in Equity For the Year Ended 30 June 2018

		Group		Parent	
	Notes	2018	2017	2018	2017
<b>Equity At Beginning of Year</b>		<b>52,412,765</b>	<b>44,992,959</b>	<b>50,203,783</b>	<b>44,496,426</b>
Movements in Asset Revaluation Reserve					
Earnings	5	259,660	6,471,005	258,906	6,311,589
Capital Gains on Sale of Assets	5	28,000	44,145	28,000	44,145
Distribution to Minority Interest Partners	5	(24,001)	(7)	-	-
Net Surplus/(Deficit) Attributable to:					
- Parent Trust Shareholders	5	2,668,441	894,346	520,917	(648,377)
- Non-controlling Interests	5	10,936	10,317	-	-
<b>Equity at End of Year</b>		<b><u>55,355,801</u></b>	<b><u>52,412,765</u></b>	<b><u>51,011,606</u></b>	<b><u>50,203,783</u></b>



These financial statements should be read in conjunction with the accompanying Notes and Audit Report

# OPEPE FARM TRUST

## Statement of Financial Position

As at 30 June 2018

	Notes	Group		Parent	
		2018	2017	2018	2017
<b>Current Assets</b>					
Cash and Bank		2,312,061	1,844,664	379,974	122,114
Accounts Receivable & Prepayments		1,216,976	1,130,847	71,805	133,943
Livestock	3	5,796,420	4,453,332	-	-
Manuka Kanuka Project		274,290	224,647	274,290	224,647
Milk Futures Derivatives	4	182,040	-	-	-
Stores & Produce on Hand		307,541	283,060	3,932	-
<b>Total Current Assets</b>		<b>10,089,328</b>	<b>7,936,550</b>	<b>730,001</b>	<b>480,704</b>
<b>Non Current Assets</b>					
Property, Plant and Equipment	10	45,832,214	46,091,854	41,394,564	41,644,912
Investments	12	2,518,154	2,984,864	2,323,044	2,806,059
Loans to Subsidiaries	13	-	-	3,814,748	4,272,555
Investments in Subsidiaries	14	-	-	4,929,426	4,981,981
<b>Total Non Current Assets</b>		<b>48,350,368</b>	<b>49,076,718</b>	<b>52,461,782</b>	<b>53,705,507</b>
<b>Total Assets</b>		<b>58,439,696</b>	<b>57,013,268</b>	<b>53,191,783</b>	<b>54,186,212</b>
<b>Current Liabilities</b>					
Accounts Payable & Accruals		1,038,966	715,584	135,248	97,509
Taxation Payable	8	260,787	24,976	260,787	24,976
Unclaimed Dividends		429,590	429,590	429,590	429,590
<b>Total Current Liabilities</b>		<b>1,729,343</b>	<b>1,170,150</b>	<b>825,625</b>	<b>552,075</b>
<b>Non Current Liabilities</b>					
Term Loans	6	1,354,552	3,430,353	1,354,552	3,430,353
<b>Total Non Current Liabilities</b>		<b>1,354,552</b>	<b>3,430,353</b>	<b>1,354,552</b>	<b>3,430,353</b>
<b>Total Liabilities</b>		<b>3,083,895</b>	<b>4,600,503</b>	<b>2,180,177</b>	<b>3,982,428</b>
<b>Net Assets</b>		<b>55,355,801</b>	<b>52,412,765</b>	<b>51,011,606</b>	<b>50,203,783</b>
<b>Equity</b>					
Attributable to Parent Trust Shareholder	5	54,651,206	51,695,105	51,011,606	50,203,783
Attributable to Minority Interest	5	704,595	717,660	-	-
<b>Total Equity</b>		<b>55,355,801</b>	<b>52,412,765</b>	<b>51,011,606</b>	<b>50,203,783</b>

For and on behalf of the Trust:

Trustee

Trustee

26th November 2018

Date



These financial statements should be read in conjunction with the accompanying Notes and Audit Report

# OPEPE FARM TRUST

## Statement of Cash Flows

For the Year Ended 30 June 2018

	Notes	Group		Parent	
		2018	2017	2018	2017
<b>Cash Flow From Operating Activities</b>					
Receipts from Customers		7,728,273	6,469,770	1,907,112	1,324,475
Forestry Grants Received		97,698	-	97,698	-
Interest and Dividends Received		2,657	43,060	198	42,570
Payments to Suppliers and Employees		(4,921,143)	(4,456,119)	(389,638)	(1,413,800)
Income Tax Paid (Refunded)		(152,405)	(159,264)	(152,397)	(159,143)
Interest Expense		(111,032)	(176,772)	(110,806)	(176,771)
Cash Cost of Financial Derivatives		(285,780)	-	-	-
Donations/Koha/Marae Grants		(52,963)	(58,520)	(52,963)	(58,520)
Cash Inflow/(Outflow) from Operating Activities		<b>2,305,305</b>	<b>1,662,155</b>	<b>1,299,204</b>	<b>(441,189)</b>
<b>Cash Flow from Investing Activities</b>					
Sale of Property, Plant & Equipment		13,408	823,952	-	804,822
Sale of Shares		728,241	362,647	727,996	362,647
Acquisition of Property, Plant & Equipment		(536,278)	(489,336)	(319,958)	(5,122)
Acquisition of Shares		(16,090)	(5,220)	-	(2,052)
Distribution from Tauhara Properties LP		83,422	-	83,422	-
Funds for Projects in Progress		-	(95,492)	-	(95,492)
Capital Contribution - He Akina Ltd		(10,350)	-	(10,350)	-
Funds from Iwi Investor/Term Deposits		-	1,057	-	1,057
Funds Repaid From Opepe Farming LP		-	-	457,807	-
Funds from Tauhara Middle 15 Partnership		-	-	96,000	-
Funds to Opepe Aquaculture Limited		(460)	(1,259)	(460)	(1,259)
Net Cash Inflow/(Outflow) from Investing Activities		<b>261,893</b>	<b>596,349</b>	<b>1,034,457</b>	<b>1,064,601</b>
<b>Cash Flow from Financing Activities</b>					
Term Borrowings Drawdown/(Repaid)		(2,099,801)	(552,647)	(2,075,801)	(552,647)
Funds from (to) Minority Interests		-	-	-	-
Net Cash Inflow/(Outflow) from Financing Activities		<b>(2,099,801)</b>	<b>(552,647)</b>	<b>(2,075,801)</b>	<b>(552,647)</b>
<b>Net Increase/(Decrease) in Cash Held</b>					
		<b>467,397</b>	<b>1,705,857</b>	<b>257,860</b>	<b>70,765</b>
Add Cash/(Overdraft) at Start of Year		1,844,665	138,808	379,974	51,349
<b>Cash at (Owing to) Bank at End of Year</b>		<b>2,312,062</b>	<b>1,844,665</b>	<b>637,834</b>	<b>122,114</b>
<i>Closing cash and cash equivalents balance made up as follows:</i>					
Cash and Bank		2,312,061	1,844,664	379,974	122,114
<b>Cash at (Owing to) Bank at End of Year</b>		<b>2,312,061</b>	<b>1,844,664</b>	<b>379,974</b>	<b>122,114</b>
<b>Reconciliation of Profit with Net Cash Flow from Operating Activities</b>					
Operating (Loss)/Surplus After Taxation		2,679,377	904,663	520,917	(648,377)
Add Back (Deduct)					
Depreciation Adjustments		732,865	760,231	520,663	541,466
Loss/Gain of Sale of Property, Plant & Equipment		-	(33,013)	-	(33,013)
Movements in Livestock on Hand		(1,343,088)	425,538	-	510,276
Movements in Stores & Produce on Hand		(24,480)	(213,004)	(3,933)	-
Movement in Non-Invested Related Receivables		(20,449)	936,300	72,784	55,065
Movement in Non-Investing Related Payables		270,314	(1,270,036)	39,704	(977,105)
Movement in Milk Future Derivatives		(182,040)	-	-	-
Movement in Income Tax Payable		235,809	(26,382)	235,817	(26,261)
Property Revaluation in Profit and Loss		-	217,510	-	217,510
Operating Surplus From Tauhara Properties Ltd		(43,003)	(39,652)	(43,003)	(39,652)
Operating Surplus From Tauhara North Block		-	-	(43,745)	(41,098)
Cash Surplus (Deficit) From Operating Activities		<b>2,305,305</b>	<b>1,662,155</b>	<b>1,299,204</b>	<b>(441,189)</b>

These financial statements should be read in conjunction with the accompanying Notes and Audit Report



#### 1. Statement of Accounting Policies

##### Reporting Entity

Opepe Farm Trust (the "Trust") is registered under the Te Ture Whenua Maori Land Act 1993.

The financial statements of Opepe Farm Trust are special purpose financial statements and have been prepared as required by the Trust Deed. The financial statements are for the Trust and the Group comprising the Trust, and its subsidiaries (Refer note 14).

##### Measurement Base

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on a historical cost basis are followed by the Trust, except certain items for which specific accounting policies have been adopted.

The financial statements have been prepared on a going concern basis.

##### Specific Accounting Policies

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

**a) Trade Receivables**

Trade receivables are recognised at estimated realisable value.

**b) Inventories**

Inventories, other than livestock, are recognised at the lower of cost, determined on a first-in first-out basis, and net realisable value.

**c) Property, Plant and Equipment**

Property, Plant and Equipment is recognised at cost less aggregate depreciation, except for land and buildings. Land and buildings are valued at the latest Quotable Value less depreciation. Depreciation has been calculated using the maximum rates permitted by the Income Tax Act 2007, except for buildings which are depreciated based on their expected useful lives.

Expected useful lives of major asset categories are as follows:

Vehicles	3 - 8 years
Computer Equipment	2 - 7 years
Plant and Equipment	1 - 10 years
Buildings	1 - 100 years

**d) Goods and Services Tax**

The financial statements have been prepared on a GST exclusive basis, except for Accounts Receivable and Accounts Payable which are shown inclusive of GST.

**e) Income Tax**

The income tax expense charged to the Statement of Financial Performance is the current year's tax provision. Deferred tax accounting has not been adopted by the Trust.

**f) Investments**

Investments are shown at market value as at balance date, with the exception of Opepe Aquaculture Limited which are shown at their estimated realisable value. Opepe TM15 Partnership is shown at market value. Tauhara Properties Limited Partnership is an investment in an associate which is accounted for using the equity accounting method. Opepe Farming Limited Partnership is an investment in a subsidiary and has been accounted for using the purchase method.



# OPEPE FARM TRUST

## Notes to the Financial Statements

As at 30 June 2018

### g) Livestock

All livestock on hand has been valued at current market value determined by Central Livestock (2017: Current market value as determined by PGG Wrightson Limited and Central Livestock) . Changes in value are recorded in the statement of financial performance. For taxation purposes livestock are valued using the herd scheme and the national standard cost scheme.

### h) Basis of Consolidation - Purchase Method

The consolidated financial statements, which include the parent Trust and its subsidiaries, these are accounted for using the purchase method. In the parent financial statements investments in subsidiaries are recognised in accordance with f) Investments.

### i) Revenue

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

The timing of the transfers of risks and rewards varies depending on the individual terms of the contract of sale.

#### Significant revenue policies

Milk income is recorded from the supplier statements. These statements are prepared monthly from milk collection records and recorded at the current market milk price as published by the entity supplied.

Rental and lease income is recognised in accordance with contractual arrangements.

Finance income comprises interest income on funds invested, changes in fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues, using the effective interest method.

### j) Milk Future Derivatives

Milk Future derivative instruments are recognised at fair value on the balance sheet, with any gains or losses on those instruments going through profit and loss as an operating expense.

### Change in Accounting Policies

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

## 2. Operating Revenue

	Group		Parent	
	2018	2017	2018	2017
The total operating revenue for the year is composed of the following:				
Property Rental & Board Room Hire (Putea)	109,583	97,186	109,583	97,186
Farming Revenue	8,755,184	6,367,373	1,421,952	340,264
Forestry Revenue	324,373	285,683	324,373	285,683
Interest Received	17,243	2,048	2	1,546
Share of Profit (Opepe Tauhara Middle 15 P/Ship)	-	-	43,745	46,224
Share of Profit (Tauhara Properties LP)	43,003	33,127	43,003	33,127
Other Income	7,249	114,776	6,465	91,234
	<u>9,256,635</u>	<u>6,900,193</u>	<u>1,949,123</u>	<u>895,264</u>
Less Revenue from Tauhara North Block	77,000	77,811	43,745	46,224
Less Operating Expenses	5,185,515	4,167,192	118,560	148,851
Surpluses (Deficits) From Operations per Statement of Financial Performance	<u>3,994,120</u>	<u>2,655,189</u>	<u>1,786,818</u>	<u>700,189</u>



# OPEPE FARM TRUST

## Notes to the Financial Statements

As at 30 June 2018

### 3. Livestock on Hand

	Group			
	2018 Qty	2018 Value \$	2017 Qty	2017 Value \$
Sheep	7,637	1,266,960	8,262	1,154,092
Beef Cattle	714	712,800	-	-
Dairy Cattle	2,719	3,816,660	2,707	3,299,240
	<u>11,070</u>	<u>5,796,420</u>	<u>10,969</u>	<u>4,453,332</u>

### 4. Milk Futures Derivatives

	Group	
	2018	2017
Milk Futures	<u>182,040</u>	<u>-</u>

For the 2018 year the amount recognised as an expense in the Statement of Financial Performance was \$103,740 (2017: Nil).

Opepe Farming Limited Partnership has 48 contracts at 6,000 units per contract, expiring 1 October 2018. At 30 June 2018 the 48 contracts expiring 1 October 2018 were priced at \$6.75, with a market value of \$1,944,000 and the 44 contracts expiring 30 September 2019 were priced at \$6.83, with a market value of \$1,803,120. The total market value of all contracts at 30 June 2018 was \$3,747,120 (2017: Nil).

### 5. Equity

	Group		Parent	
	2018	2017	2018	2017
<b>Capital</b>				
Balance at beginning of year	260,451	260,451	260,451	260,451
Movement in the year	-	-	-	-
Balance at year end	<u>260,451</u>	<u>260,451</u>	<u>260,451</u>	<u>260,451</u>
<b>Revaluation Reserves</b>				
Asset Revaluation Reserve				
Balance at beginning of year	36,125,682	29,814,094	36,125,683	29,814,094
Movement in revaluation reserves	259,660	6,471,005	258,906	6,311,589
Less minority share of movement	-	(159,417)	-	-
Balance at year end	<u>36,385,342</u>	<u>36,125,682</u>	<u>36,384,589</u>	<u>36,125,683</u>
Capital Reserve				
Balance at beginning of year	3,353,432	3,309,287	3,353,432	3,309,287
Capital gains	28,000	44,145	28,000	44,145
Balance at year end	<u>3,381,432</u>	<u>3,353,432</u>	<u>3,381,432</u>	<u>3,353,432</u>
<b>Total Revaluation Reserves</b>	<u>39,766,774</u>	<u>39,479,114</u>	<u>39,766,021</u>	<u>39,479,115</u>
<b>Retained Earnings</b>				
Balance at beginning of year	11,955,540	11,061,194	10,464,217	11,112,594
Transfer from reserves	-	-	-	-
Net surplus attributable to parent trust beneficiaries	2,668,441	894,346	520,917	(648,377)
Balance at year end	<u>14,623,981</u>	<u>11,955,540</u>	<u>10,985,134</u>	<u>10,464,217</u>
<b>Total Equity to Parent Trust Beneficiaries</b>	<u>54,651,206</u>	<u>51,695,105</u>	<u>51,011,606</u>	<u>50,203,783</u>



# OPEPE FARM TRUST

## Notes to the Financial Statements

As at 30 June 2018

	Group	
	2018	2017
<b>Non-controlling Interest</b>		
Balance at beginning of year	717,660	547,933
Surplus attributable to non-controlling interests	10,936	10,317
Share of revaluation of property	-	159,417
Distributions to non-controlling interests	(24,001)	(7)
Balance at year end	<u>704,595</u>	<u>717,660</u>

### 6. Bank of New Zealand

The Group has overdraft facilities totalling of \$400,000 (2017: \$400,000) and a loan facility available of \$1,954,552 (2017: \$3,430,353) with the Bank of New Zealand. The overdraft facility provides seasonal finance for the Trust and the loan facility was obtained to provide funding for the dairy conversion project. The overdraft and loan facility are secured over property owned by the Trust, and investment securities issued by Fonterra Co-Operative Group. The total amount drawn down at balance date was \$1,354,552 (2017:\$3,983,000). The Trust has guarantees to Tuwharetoa Carbon Limited, refer to note 9.

Opepe Farm Trust has provided the BNZ with a perfected security interest over all present and after acquired property. Opepe Farm Trust has also provided a \$4,290,000 guarantee to the BNZ in relation to the borrowings by the Opepe Farming Limited Partnership.

Opepe Farming Limited Partnership has provided the BNZ with a perfected security interest over all present and after acquired property. Opepe Farming Limited Partnership has also provided a \$800,000 guarantee to the BNZ in relation to borrowings by the Opepe Farm Trust.

Opepe Farm Trust has BNZ credit card facilities of \$5,000 (2017: \$5,000). The credit card facility is unsecured and the interest rate on any overdue balance is 18.95% (2017: 18.95%).

### 7. Related Parties

#### Opepe TM15 Partnership

The Trust and Tauhara Middle 15 Trust are co-owners in the Tauhara North Farm. The Trust has a 80% interest in the Partnership.

#### Opepe Farming Limited Partnership

The Trust has a 100% ownership interest in Opepe Farming Limited Partnership. The general partner of Opepe Farming Limited Partnership is Opepe General Partner Limited.

#### Tauhara Properties Limited Partnership

The Trust has a 50% ownership interest in Tauhara Properties Limited Partnership. Te Pae O Waimiha owns the other 50% of Tauhara Properties Limited Partnership. Ngahere Hall and William Hall are also trustees of Te Pae O Waimiha. Opepe Properties Limited is the general partner of Tauhara Properties Limited Partnership.

#### Opepe Aquaculture Limited

The Trust has a 100% ownership interest in Opepe Aquaculture Ltd.

#### Sea Products Limited

Opepe Aquaculture Limited has a 50% ownership interest in Sea Products Limited.





# OPEPE FARM TRUST

## Notes to the Financial Statements

As at 30 June 2018

Lake Taupo Forest Trust Management Limited

The Trust leases land to Lake Taupo Forest Management under a Memorandum of transfer granting a forestry right. Charlotte Severne is a director of Lake Taupo Forest Management Limited and a Trustee of the Trust. Lake Taupo Forest Management Limited is owned 70% by Lake Taupo Forest Trust and 30% by Lake Rotoaira Forest Trust. Heemi Biddle and Charlotte Severne are Trustees of Lake Rotoaira Forest Trust and The Trust. Heemi Biddle is also a Trustee of Lake Taupo Forest Trust.

Lake Taupo Forest Trust, Lake Rotoaira Forest Trust and the Trust have beneficial owners in common.

### 8. Income Tax

Livestock have been valued using a mixture of Herd Scheme and National Standard Cost.

	Group		Parent	
	2018	2017	2018	2017
<b>Calculation of Taxable Profit:</b>				
Accounting Profit Before Taxation	3,067,591	1,099,113	909,131	(453,927)
<b>Adjust for:</b>				
Permanent Differences	155,402	(563,433)	155,402	(563,433)
Timing Differences	(1,004,630)	577,980	(58,769)	787,624
Share of Profit from Associates & Subsidiaries	-	-	1,212,599	1,343,396
<b>Profit for Taxation Purposes</b>	<u>2,218,364</u>	<u>1,113,660</u>	<u>2,218,364</u>	<u>1,113,660</u>
Tax Reconciliation				
Tax Payable @ 17.5%	388,214	194,891	388,214	194,891
RWT Paid	(584)	(13,641)	(584)	(13,641)
Imputation Credits	(19)	(71)	(19)	(71)
Provisional Tax Paid/Tax Credit	(126,824)	(156,203)	(126,824)	(156,203)
<b>Taxation Payable/(Refund)</b>	<u>260,787</u>	<u>24,976</u>	<u>260,787</u>	<u>24,976</u>
<b>Income Tax in the Statement of Financial Performance is represented by:</b>				
Tax payable on current years profit	388,214	194,891	388,214	194,891
Prior year tax adjustment	-	(441)	-	(441)
	<u>388,214</u>	<u>194,450</u>	<u>388,214</u>	<u>194,450</u>

### 9. Contingent Liabilities

Opepe Farm Trust has assigned guarantees to Tuwharetoa Carbon Trust Limited under Deeds of Assignment from Westpac Bank and Dorchester Finance in relation to advances made to Te Whenua Venture Holdings Limited. The Trustees are contesting the validity of these guarantees, which is supported by the legal opinion received by the Trustees. The timing and the amount of any liability under the guarantee is unknown at balance date.

The entity has gained emission credits ("New Zealand Units" or "NZU's") and will incur liabilities through the Emissions Trading Scheme (ETS). The entity has applied and received credits on its post 1989 plantations. Should the plantation be deforested, a liability would be incurred unto a maximum of the credits received. At balance date the Trust holds 63,480 NZU's (2017: 63,480).



# OPEPE FARM TRUST

## Notes to the Financial Statements

As at 30 June 2018

10. Property, Plant and Equipment	Group		Parent	
	2018	2017	2018	2017
<b>Land and Buildings</b>				
Cost or Valuation	49,004,255	48,726,119	45,594,032	45,315,893
Depreciation Expense	526,362	547,454	516,613	537,369
Accumulated Depreciation	4,272,152	3,737,067	4,220,999	3,695,665
Closing Book Value	<u>44,732,103</u>	<u>44,989,052</u>	<u>41,373,033</u>	<u>41,620,228</u>
<b>Plant and Equipment</b>				
Cost or Valuation	1,728,703	1,572,647	4,660	3,761
Depreciation Expense	129,968	133,043	976	752
Accumulated Depreciation	957,890	828,809	1,729	752
Closing Book Value	<u>770,813</u>	<u>743,838</u>	<u>2,931</u>	<u>3,009</u>
<b>Motor Vehicles</b>				
Cost or Valuation	440,694	412,409	-	-
Depreciation Expense	63,802	75,119	-	-
Accumulated Depreciation	130,612	75,119	-	-
Closing Book Value	<u>310,082</u>	<u>337,290</u>	<u>-</u>	<u>-</u>
<b>Office Equipment</b>				
Cost or Valuation	104,088	102,380	102,380	102,380
Depreciation Expense	3,279	3,346	3,074	3,346
Accumulated Depreciation	84,872	80,706	83,780	80,706
Closing Book Value	<u>19,216</u>	<u>21,674</u>	<u>18,600</u>	<u>21,674</u>
<b>Total Property, Plant &amp; Equipment</b>				
Cost or Valuation	51,277,740	50,813,555	45,701,072	45,422,032
Depreciation Expense	723,411	758,961	520,663	541,465
Accumulated Depreciation	5,445,526	4,721,700	4,306,508	3,777,122
Closing Book Value	<u>45,832,214</u>	<u>46,091,854</u>	<u>41,394,564</u>	<u>41,644,912</u>

## 11. Land and Buildings

Land and buildings owned by the Group, have been revalued to the latest Quotable Values as at July 2016.



# OPEPE FARM TRUST

## Notes to the Financial Statements

As at 30 June 2018

### 12. Investments

	Group		Parent	
	2018	2017	2018	2017
Alliance Shares	20,145	4,055	887	887
Fonterra Co-Operative Group	-	699,996	-	699,996
Livestock Improvement Corporation	2,782	3,027	-	-
Emission Trading Units	1,339,428	1,082,334	1,339,428	1,082,334
Forestry	80,000	80,000	-	-
Wool Equities	-	109	-	109
Taupo Saleyards Limited	875	875	875	875
Balance Agri-Nutrients Limited	365,715	365,715	365,715	365,715
Ravensdown Corporation Limited	43,257	43,257	43,257	43,257
King Country Energy Limited	4,354	3,939	4,354	3,939
Farmlands	4,295	4,295	4,295	4,295
Taonga (Refer to Note 15)	20,000	20,000	20,000	20,000
Sea Products Limited	93,070	92,610	-	-
Tauhara Properties Limited Partnership	544,233	584,652	544,233	584,652
	<u>2,518,154</u>	<u>2,984,864</u>	<u>2,323,044</u>	<u>2,806,059</u>
Tauhara Properties Limited Partnership - Equity Accounted Investment				
Opening balance	584,652	762,510	584,652	762,510
Distribution paid during the year	(83,422)	-	(83,422)	-
Equity Accounted Share of NPAT	43,003	(177,858)	(177,858)	(177,858)
Closing Balance	<u>544,233</u>	<u>584,652</u>	<u>323,372</u>	<u>584,652</u>

### 13. Loans to Subsidiaries

	Parent	
	2018	2017
Opepe Farming Limited Partnership	3,814,748	4,272,555
	<u>3,814,748</u>	<u>4,272,555</u>

The loan to Opepe Farming Limited Partnership is interest free. The loan is not expected to be repaid in the next 12 months.

### 14. Investments in Subsidiaries

Subsidiaries	Percentage Held		Parent	
	2018	2017	2018	2017
Opepe TM15 Partnership (Land Owner)	80%	80%	2,836,356	2,889,371
Opepe Aquaculture Ltd (Investment/Holding Company)	100%	100%	93,070	92,610
Opepe Farming Limited Partnership	100%	100%	2,000,000	2,000,000
			<u>4,929,426</u>	<u>4,981,981</u>

The Opepe TM 15 Partnership owns the land known as Tauhara North. Opepe Farm Trust has an 80% interest in the partnership. The property was revalued to the latest valuation for rating purposes on 1 July 2016, and the forestry crop is held at estimated market value of \$80,000.



# OPEPE FARM TRUST

## Notes to the Financial Statements

As at 30 June 2018

### 15. Nitrate Position

	2018	2017
The Nitrate Discharge Allowances are as follows (Units Per Hectare):		
Opepe Dairy Farm	22	20
Opepe No 1 Farm	13	11
Tauhara North Farm	16	14

The Trust has kept within the allocated allowances.

### 16. Taonga

The Trustees have previously approved the purchase of historical paintings of Opepe beneficiaries by Captain Ryan. These Taonga are on loan to the Taupo Art Gallery.

### 17. Events Subsequent to Balance Date

Purchase of Milk Futures:

Subsequent to balance date Opepe Farm limited Partnership entered into milk price future contracts for 156,000 kilograms of milk solids at a weighted average price of \$6.61 for the 2019 season.

For the 2018/2019 milk season Opepe Farm Limited Partnership has milk future contracts covering 420,000 KgMS for a weighted average price of \$6.56.

Lease of Land:

Opepe Farming Limited Partnership entered into a lease agreement with Tauhara Middle Lands Trust to lease 563.96 hectares for \$85,547.20 per annum for three years beginning 1 July 2018.

The agreement includes the right of renewal for a further two periods of three years.

The leased land has a nitrogen discharge allowance of 4,997 units.

### 18. Lease Commitments

	Group		Parent	
	2018	2017	2018	2017
Less than one year	85,547	-	-	-
Two to five years	171,094	-	-	-
	<u>256,642</u>	<u>-</u>	<u>-</u>	<u>-</u>

### 19. Commitments for Capital Expenditure

The Trust has entered into an agreement to construct a house at 906 State Highway 5, Taupo. The cost of the house is \$384,000.

In addition to the house, the Trust and Opepe Farm Trust has budgeted on the following capital expenditure for the 2019 financial year:

Motor Vehicles	143,700
Plant & Equipment	246,950
Buildings	1,019,303
Tree Planting	20,000
Land Improvements	1,116,125
	<u>2,546,078</u>

At 30 June 2017 there were no commitments for capital expenditure.



## **INDEPENDENT AUDITOR'S REPORT**

### **To the Beneficial Owners of Opepe Farm Trust**

#### **Qualified Opinion**

We have audited the special purpose financial statements of Opepe Farm Trust and its controlled entities (the Trust and Group) on pages 3 to 14, which comprise the separate and consolidated statement of financial position as at 30 June 2018, and the separate and consolidated statement of financial performance, separate and consolidated statement of movements in equity, and separate and consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matter described in the *Basis of Qualified Opinion* section of our report, the accompanying separate and consolidated financial statements present fairly, in all material respects, the separate and consolidated financial position of the Trust and Group as at 30 June 2018, and its separate and consolidated financial performance and its separate and consolidated cash flows for the year then ended in accordance with the accounting policies set out in Note 1 of the financial statements.

#### **Basis for Qualified Opinion**

The statement of financial position of Opepe Farm Trust and the Group records a liability balance of \$429,590 for unclaimed dividends. We were unable to obtain sufficient appropriate audit evidence about the individual dividend entitlements making up the unclaimed dividends balance, due to the inability to identify the original dividend declaration that created this entry, as the share register had not been accurately maintained prior to 2010. Consequently, we were unable to determine whether any adjustments to the amount were necessary.

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Special Purpose Consolidated Financial Statements* section of our report. We are independent of the Trust and Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our firm has carried out other assignments for the Trust in the area of consultancy accountancy services. The firm has no other interests in Opepe Farm Trust or any of its controlled entities.

#### **Emphasis of Matter – Basis of Accounting and Restriction on Distribution**

We draw attention to Note 1 to the special purpose consolidated financial statements, which describes the basis of accounting. The special purpose consolidated financial statements are prepared to assist Opepe Farm Trust to meet the provisions of the Trust Deed. As a result, the special purpose

consolidated financial statements may not be suitable for another purpose. Our report is intended solely for the Trust and Group and should not be distributed to parties other than the Trust and Group and its beneficial owners. Our opinion is not modified in respect of this matter.

### **Responsibilities of the Trustees for the Special Purpose Consolidated Financial Statements**

The Trustees are responsible on behalf of the entity for the preparation of the special purpose consolidated financial statements in accordance with the accounting policies set out in Note 1 of the financial statements and for such internal control as the Trustees determine is necessary to enable the preparation of special purpose consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the special purpose consolidated financial statements, the Trustees are responsible for assessing the Trust and Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Trust and Group or to cease operations, or have no realistic alternative but to do so.

### **Auditor's Responsibilities for the Audit of the Special Purpose Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the special purpose consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these special purpose consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the special purpose consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Trust and Group's internal control.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust and Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the special purpose consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions

are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust and Group to cease to continue as a going concern

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Trust and Group to express an opinion on the special purpose consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

*Crowe Horwath*

**Crowe Horwath New Zealand Audit Partnership**  
CHARTERED ACCOUNTANTS  
26 November 2018



OPEPE FARM TRUST  
ANNUAL GENERAL MEETING  
15 DECEMBER 2018  
PAKIRA MARAE, TAUPŌ