



TAUHARA MOANA
TRUST

ANNUAL REPORT

2015

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NOTICE OF MEETING & AGENDA

The Annual General Meeting of owners in the Tauhara Moana Trust (Tauhara North 3B) is to be held on Saturday the 19th of March 2016, at Nukuhau Marae, Taupō.

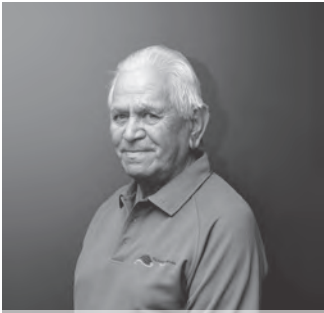
9.00am Registrations

AGENDA:

1. Meeting opens at 10.00am
2. Receive apologies
3. Confirm the previous minutes
4. Chairman's Report
5. Financial Report
6. General business



TAUHARA MOANA TRUSTEES



Toby Rameka



Metiria Rameka



Topia Rameka



John Tahau



Hinemoa Henderson



Danny Loughlin



CHAIRMAN'S REPORT

TĒNĀ KOUTOU KATOĀ KUA HUIHUI MAI NEI I RUNGA I TE KAUPAPA O TE RA.
NGA MATE O TĒNĀ O TĒNĀ A O TĀTOU MARAE, HAERE, HAERE, HAERE ATU
RA. KI A TĀTOU TE HUNGA ORA, MAURIORA KI A TĀTOU KATOĀ.

On behalf of my fellow Trustees I welcome you all here today.

2014 - 2015 OVERVIEW

Over the last year the Trust has been very busy focusing on business growth and managing business change.

The 2013 - 2014 summer brought with it one of the most extreme droughts New Zealand has experienced in over 70 years, this was a major challenge for the business but a \$1m profit was achieved with record production and prices.

The 2014 - 2015 summer brought an even stronger drought for the Tauhara region, but more challenging still was milk price.

The milk price started very high but by the end of the season Fonterra had reduced this to the lowest price in over a decade and whilst the business returned another record production over 100,000 milk solids more than the previous season record, the milk price has create a very difficult environment.

Key activities during the year included:

- Implementation of 5 Year Strategic Plan

- Financial Reporting using Xero Accounting System
- Review of Trustee Fees with Māori Land Court
- Payment of Kaumatua Grants \$74,159
- Investigation into irrigation
- Further investment in Health & Safety on the Farm
- Renovation of Fire Station building into a house
- Tauhara Moana Monitor Farm
- Rollover of lease with Tauhara No 2 Trust
- Te Tumu Paeroa sale of shares in Miraka Limited

Some of these activities were reported in detail at our last AGM or will be covered in more detail under our Farm Report.

FINANCIAL

We reported a \$1.85 million deficit compared to last year's record surplus of \$1m. The 2015 season was extremely difficult with a milk price per kg of milk solids less than the cost of production, I am extremely proud of the increase in production this year.

“...the business returned another record production over 100,000 milk solids more than the previous season record...”

We enjoy the support of our Bankers, BNZ. Without them we would not have been able to grow the business in the manner that we have.

I also wish to acknowledge the volume of, and hard work done by Clinton Hemana and Danny Loughlin as Directors of the Tauhara Farms Limited Partnership, as well as their Farm Supervisor, Mark Johnston.

CONCLUSION

While the previous two years have been challenging and have tested the mettle of our Committee of Management, 2015 was a much harder year and it is important to remember that we are here for the long-term and with continued stable management, the future for this Trust is certainly a bright one.

Nāku noa nā,



Topia Rameka Snr.





FARMING REPORT

Tēnā koe,

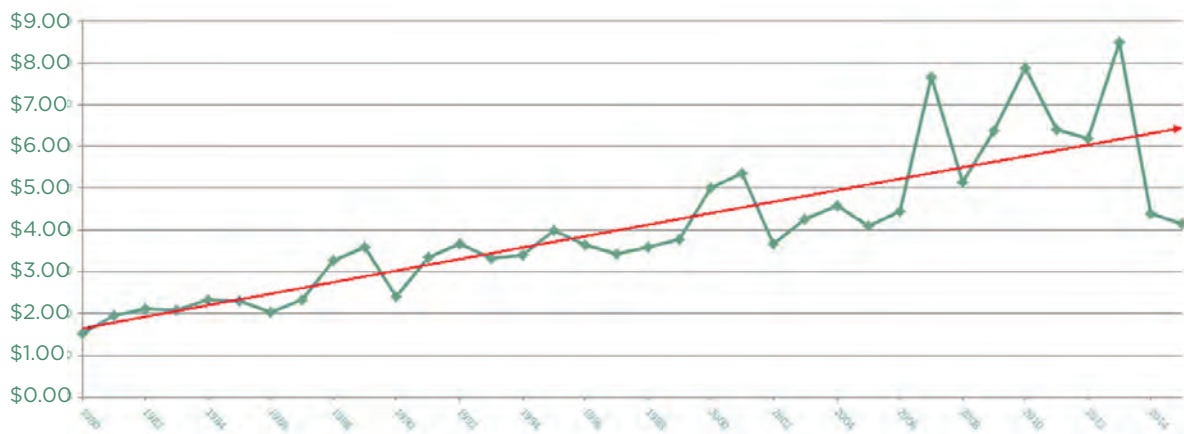
My name is Clinton Hemana I am an agribusiness and Māori resource development consultant and I am the Chair of the Tauhara Farms Limited Partnership having been appointed in June 2012. Tauhara Moana Trustee Danny Loughlin and I make up your Board of Directors.

Please see below our report on the performance of the Partnership for your Annual General Meeting for the 2015 financial year. The Tauhara Moana Trust re-entered the dairy industry in 2010 with a positive and aggressive attitude. The pace of development and investment that the Trust has adopted has been at a rate designed to minimise risks and maximise returns.



From 2010 the Trust has moved from being a lessor of land to now being the owner operators of a 2,200 cow herd with 442 replacement heifers and 120 trade animals spread over 1,000 ha support land and milked through two dairy units of 365ha and 409ha respectively. TFLP plans and policies had been developed based on historical milk price averages of \$6.00/kgMS - with prices being well over \$6.00/kgMS average since 2010.

Dairy Payout Trend



TFLP 3-5 YEAR GOALS

The Trust has a strong vision in the dairy sector and that vision is being followed. The concept of 'E tipu, e rea - whakapaipai tonu' invokes the ethos of constant and continual improvement. It is the Partnership's goal to achieve constant and continual improvement in every facet and at every level of operational performance.

Dairy Farming Philosophy

The Partnership's farming philosophy is to maximise pasture harvested per hectare to maximise profit. In the Central Plateau the pasture growth curves dictate that feed demand must be managed at the start and end of the season either with less cows (managed calving and drying-off) or supplementary feed.

Given the Partnership's goal of maximising per hectare production and profit and average milk prices over \$6.00/kgMS a higher input system has been dictated to date; however, as kaitiaki whenua this must be within the context of an efficient N leaching framework and a discerning eye on globally dairy prices.

3 - 5 Year Goals

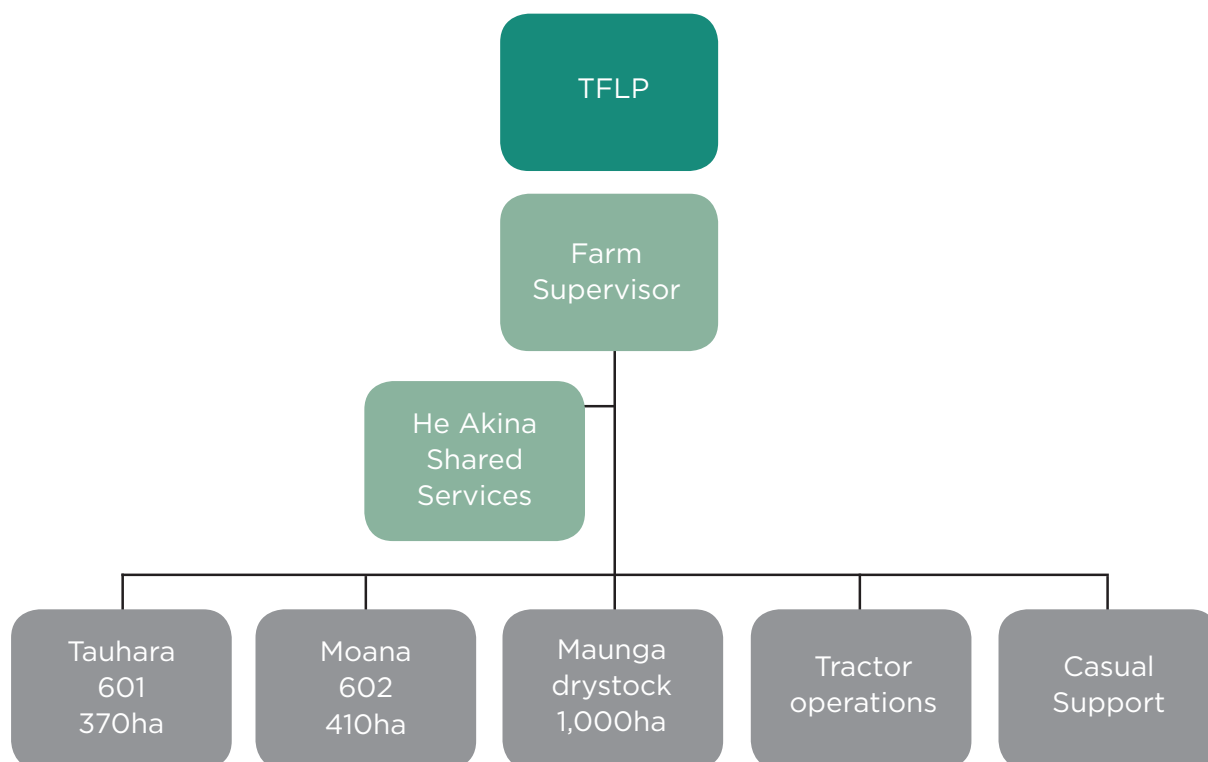
1. High per hectare production (>1300kgMS/ha @ 13kgDM/kgMS)
2. Low per milk solid costs (<\$4.50/kgMS EBITDAR)
3. High per hectare trading surplus (EBITDAR >\$3,500/ha)
4. Efficient nitrogen leaching (33kgN/ha)

TAUHARA FARMS LIMITED PARTNERSHIP - ORGANISATIONAL STRUCTURE

TFLP has a Board of Directors that appoints a Farm Supervisor to manage the operations of the three farming units - Tauhara 601 dairy, Moana 602 dairy, and Maunga drystock blocks. We also manage our own tractor operations for all farms and other support staff such as calf-rearing, contracting, etc. The individual dairy farm units have farm managers, 2IC's, milkers and farm staff and the drystock unit has a manager.

Management reports to your Board on a 10 daily basis and your Board meet once a month for full physical and financial reporting. Your Board meets with your Trustees on a quarterly basis and operates to a statement of corporate intent reporting against budget.

Organisational Structure



THE FARM BUSINESS

Block	Area	Area (ha) last season
Corpus dairy land	690	690
Tauhara No 2 lease land	123	123
Lease blocks (drystock)	1,000	1,000
Total area	1,813	1,813

PRODUCTION

Production	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014	2014/ 2015	2014/2015 target
Milk solids	392,307	515,423	526,385	731,859	839,646	810,000
Per cow	245	303	329	347	379	351
Per effective ha	569	747	763	946	1,085	1,047
Cows peak milked	1,600	1,700	1,600	2,112	2,214	2,250

2013/2014 SEASON PERFORMANCE

Dairy Farms Performance

With 2013/2014 being one of the worst farming seasons on record in New Zealand, TFLP targeted production of 700,000kgMS. Fortunately, a record milk price of \$8.40/kgMS meant that TFLP could utilise more imported feed to chase a final revised target of 730,000kgMS. Final total milk production for the 2013/14 season was 731,847kgMS.

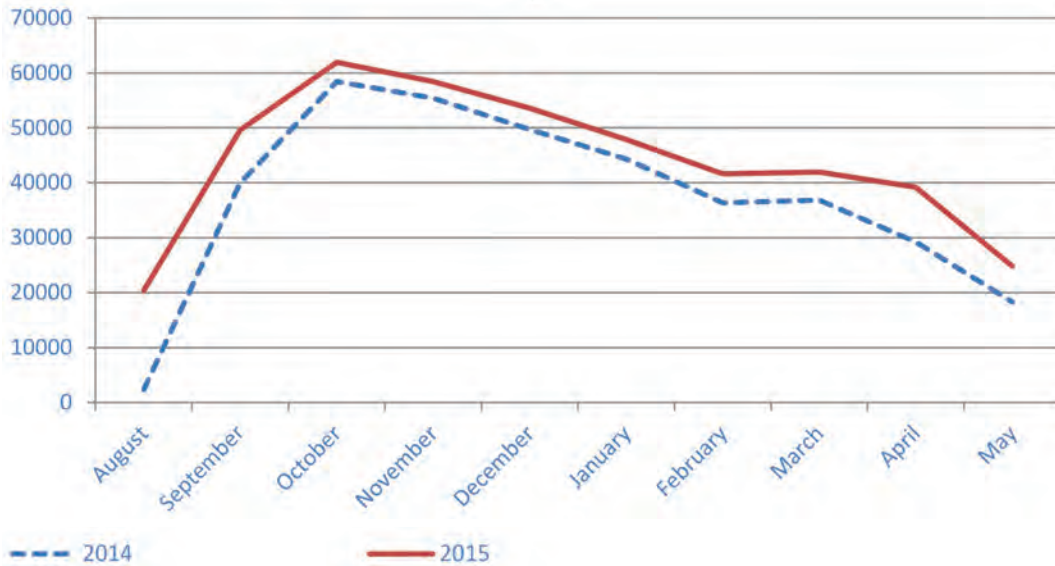
Last year TFLP were able to post a profit of \$905,000 after depreciation and change in livestock values and after adding back contribution to the Trust of \$1.06m this is a profit of \$1.97m or \$2.69/kgMS. If \$8.40/kgMS was 'cause for celebrations' for the New Zealand dairy industry, the 2014/2015 season has provided the hangover. We had an even worse effective drought in 2015 and milk price performed a back-flip dropping from a pre-Christmas forecast of \$7.50/kgMS to a final low of \$4.40/kgMS announced in the New Year, with processors 'clawing back' money from farmers over the year.

On the forecast of \$7.50/kgMS and historical performance records, TFLP had set itself up to consolidate further and deliver greater returns to the owners targeting 810,000/kgMS - with higher feed returns from Maunga blocks and a bit more imported feed TFLP delivered well, breaking historical production records by over 100,000/kgMS to produce a record 839,000kgMS - however, at the eventual \$4.40/kgMS this production had come at a cost to the business.

601 Tauhara Production



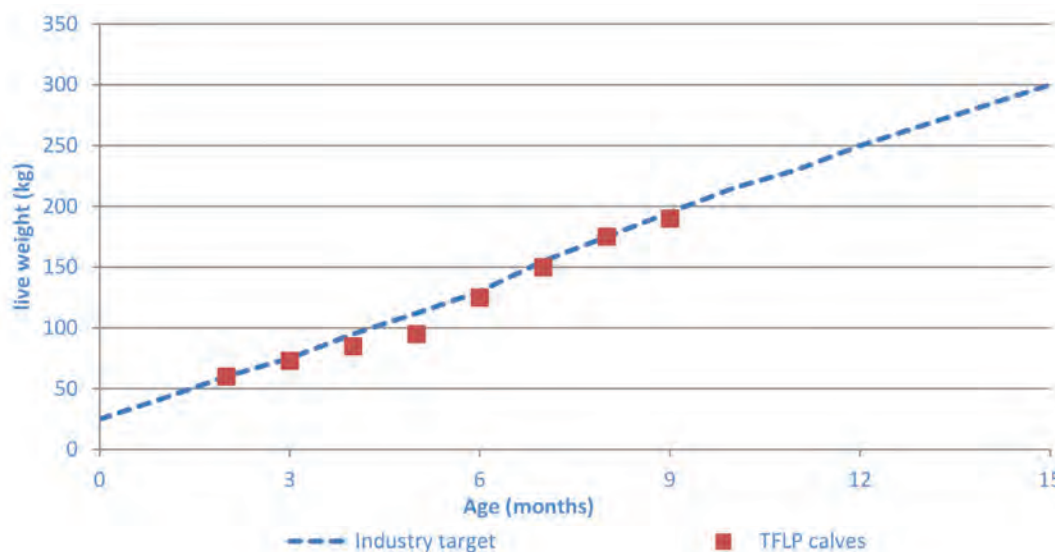
602 Moana Production



Support Farms Performance

Our Maunga support blocks continue to improve and impress. Despite the dry summer TFLP winter crops yielded over 12/ha (bar one problem paddock) for a total 1.0mkgDM delivered - this allowed for some external grazing income and good cow wintering. APC was approximately 1,850kgDM/ha at June and our young stock were doing very well, our R1YR heifers were 100kgLW in December (on target) and our R2YR heifers were 286kgLW in October (above target). The entire block was fertilised and will continue to improve. The 150ha Lucerne areas are now working to plan delivering over 1.5mkgDM with the further developmental opportunities of livestock grazing now our focus. TFLP's 1,000ha support lease is now working to plan and to potential for the business.

TFLP Calves Born 2014



Financial Performance

Farm revenue was \$4.2 million which was \$2.35 million down on the previous year despite the farm increasing production by an additional 108,000 kgs of milksolids. In terms of performance, the farm had an additional 380 cows, produced an additional 108,000 kgs of milksolids and yet managed to reduce expenditure by \$93,000 down to a total \$4.5 million or \$5.35/kgMS (including reductions in fertiliser which must be replaced).

Higher spending on hay and silage making was offset by a reduction in the amount of stockfood purchased from suppliers, whilst other expenditure remained fairly constant with last years spending. However, the net result was a loss of \$1.35 million. The significant drop in milk price from \$8.40/kgMS to \$4.40/kgMS this season and devaluation of the livestock (\$506,000 net loss in livestock values) are the cause of this decrease. However, the farm costs include contribution to the Trust of \$805,000 in rental and rates this year which TFLP are very proud of albeit a significant drop from last years contribution of \$1.14 million.

With debt increasing and milk prices subdued, TFLP are reviewing cost structures, business structures and farming systems to ensure long term sustainability for the business.

Key Performance Indicators

Farm KPI's	kgMS/ha	KgMS/cow	OpEx/ kgMS	Op profit/ha	cows/ FTE
Central North Island 2014	1023	363	5.31	1686	149
TFLP budget 2015	1052	360	7.51	2628	141
TFLP actual 2015	1090	420	8.16	-1022	125

Compliance Performance

TFLP have performed well with regard to environmental indicators being well under water take consent levels and working well under nutrient management plans. TFLP had the opportunity to drill for irrigation water this season – unfortunately whilst plenty of water for the consent could be found the ability to establish and stabilise the test wells was not economic and so this great opportunity has had to be let go.

TFLP have renewed sustainable milk plans in place for both farms and we have strong controls around our effluent management systems on both farms which are fully compliant and include significant ‘free-board’ room for contingency. This season Miraka is launch Te Ara Miraka ‘the path’ – which includes environmental and kaitiaki components to sustainable milk production, which TFLP will follow.

TFLP has adopted new OSH and alcohol and drug policies for all three farms units and all staff and these audits are working well. There will be a very strong focus on work safe and working conditions in the coming season. Also, it is expected that Waikato

Regional Council will be notifying the plan change for the upper Waikato and Waipa catchments which will likely include nutrient discharge limits for TFLP in the near future. We have had a bit of turnover in staff to support the increasing standards.

2015/2016 SEASON TO DATE PERFORMANCE

The 2015/2016 season started tough. Spring did not arrive this season and with much talk of a potential el Nino and drought in November / December for the Taupō region TFLP took advantage of very favourable beef schedules to reduce cow numbers. This decision was also supported by the Fonterra milk price forecast of \$3.85/kgMS for the season (the worst milk price for over a decade).

During the season the milk price position rose to \$4.60/kgMS but as of February 2016 the forecast has dropped back to \$4.15/kgMS (with further potential downside); more worrying in the medium term are forecasts for the 2016/2017 season milk price at \$5.00/kgMS and longer-term budget modelling at \$5.50kgMS.

As TFLP have discussed with owners our farm business system is sustainable at \$5.60/kgMS - these recent low milk prices are not sustainable and therefore, TLFP are altering systems to protect the business and the Trust assets until these imbalances in international dairy markets are corrected.

Fortunately, to date the summer of 2015/2016 has be very good up to February with very good rains supporting pasture and crop production (sometimes el Nino can be good) - these feed stores will serve TFLP very well into autumn and winter and next season. Your Board we are passionately committed and confident that we will achieve the Trusts goals however, we note the reality of current global dairy prices requiring us to review our systems for profitability at lower milk prices.

I am very proud of the team, how we have managed, where we are going, and particularly how we are getting there - this has not been perfect, but our goal is constant and continual improvement and we will deliver.

Ngā mihinui kia koutou,



Clinton Hemana
Chairman
Tauhara Farms Ltd



MIRAKA - YEAR IN REVIEW 2015

It is pleasing to report Miraka has delivered another positive result. It has achieved a better than budgeted result which for much of the year looked unlikely. It was always going to be a challenge to replicate last year's record performance where commodity prices were skewed significantly in favour of Whole Milk Powder. That trend reversed for the 2015 financial year putting pressure on their returns. However Miraka was able to manage costs and their sales team were able to achieve premiums that lead to a positive year end result.

Over the year Miraka processed 219m litres of milk into 32,402 metric tonne of product and had liquid milk sales of 33m litres. The average selling price per mt was USD \$3003, which was significantly down on last year's average price of USD \$4902. These declines were expected and common across the industry. Miraka paid its suppliers \$4.50kgMS and continue to be competitive in the market.

Miraka delivered this strong result due to the solid foundation that was created from the WMP business and by utilising their commercial relationships. The UHT plant has



delivered to the bottom line this year and Miraka are pursuing continued growth in UHT. The strategy remains focused on value.

The Value Growth Strategy involves three key themes:

- **Optimize** the returns from commodities.
- **Enhance** the current UHT business.
- **Develop** new consumer products and routes to market.

The objective remains that by 2020 revenue will be split 50:50 between commodities and consumer ready products which will provide superior returns to our shareholders and competitive returns to our suppliers.

MILK SUPPLY

Milk received off farm was close to budget. There was a dryer than

expected period during the summer months but a recovery in autumn increased the final volume. One of the challenges for milk supply is the changing landscape the farmers operate in. Miraka will continue to work with their suppliers to make sure they are resilient as they face regulatory changes and commercial challenges from a lower pay-out.

Miraka has worked from year one to get a baseline of environmental footprint from their farms, which then evolved to the Sustainable Milk Plans with the objective to outline what to improve by when. Sitting over the top of the on farm plans the business has committed to the national Sustainable Dairy Water Accord to protect and improve our waterways.

The development of Te Ara Miraka - the farming excellence programme will take Miraka to the next level in working with their Farmers. Te Ara Miraka will also support the Value Growth Strategy.

OPERATIONS AND SUPPLY CHAIN

Operationally Miraka had another strong season with the powder plant and an educational year with the UHT plant. They made some performance enhancements on the powder plant which provided increased capacity so we could process over 1.35m litres per day through the plant.

The supply chain team continues to deliver and have had some significant wins during the year. They achieved over \$1.3m in shipping savings over the past 12 months and this went a long way to assist in achieving the financial result.



PEOPLE

Without question the highlight for Miraka this year was performing the Miraka Haka on stage as Miraka was announced the inaugural winner of the He Kai Kei Aku Ringa, Māori Business excellence in exporting award at the National NZTE awards. To have 30 staff in Auckland to be part of the night was fantastic. Miraka continues to grow its people and welcome new staff into the Miraka whānau.

OUTLOOK

The downward trend continues for dairy commodities as we face another low payout year. While there has been some improvement in pricing we are still below levels that provide commercially viable returns for our suppliers. When the markets are down there is no question that New Zealand farmers are impacted greater than their international counterparts as we do not have a large domestic market that can balance our returns.

Miraka will continue to focus on forming strategic alliances, as we have with Shanghai Pengxin, to create partnerships that provide the opportunity for Miraka to reach further into the market and get closer to our end consumers.

Miraka will need to invest further in innovation and people to achieve their value growth strategy.

This does not mean that Miraka will not continue to focus on the commodity ingredient business; they will put more attention on extracting more value from targeting specialist customers who value our quality, service and the flexibility to provide them with a consistently high quality product.

OWNERSHIP AND DISTRIBUTION STATISTICS

As at 31 May 2015

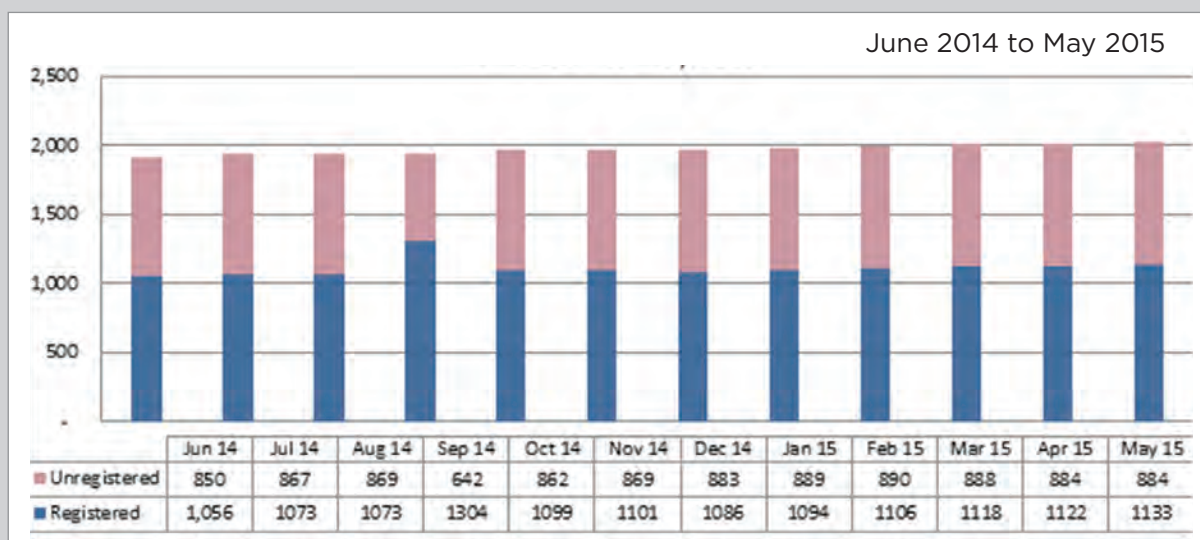
Total Number of Shares: 65.25

Unclaimed Distributions: \$34,398

Tauhara Moana Trust Owner Information

	2014-2015	2013-2014	2012-2013	2011-2012
Total number of owners	2017	1913	1849	1782
Owners with known addresses	1133	981	900	829
Owners with address unknown	884	932	949	953

Owner Registrations



Kaumatua Grant Payments

2012 - 2013	197	@\$300.00	\$59,100.00
2013 - 2014	217	@\$300.00	\$66,100.00
2014 - 2015	247	@\$300.00	\$74,159.00
Totals paid to date	807		\$168,300.00

Kaumatua Meat Packs

Delivery Dates	Total	Taupō	Turangi
January 2015	15	15	0
February 2015	15	11	4
Totals received and distributed	30	26	4



SECOND
YEAR WITH TWO
DAIRY UNITS

Group revenue for the year
ended 31st May 2015 was

\$4.5
MILLION

**The overall result
was a decrease
in equity
of \$585,000
for the year.**

Kaumatua
grants and
koha paid

\$74,159

Total
assets
of \$22.4 million

*Net increase
in reserves of
\$1.35m due to an
increase in the value
of Miraka Shares*

REVENUE

Group Income was down 34% in 2015 to \$4,505,419 (2014: \$6,826,666).

Milk revenue was \$2.47 million down on the previous year, despite the farm increasing production by an additional 107,802 kgs of milksolids from the previous year. The decrease in revenue is solely due to the significant drop in the milk price.

EXPENDITURE

Although the farm increased production, expenditure remained the same as the previous year of \$5.9 million.

Higher spending on hay and silage making was offset by a reduction in the amount of stockfeed purchased from suppliers. Other expenditure remained fairly constant with last years spending.

STATEMENT OF FINANCIAL PERFORMANCE

Tauhara Moana Group's net operating deficit for the year of \$1.35 million was a major decrease on last year's \$898,000 surplus. The major drop in milk price and value of the livestock is the cause of this decrease.

In terms of performance, the farm had an additional 380 cows, produced an additional 108,000 kgs of milksolids and yet managed to hold expenditure at the same level as the previous year.

Tauhara Moana Group's 2014/15 Net Tax Paid Deficit for the year was \$1.8 million, compared with last year's surplus of \$1 million.

STATEMENT OF FINANCIAL POSITION

Tauhara Moana Group had total assets of \$22.4 million at 31 May 2015, slightly down on last year (2014: \$22.6 million).

During the year the trust's shares in Miraka increased in value by \$1.35 million.

The group increased its borrowing by \$400,000 to fund business operations. The result was bank debt of \$10.7 million at balance date, a net increase of \$149,135 from last year.

Debt levels are sitting at 52% of Total assets, an increase of 2% from last year.

CONSOLIDATED FINANCIAL STATEMENTS

TRUST DIRECTORY

Nature of Business	Dairy Farming
Locations	Farm: Broadlands Road, Taupō Business: 63 - 65 Waikato Street Taupō
Managing Trustees	Toby Rameka (Chairman) John Tahau Metiria Rameka Hinemoa Henderson Topia Rameka Danny Loughlin
Directors Tauhara Dairy Ltd	Clinton Hemana Danny Loughlin
Farm Consultant	Mark Johnston
Bankers	Bank of New Zealand, Taupō
Solicitor	Cargill Stent Ltd PO Box 445 Taupō
Auditors	Dixon & Co PO Box 50 Taupō
Accountant	He Akina Limited 63 - 65 Waikato Street Taupō

TAUHARA MOANA TRUST & SUBSIDIARIES
Statement of Financial Performance
For the Year Ended 31 May 2015

	Note	Group		Parent	
		2015	2014	2015	2014
Revenue	2	4,505,419	6,826,666	1,392,239	1,367,737
Expenses	3	5,858,475	5,928,588	1,356,643	1,343,593
Net Operating Surplus/(Deficit) for Year		(1,353,057)	898,078	35,596	24,144
Livestock Holding Gains/(Losses)	9	(506,260)	108,931	-	-
Capital Gain on Sale of Shares		-	-	-	-
Net Surplus/(Deficit) before Taxation		(1,859,317)	1,007,009	35,596	24,144
Provision for Taxation	4	-	-	-	-
Net Tax Paid Surplus/(Deficit) for the Year		\$(1,859,317)	\$1,007,009	\$35,596	\$24,144

The accompanying Accounting Policies, notes and audit report form part of an should be read in conjunction with the Statement of Financial Performance, Movements in Equity and Financial Position.

TAUHARA MOANA TRUST & SUBSIDIARIES

Statement of Movements in Equity For the Year Ended 31 May 2015

	Notes	Group		Parent	
		2015	2014	2015	2014
Equity At Beginning of Year		11,135,233	11,398,193	11,978,510	13,224,335
Tax paid Surplus/(Deficit) for Year		(1,859,317)	1,007,009	35,596	24,144
Kaumatua Grants & Koha paid		(74,159)	(66,100)	(74,159)	(66,100)
Increases in Revaluation Reserves	11	1,348,117	(3,365,074)	1,348,379	(3,365,074)
Increases in Capital Reserves	11	-	2,161,205	-	2,161,205
Equity at End of Year		10,549,874	11,135,233	13,288,325	11,978,510

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TAUHARA MOANA TRUST & SUBSIDIARIES

Statement of Financial Position

For the Year Ended 31 May 2015

	Note	Group		Parent	
		2015	2014	2015	2014
Current Assets					
Funds at the Bank	7	1,894	30,938	387	29,481
Accounts Receivable		533,190	1,785,512	192,655	35,677
Accrued Income		-	34,835	-	97,474
GST & Prepayments		119,102	48,005	-	-
Consumables		221,679	272,008	-	-
Taxation Refund Due		13,239	21,358	13,123	21,242
Total Current Assets		889,104	2,192,656	206,165	183,874
Non Current Assets					
Fixed Assets	5	14,405,065	14,577,698	13,598,920	13,799,616
Other Non Current Assets					
Investments	6	3,549,172	2,172,263	3,547,412	2,170,242
Intangible Assets - ETS Units	10	5	5	5	5
Livestock on Hand	9	3,563,040	3,730,125	-	-
TFLP - Capital Contribution		-	-	2,734,943	2,734,943
Assets under Construction		-	-	-	-
		7,112,217	5,902,393	6,282,360	4,905,190
Total Assets		22,406,386	22,672,747	20,087,445	18,888,680
Current Liabilities					
Bank Overdraft	7	497,410	441,204	35,448	-
Accounts Payable		457,138	361,730	65,179	55,516
GST & Accruals		141,402	123,153	65,084	68,310
Tauhara Farm Limited Partnership		-	-	-	-
Current Portion of Borrowings	8	316,363	276,594	212,820	212,820
Total Current Liabilities		1,412,313	1,202,681	378,531	336,646
Non Current Liabilities					
Bank of New Zealand Term Loans	8	10,444,198	10,334,833	6,420,589	6,573,524
Total Liabilities		11,856,511	11,537,514	6,799,120	6,910,170
Equity					
Owners Initial Capital		59,180	59,180	59,180	59,180
Compensation - Land Taken		47,208	47,208	47,208	47,208
Accumulated Profits	11	(2,833,664)	(900,189)	(95,475)	(56,912)
Reserves	11	13,277,151	11,929,034	13,277,413	11,929,034
Total Equity		10,549,874	11,135,233	13,288,325	11,978,510
Total Liabilities and Owners Equity		22,406,386	22,672,747	20,087,445	18,888,680

For and on behalf of the Trust:

Trustee

Trustee

Date 17 January 2016

17 Jan 2016

The accompanying Accounting Policies, notes and audit report form part of an should be read in conjunction with the Statement of Financial Performance, Movements in Equity and Financial Position.

TAUHARA MOANA TRUST & SUBSIDIARIES

Notes to the Financial Statements

For the Year Ended 31 May 2015

1. STATEMENT OF ACCOUNTING POLICIES

Reporting Entity

Tauhara Moana Trust is a Trust originally vested under 5438 of the Maori Affairs Act 1953, and continues under S215 of Te Ture Whenua Maori Act 1993 as an Ahu Whenua Trust.

The Group includes Tauhara Dairy Limited, a company incorporated on 4th May 2012 and wholly owned by the Trust by way of 1000 shares, and Tauhara Farms Limited Partnership. The Trust is the limited partner in the partnership and the company is the general partner. Their principal activities are Dairy Farming and Trust administration. All members of the Group have a Balance Date of 31st May.

The financial statements of the Group have been prepared in accordance with generally accepted accounting practice and the requirements of Te Ture Whenua Maori Act 1993.

The Parent's financial statements are for Tauhara Moana Trust and the Group financial statements comprise Tauhara Moana Trust, Tauhara Dairy Limited and Tauhara Farms Limited Partnership.

General Accounting Policies

The general accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position on an historical cost basis modified by the revaluation of certain assets (as noted below under the specific accounting policies). Reliance is placed on the fact that the Group is a going concern and accrual accounting is used to match expenses and revenue.

Specific Accounting Policies

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

(a) Principles of Consolidation

The Group financial statements are prepared from the financial statements of the parent trust, the company and the limited partnership using the purchase method. Any intra-group transactions, balances and unrealised profits are eliminated on consolidation.

(b) Accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

(c) Accounts Receivable

Are stated at estimated realisable value. Bad debts are written off in the year they are realised in.

(d) Fixed Assets

All fixed assets are initially recorded at cost. Original cost is the value of consideration given to acquire the assets and the other costs directly attributable in bringing the assets to the location and condition necessary for their intended use.

Land and buildings are subsequently revalued on a cyclical basis. Valuations are based on the latest Land Mass New Zealand Valuation, dated 1 July 2013. The Rating Valuations are issued every three years and are used to ensure compliance with Section 276(4)(c) of Te Ture Whenua Act 1993. This is a departure from FRS 3, which requires use of latest market value. Any revaluation surplus or deficit arising on the revaluation of a class of fixed assets is transferred directly to the asset revaluation reserve.

TAUHARA MOANA TRUST & SUBSIDIARIES

Notes to the Financial Statements

For the Year Ended 31 May 2015

(e) Depreciation

Depreciation is charged on fixed assets from the date of purchase or completion of construction. Assets are depreciated at Inland Revenue Department economic rates. Depreciation has not been charged on the revaluation portion of the buildings. This is a departure from FRS 3, which requires depreciation on the revalued balance. When a fixed asset is disposed of, any gain or loss is recognised in the Statement of Financial Performance and is calculated as the difference between the sale price and the carrying value of the fixed asset.

Fixed Assets are depreciated on the following basis -

- Buildings — rates of 0% cost price and diminishing value, and sundry building improvements - 40%
- Development Expenditure - fencing, water supply, effluent, tracks etc — between 0% - 18% diminishing value.
- Motor Vehicles — between 13 - 40% diminishing value
- Plant and Equipment - 8%-80.4% diminishing value

Financial Instruments

Financial instruments in the Statement of Financial Position include cash balances, bank overdrafts, receivables, payables and investments.

(g) Taxation

The Trust entered the Maori Authority regime on the 1st July 2004, as a result the tax rate is 17.5% (2011: 19.5%), Tauhara Dairy Limited will have to comply with standard company tax rates.

(h) Differential Reporting

The Group qualifies for Differential Reporting as it is not publicly accountable and not large as defined in the framework for Differential Reporting. The Group has taken advantage of the differential reporting exemptions which are available except that the financial statements are prepared on a GST exclusive basis.

(i) GST

The Group is registered for GST. The financial statements have been prepared on a GST exclusive basis except that irrecoverable GST input tax has been recognised in association with the expense that it relates. Accounts receivable and Accounts payable are disclosed inclusive of GST.

(j) Investments

Taupo Sale Yards shares are stated at current market value.

Miraka Limited shares are stated at current market value being \$2.05 per share.

Farmlands Society and Ravensdown Co-operative shares are stated at issue value being \$1 per share.

Tauhara Dairy Limited shared are stated at issue value being \$1 per share.

(k) Livestock

Is valued at estimated current market value (on farm price), established by independent count and valuation.

Unrealised gains or losses arising from changes in value of stock between beginning and year-end market values are recognised separately in the statement of financial performance as holding gains or losses.

(l) New Zealand Units (NZUs) / Intangible Assets

New Zealand Units (NZUs) are issued into the NZU Registry by the Government under the Emission Trading Scheme (ETS).

Compensatory NZUs are received from the Ministry of Agriculture and Forestry (MAF) at no cost and recorded at a nominal value basis determined by the Tauhara Moana Trust trustees. NZUs can be traded within New Zealand.

Changes in Accounting Policies

There have been no changes in accounting policies during the year. All policies have been applied on a consistent basis during the year.

TAUHARA MOANA TRUST & SUBSIDIARIES

Notes to the Financial Statements

For the Year Ended 31 May 2015

2. REVENUE

	Notes	Group		Parent	
		2015	2014	2015	2014
Revenue					
Rebates Received		35,281	-	33,492	-
Interest Received		181	182	181	176
Commercial Rentals	19	105,000	100,000	1,153,919	1,158,661
Rates Recoveries - TFLP		-	-	82,766	78,011
Dividends Received		117,583	64,718	117,583	64,365
Livestock (net)		473,446	339,384	-	-
Milk Production(839,649 Kgs)		3,740,845	6,209,897	-	-
Sundry Farm Income		28,784	45,961	-	-
Timber Harvest Revenue		-	-	-	-
Forestry Proceeds		-	65,000	-	65,000
Quarry Royalties		4,299	1,524	4,299	1,524
		4,505,419	6,826,666	1,392,239	1,367,737

3. EXPENSES

	Schedule	Group		Parent	
		2015	2014	2015	2014
<i>Expenses are categorised as follows:</i>					
Farm Expenses					
Farm Working Expenses	E	3,317,039	3,356,435	-	-
Vehicle Expenses	E	214,758	225,877	-	-
Repairs and Maintenance	E	287,644	303,648	-	15,046
Overheads	C & E	574,992	586,664	82,766	78,011
Administration Expenses					
Depreciation (See below)	Note 5	490,291	510,639	330,910	366,387
Loss on Sale		-	25,157	-	-
Depreciation Recovered		-	988	-	988
		5,858,475	5,928,588	1,356,643	1,343,593

	Notes	Group		Parent	
		2015	2014	2015	2014
<i>Depreciation is summarised as follows:</i>					
Depreciation for Year					
Land, Buildings & Improvements	5	200,198	207,501	192,950	199,907
Plant & Equipment	5	204,123	235,535	137,960	166,480
Motor Vehicles	5	85,970	67,603	-	-
		490,291	510,639	330,910	366,387

TAUHARA MOANA TRUST & SUBSIDIARIES

Notes to the Financial Statements

For the Year Ended 31 May 2015

4. TAXATION

The Net Surplus/(Deficit) is reconciled with taxable income/(losses) as follows:

	Group		Parent	
	2015	2014	2015	2014
Net surplus/(deficit) before taxation	(1,859,317)	1,007,009	35,596	24,144
Livestock tax deferred adjustments (net)	272,127	(365,612)	-	-
Add: Non Deductible Expenditure	1,652	6,671	-	4,923
Taxation Adjustments	-	-	-	-
Tax Losses brought forward	(3,289,017)	(3,077,633)	(3,289,017)	(3,077,633)
Capitalised Development- Fencing	-	-	-	-
Accounting Depreciation	-	-	-	-
Tax Depreciation	-	-	-	-
Non Taxable Income	-	-	-	-
Further Payments This Season	(83,965)	(1,158,095)	-	-
Further Payments Last Season	1,158,095	393,726	-	-
Movement in Accruals	25,453	(10,121)	(3,300)	6,210
Imputation credits	52,091	18,022	52,091	18,022
Imputation credits converted to a loss	(297,662)	(102,984)	(297,662)	(102,984)
Prior year tax adjustments	(18,033)	-	(18,033)	-
Loss attributed to/from parent/subsidiary	-	-	(518,251)	(161,700)
Assessable Income/(Losses) to Carry Forward	(4,038,576)	(3,289,017)	(4,038,576)	(3,289,017)

Taxation losses are subject to confirmation by the Inland Revenue Department.

The taxation benefits of losses will be available provided:

- the Trust complies with conditions for offset imposed by the Income Tax Act 2007 and the amendments thereto,
- no change in taxation legislation adversely affects the Trust in realising the taxation benefits of those losses, and
- the Trust generates assessable income in the future, against which the losses can be offset.

5. FIXED ASSETS

	Group		Parent	
	2015	2014	2015	2014
<i>Expenses are categorised as follows:</i>				
Land, Buildings & Improvements @ cost	5,192,008	5,089,826	5,120,193	4,989,979
Revaluation	8,764,460	8,764,460	8,764,460	8,764,460
Less Accumulated Depreciation	(1,150,678)	(984,042)	(1,130,900)	(937,950)
	<u>12,805,790</u>	<u>12,870,244</u>	<u>12,753,753</u>	<u>12,816,489</u>
Vehicles	644,990	761,180	-	-
Less Accumulated Depreciation	(202,946)	(308,378)	-	-
	<u>442,044</u>	<u>452,802</u>	<u>-</u>	<u>-</u>
Plant & Equipment	1,931,280	1,905,236	1,435,641	1,435,641
Less Accumulated Depreciation	(774,049)	(650,584)	(590,474)	(452,514)
	<u>1,157,231</u>	<u>1,254,652</u>	<u>845,167</u>	<u>983,127</u>
Total Fixed Assets	14,405,065	14,577,698	13,598,920	13,799,616

The latest land valuation dated 1 July 2013 is \$8,765,000 (1 July 2010 : \$10,200,000).

TAUHARA MOANA TRUST & SUBSIDIARIES

Notes to the Financial Statements

For the Year Ended 31 May 2015

6. INVESTMENTS

	No Shares	Group		Parent	
		2015	2014	2015	2014
Farmlands	15000	15,000	12,850	15,000	12,850
Livestock Improvement Co-op		2,759	3,021	-	-
Miraka Ltd	1685185	3,454,629	2,106,250	3,454,629	2,106,250
Ravensdown	76659	76,659	50,017	76,659	50,017
Tauhara Dairy Ltd	1000	-	-	1,000	1,000
Taupo Sale Yards	250	125	125	125	125
		<u>3,549,172</u>	<u>2,172,263</u>	<u>3,547,413</u>	<u>2,170,242</u>

7. FUNDS AT BANK (OVERDRAFT)

	Group		Parent	
	2015	2014	2015	2014
BNZ Farm First Account	(35,448)	29,101	(35,448)	29,101
BNZ Cheque Account	1,507	1,457	-	-
BNZ Call Account	387	380	387	380
BNZ Business and Farming Account	(461,962)	(441,204)	-	-
	<u>(495,516)</u>	<u>(410,266)</u>	<u>35,060</u>	<u>29,481</u>

Tauhara Moana Trust

The BNZ Farm First overdraft limit is \$250,000.

See note 8 for securities.

Tauhara Farms Limited Partnership

The BNZ Business and Farming Account overdraft limit is \$450,000.

See note 8 for securities.

8. TERM LOANS

	Group		Parent	
	2015	2014	2015	2014
Opening Balance	10,611,427	10,107,334	6,786,344	3,689,439
Drawdowns	400,000	3,973,405	-	3,096,905
Repayments	(250,865)	(3,469,312)	(152,935)	-
Closing Balance - Term Loans	<u>10,760,562</u>	<u>10,611,427</u>	<u>6,633,409</u>	<u>6,786,344</u>
Less Current Portion of Term Loans	(316,363)	(276,594)	(212,820)	(212,820)
Closing Balance - Non-Current Portion of Term Loans	<u>10,444,199</u>	<u>10,334,833</u>	<u>6,420,589</u>	<u>6,573,524</u>

Tauhara Moana Trust.

BNZ Customised Average Rate Loan Balance at 31st May 2015 is \$2,586,184 with a maturity date of 31st May 2017. Monthly repayments of \$9,700 with an interest rate at 31st May 2015 of 6.36% (2014 - 6.14%)

BNZ Customised Average Rate Loan Balance at 31st May 2015 is \$237,325 with a maturity date of 20th December 2017. Monthly repayments of \$535 with an interest rate at 31st May 2015 of 6.36% (2014 - 6.14%)

BNZ Customised Average Rate Loan Balance at 31st May 2015 is \$3,559,900 with a maturity date of 20th December 2017. Monthly repayments of \$8,020 with an interest rate at 31st May 2015 of 6.36% (2014 - 6.14%)

BNZ Customised Average Rate Loan Balance at 31st May 2015 is \$250,000 with a maturity date of 31st May 2017. Repayment at maturity of \$250,000 with an interest rate at 31st May 2015 of 6.36% (2014 - 6.06%)

TAUHARA MOANA TRUST & SUBSIDIARIES

Notes to the Financial Statements

For the Year Ended 31 May 2015

Securities are:

- All obligations unlimited Guarantee from Tauhara Farms Limited Partnership, supported by new perfected security interests in all present and after acquired property of the Partnership, and;
- Perfected security interest in all present and here and after acquired property of the Tauhara Moana Trust.
- Registered first Mortgage over property situated at Broadlands Road, RD2, Taupo, certificate of Title No. SA4,98/626.

Tauhara Farms Limited Partnership

BNZ Customised Average Rate Loan Balance at 31st May 2015 is \$3,549,527 with a maturity date of 31st May 2017, monthly repayments of \$12,035 with an interest rate at 31st May 2015 of 6.36% (2014 - 6.14%)

BNZ Customised Average Rate Loan Balance at 31st May 2015 is \$76,127 with a maturity date of 23rd May 2017, monthly repayments of \$3,421 with an interest rate at 31st May 2015 of 7.33% (2014 - 7.49)

BNZ Tractor Loan Balance as at 31st May 2015 is \$101,497 with a maturity date of 17th April 2018. Monthly repayments of \$3,245 with an interest rate at 31st May 2015 of 7.65% (2014 - 7.65%)

BNZ Customised Average Rate Loan Balance at 31st May 2015 is \$400,000 with a maturity date of 30th June 2015, full repayment of \$400,000 is due at maturity with an interest rate at 31st May 2015 of 6.34% (2014 - Nil)

Securities are:

- All obligations unlimited Guarantee from the Trustees of Tauhara Moana Trust, supported by the Registered Mortgage over the property situated at Broadlands Road, Taupo, Certificate Title Number SA490/626.
- A limited Guarantee of \$186,875 from the Trustees of Tauhara Moana Trust, and;
- Perfected security interest in all present and here and after acquired property of the Tauhara Farms Limited Partnership.
- Existing Chattels security over 2013 Case IH Puma 210 4wd tractor Cab Serial no: ZCBH57524.
- Existing Chattels security over 2014 John Deere 6125M Ref 7644-1.

9. LIVESTOCK ON HAND

Tallies			\$\$ per Head		Total Value	
Start	End		Start	End	Start	End
DAIRY CATTLE						
442	575	Rising 1yr Heifers	1,000	605	331,500	347,650
391	483	Rising 2yr Heifers	1,700	1,200	488,750	579,600
2,122	2,210	Mixed Aged Cows	1,942	1,172	2,909,875	2,589,950
-	66	Rising 1yr Steers		679		44,840
-	1	2yr Jersey Bulls		1,000		1,000
2,955	3,335				3,730,125	3,563,040
95		Purchases				
1,976		Natural Increase				
1,526		Sales				
165		Deaths and Missing				
3,335	3,335					
		Change in Numbers			339,175	-
		Change in Values			(506,260)	-
					3,563,040	3,563,040

10. NEW ZEALAND UNITS (NZUS)

Under the Emissions Trading Scheme (ETS) Tauhara Moana Trust holds 10,500 pre-1990 New Zealand Units (NZU's), These have been allocated to the Trust and are recorded at a nominal value cost of \$5 (See also note 17: Contingent Liabilities).

TAUHARA MOANA TRUST & SUBSIDIARIES

Notes to the Financial Statements

For the Year Ended 31 May 2015

11. RETAINED EARNINGS & RESERVES

	Group		Parent	
	2015	2014	2015	2014
Retained Income				
Opening Balance	(900,189)	(1,841,098)	(56,912)	(14,956)
Tax Paid Surplus/(Deficit) for year	(1,859,317)	1,007,009	35,596	24,144
Kaumatua Grants & Koha paid	(74,159)	(66,100)	(74,159)	(66,100)
Transfer to Capital Account	-	-	-	-
Closing Balance	(2,833,664)	(900,189)	(95,475)	(56,912)
Revaluation Reserves				
Opening Balance	9,140,049	12,505,123	9,140,049	12,505,123
Less revaluation of Land and Buildings	-	(3,589,843)	-	(3,589,843)
Plus revaluation of Shares	1,348,117	224,769	1,348,379	224,769
Net increase in Revaluations Reserves	1,348,117	(3,365,074)	1,348,379	(3,365,074)
Closing Balance	10,488,166	9,140,049	10,488,428	9,140,049
Capital Reserves				
Opening Balance	2,788,985	627,780	2,788,985	627,780
Capital Gain on Sale of Land	-	2,161,205	-	2,161,205
Transfer from Retained Earnings	-	-	-	-
Closing Balance	2,788,985	2,788,985	2,788,985	2,788,985
Total Reserves	13,277,151	11,929,034	13,277,413	11,929,034

12. PRE 2005 RETAINED EARNINGS

On the 1st July 2004 the Trust elected to become a Maori Authority. Income retained prior to the 2005 Income Tax year is available to be distributed to beneficiaries tax free. As prior to 2005 Income Tax year the Trust was operating at a loss there are no retained earnings available for tax free distribution as a result of entering the Maori Authority regime.

13. MAORI AUTHORITY CREDITS (MACA)

The Trust has MACA's available as at 31st May 2015 as follows:

	Group		Parent	
	2015	2014	2015	2014
Opening Balance	41,283	23,161	41,283	23,161
Add: Resident Withholding Tax	9,903	3,220	9,903	3,220
Credits Attached to Dividends Received	52,091	18,022	52,091	18,022
Less: Taxation Refund received	-	(3,120)	-	(3,120)
Closing Balance	103,277	41,283	103,277	41,283

14. RELATED PARTY TRANSACTIONS

DA Loughlin Ltd provides consultancy services to Tauhara Dairy Ltd. D A Loughlin Ltd is a company owned 100% by DA Loughlin a director of Tauhara Dairying Ltd and a trustee of Tauhara Moana Trust. Payable for the year \$1,000 per month plus mileage incurred, owing at balance date \$670 (2014 - \$Nil).

Agnosis Ltd provides consultancy services to Tauhara Dairy Ltd. Agnosis Ltd is a company owned 50% by C Hemana a director of Tauhara Dairying Ltd and a trustee of Tauhara Moana Trust. Payable for the year \$1,500 per month plus mileage and telephone expenses incurred. Owing at balance date \$2,071 (2014 - \$2,071). Tauhara Moana Trust paid \$2,000 to Agnosis Ltd for consultancy services.

Some trustees also qualified to receive a kaumatua grant of \$300 from the Trust, other than these payments the Trustee Fees and expenses are disclosed in the financial statements.

TAUHARA MOANA TRUST & SUBSIDIARIES

Notes to the Financial Statements

For the Year Ended 31 May 2015

15. LEASES & LICENCES

Tauhara North No 2 Trust

Tauhara Moana Trust leases land from Tauhara North No 2 Trust. The lease runs until 31 March 2015 with a right of renewal for a further 10 year period and a final expiry date of 31 March 2025.

The trustees are currently negotiating the renewal of the lease for a further 10 years, final expiry date of 31 March 2025.

Annual rent payable to Tauhara North No 2 Trust is still under discussion between the two Trusts, but is proposed to be \$71,000 per annum plus GST, rates and outgoings.

Grazing Lease Commitments

	Group		Parent	
	2015	2014	2015	2014
Future Lease Commitments				
Payable within 1 Year	8,436	8,436	8,436	8,436
2 Years	-	-	-	-
3-5 Years	-	-	-	-
Balance of lease	8,436	8,436	8,436	8,436

Contact Energy Ltd

Licence to Occupy

Otumuheke Block (128.4 hectares) and Rakaunui Block (45.2 hectares)

The Group has taken on a licence to occupy the Otumuheke and Rakaunui Blocks, permitted use of these blocks is restricted to the cut and carry of lucerne crops, oats, rye grass and grazing for one month of a calendar year.

Licence Commencement Date 6th February 2012

Term - 6 years. Rights of Renewal - 1 of 6 years

Fee Review - every 3 years from commencement date.

Annual Fee - \$69,425 by monthly payments in advance of \$5,785.

Otumuheke & Rakaunui

	Group		Parent	
	2015	2014	2015	2014
Future Licence Commitments				
Payable within 1 Year	69,425	69,425	69,425	69,425
2 Years	69,425	69,425	69,425	69,425
3-5 Years	47,131	121,494	47,131	121,494
Later than 5 years	-	-	-	-
Balance of licence	185,981	260,344	185,981	260,344

Contact Energy Ltd

Licence to Occupy

Quarry Block (540 hectares), Huka Block (224 hectares) and TH1 Block (24.6 hectares)

The Group has taken on a licence to occupy the Huka and TH1 Blocks. The permitted use of these blocks is livestock grazing and cropping.

Licence Commencement Date 6th February 2012

Term — 6 years. Rights of Renewal — 1 of 6 years

Fee Review — every 3 years from commencement date.

Annual Fee - \$256,295 by monthly payments in advance of \$21,358.

Huka Quarry & TH1

	Group		Parent	
	2015	2014	2015	2014
Future Licence Commitments				
Payable within 1 Year	256,295	256,295	256,295	256,295
2 Years	256,295	256,295	256,295	256,295
3-5 Years	216,742	448,516	216,742	448,516
Later than 5 years	-	-	-	-
Balance of licence	729,332	961,106	729,332	961,106

TAUHARA MOANA TRUST & SUBSIDIARIES
Notes to the Financial Statements
For the Year Ended 31 May 2015

16. CAPITAL COMMITMENTS

There are no known capital commitments as at 31 May 2015.

17. CONTINGENT LIABILITIES

The Trustees of the Trust resolved to write back \$34,398 of unclaimed owner distributions in the 2011 financial year due to the lack of detailed records of those distributions. Therefore there is a contingent liability for this amount if any of the Shareholders come forward with details of a claim for these distributions.

Under the Emissions Trading Scheme (ETS) the Group will be required to surrender New Zealand Units if they deforest and introduce a new land use. The financial effect of this has not been quantified as the Group has every intention of replanting the land and therefore anticipate no obligation to return New Zealand Units in the future. (2014 — Nil)

Other than the above there are no known material contingent liabilities as at 31st May 2015 (2014 — Nil).

18. EVENTS SUBSEQUENT TO BALANCE DATE

There are no known material events subsequent to balance date which would have an effect on these Financial Statements (2014— Nil).

19. CONTACT GEOTHERMAL ACCESS AGREEMENT

The Trust has entered into an arrangement with Contact Energy Limited where Contact can carry on the activity of extraction and/or reinjection of geothermal fluid on the Trust's land. Contact has paid a further \$105,000 (2014 -\$100,000) as an extension for the Trust entering into this agreement and granting Contact easement to access the land.

Declaration of General Interest as at 31 May 2015 pursuant to section 140(2) of the Companies Act 1993:

TAUHARA MOANA TRUST & SUBSIDIARIES

Notes to the Financial Statements

For the Year Ended 31 May 2015

CLINTON ANDREW MAHAKI HEMANA

Rua Roa Trust	Chairman
Ngawapurua Trust	Chairman
Dairy NZ	Associate Director
Otamarakau Farm LLP	Director
Waerenga Pukahukiwi Ltd	Chairman
Waerenga East & West Blocks Inc	Chairman
Awarua O Hinemanu Trust	Chairman
Tataraakina C Trust	Chairman
Tauhara Farms Limited Partnership	Chairman
Te Arawa Fisheries ICP Ltd	Director
Te Arawa Fisheries Ltd	Director
Te Arawa Fisheries Holdings Ltd	Director
AgNOSIS Ltd	Director
Hemana Properties Ltd	Director
Hemana Whanau Trust	Chairman
Taranui Investments Ltd	Director
Hemana Consulting Ltd	Director
Opepe Farm Trust	Farm Advisor

DANNY APERAHAMA LOUGHLIN

DT & MD Loughlin Family Trust	Trustee
Tauhara Moana Trust	Trustee
Mohi Development Ltd	Director
DA Loughlin Ltd	Director
iMaori Ltd	Director/Shareholder
Loughlin Trustees Ltd	Director
Tauhara Dairy Ltd/Tauhara Farms LP	Director/Shareholder
Lakes District Health Board	Board Member
Tuwharetoa Maori Trust Board	Trustee
Te Rangiita Marae ki Nukuhau	Chairman

INDEPENDENT AUDITOR'S REPORT

To the Trustees of Tauhara Moana Trust

We have audited the consolidated financial statements of Tauhara Moana Trust on pages 21 to 33 which comprise the statement of financial position as at 31 May 2015 and the statements of financial performance and movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information for the Trust and for the Group. The Group comprises Tauhara Moana Trust, Tauhara Dairy Limited and Tauhara Farms Limited Partnership.

This report is provided solely for your exclusive use. Our audit work has been undertaken so that we might state to the trustees those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we accept or assume no duty, responsibility or liability to any other party for our audit work, for this report, or for the opinions we have formed.

Trustees' Responsibility for the Financial Statements

The trustees are responsible for the preparation of financial statements that give a true and fair view of the matters to which they relate and in accordance with generally accepted accounting practice in New Zealand and the financial reporting requirements of Te Ture Whenua Maori Act 1993, and for such internal control as the trustees determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entities' preparation and fair presentation of the financial statements 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 entities' internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

Other than in our capacity as auditor we have no relationship with, or interests in, Tauhara Moana Trust, Tauhara Dairy Limited or Tauhara Farms Limited Partnership.

Unqualified Opinion

In our opinion, the financial statements on pages 21 to 33 give a true and fair view of the financial positions of Tauhara Moana Trust and of the Group as at 31 May 2015, and of their financial performance for the year then ended in accordance with generally accepted accounting practice in New Zealand and the financial reporting requirements of Te Ture Whenua Maori Act 1993.

Our audit was completed on 17th January 2016 and our unqualified opinion is expressed as at that date.



Kirsten Dixon
DIXON&CO, Taupo

15th January 2016

TAUHARA MOANA TRUST & SUBSIDIARIES
Supplementary Schedules
For the Year Ended 31 May 2015

FINANCIAL PERFORMANCE SUMMARY — OPERATING SURPLUS BY ACTIVITY

	Schedule	Group		Parent	
		2015	2014	2015	2014
SUMMARY					
Farming Operations	D&E	(227,974)	2,031,222	-	(15,046)
Commercial Activities	C	22,233	21,989	1,153,919	1,158,661
Other Income	A	157,344	131,424	155,554	131,065
Less: Administration Costs	B	(1,304,661)	(1,286,555)	(1,273,877)	(1,250,536)
Net Operating Surplus/(Deficit) for year		(1,353,058)	898,079	35,596	24,144
Livestock Holding Gains		(506,260)	108,931	-	-
Capital Gain on Sale of Shares		-	-	-	-
Net Operating Surplus/(Deficit) before Taxation		(1,859,319)	1,007,009	35,596	24,144

Details of the revenue and expenditure for each activity are disclosed below:

A. OTHER INCOME

	Group		Parent	
	2015	2014	2015	2014
Other Income				
Dividends Received	117,583	64,718	117,583	64,365
Interest Received	181	182	181	176
Rebates	35,282	-	33,492	-
Timber Harvest Revenue	-	65,000	-	65,000
Quarry Royalties	4,299	1,524	4,299	1,524
	157,344	131,424	155,554	131,065

TAUHARA MOANA TRUST & SUBSIDIARIES

Supplementary Schedules For the Year Ended 31 May 2015

B. ADMINISTRATION COSTS

	Group		Parent	
	2015	2014	2015	2014
Administration				
AGM Expenses	5,330	14,294	5,330	14,294
Accountancy & Secretarial Fees	72,397	80,842	72,357	79,107
Audit Fees and Disbursements	12,688	11,371	12,688	11,371
Bank Fees	596	335	543	285
Consultancy	2,000	10,689	2,000	9,533
Database Expenses	-	1,750	-	1,750
General Expenses	62	2,369	62	2,369
Honorarium Fee	2,083	4,500	2,083	4,500
Insurance	-	(82)	-	(82)
Interest	435,953	365,365	435,953	365,365
Legal Fees	11,662	10,258	11,662	10,258
Lease Fees	335,838	335,838	335,838	335,838
Resource Consents	-	-	1,518	-
Telephone, Tolls & Internet	-	555	-	555
Trustee Expenses & Fees	62,933	49,994	62,933	49,994
Directors Fees	30,000	30,000	-	-
Directors Expenses	2,208	3,078	-	-
Total Administration	973,751	921,156	942,967	885,137
Depreciation & Loss on Sale	330,910	365,399	330,910	365,399
	<u>1,304,661</u>	<u>1,286,555</u>	<u>1,273,877</u>	<u>1,250,536</u>

C. COMMERCIAL ACTIVITIES

	Group		Parent	
	2015	2014	2015	2014
Income from				
Geothermal Development	105,000	100,000	105,000	100,000
Lease Fees	-	-	1,048,919	1,058,661
Rates Recoveries	-	-	82,766	78,011
	<u>105,000</u>	<u>100,000</u>	<u>1,236,685</u>	<u>1,236,672</u>
Less - Expenses				
Overhead & Administration	82,766	78,011	82,766	78,011
	<u>82,766</u>	<u>78,011</u>	<u>82,766</u>	<u>78,011</u>
Commercial Activities Surplus/(Deficit)	<u>22,234</u>	<u>21,989</u>	<u>1,153,919</u>	<u>1,158,661</u>

TAUHARA MOANA TRUST & SUBSIDIARIES
Supplementary Schedules
For the Year Ended 31 May 2015

D. FARMING OPERATIONS

	Schedule	Group		Parent	
		2015	2014	2015	2014
Income from					
Dairy Cattle		473,446	339,384	-	-
Milk Production(839,649 Kgs)		3,740,845	6,209,898	-	-
Hay & Silage Sales		-	12,800	-	-
Grazing Revenue		28,784	33,161	-	-
		<u>4,243,075</u>	<u>6,595,243</u>	-	-
Less: Expenses					
Farm Working Expenses	E	3,317,039	3,356,435	-	-
Vehicle Expenses	E	214,758	225,877	-	-
Repairs and Maintenance	E	287,644	303,648	-	15,046
Overheads	E	492,226	508,653	-	-
Loss on Sale		-	25,157	-	-
Depreciation	Note 3	159,381	144,251	-	-
		<u>4,471,048</u>	<u>4,564,021</u>	-	<u>15,046</u>
Farming Surplus/(Deficit)		<u>(227,973)</u>	<u>2,031,222</u>	<u>-</u>	<u>(15,046)</u>

E. DETAILED FARM EXPENSES

	Group		Parent	
	2015	2014	2015	2014
Farm Working Expenses				
Animal Health	204,700	219,026	-	-
Breeding	131,662	117,121	-	-
Calf Rearing	80,623	43,642	-	-
Cultivation	129,379	333,455	-	-
Dairy Insight Fee	30,943	23,133	-	-
Dairy Expendables	45,761	49,229	-	-
Electricity	110,693	76,221	-	-
Fertiliser & Nitrogen	637,125	634,902	-	-
Freight & Cartage	2,110	51,297	-	-
Hay & Silage Making	399,893	140,265	-	-
Health & Safety	262	5,932	-	-
Protective Clothing	-	9,162	-	-
Stockfood	567,632	812,386	-	-
Wages and Allowances	942,901	833,955	-	-
Weed & Pest Control	33,356	6,709	-	-
	<u>3,317,039</u>	<u>3,356,435</u>	<u>-</u>	<u>-</u>
Vehicle Expenses				
General Vehicle Expenses	75,009	141,335	-	-
Tractor Expenses	139,749	84,542	-	-
	<u>214,758</u>	<u>225,877</u>	<u>-</u>	<u>-</u>

TAUHARA MOANA TRUST & SUBSIDIARIES

Supplementary Schedules For the Year Ended 31 May 2015

Repairs and Maintenance				
Workers Accommodation	14,922	28,624	-	12,442
Dairy Shed	70,965	35,505	-	-
Drains	-	341	-	-
General Repairs	158	3,267	-	-
Farm Buildings	-	9,385	-	-
Water Supply & Irrigation	20,348	19,246	-	-
Plant and Equipment	39,953	32,058	-	-
Fences & Yards	16,782	80,966	-	-
Roads & Tracks	34,124	61,823	-	1,395
Effluent System	78,974	25,032	-	1,209
Waste Management	11,419	7,402	-	-
	<u>287,644</u>	<u>303,648</u>	<u>-</u>	<u>15,046</u>
Overheads				
Accident Compensation	25,891	10,505	-	-
Accountancy & Secretarial Fees	66,363	83,662	-	-
Bad Debts	-	2,972	-	-
Bank Fees	733	702	-	-
Entertainment	3,088	3,268	-	-
Farm Advisory	63,267	66,644	-	-
General Expenses	2,704	8,463	-	-
Insurance	42,005	39,467	-	-
Interest	282,840	278,614	-	-
Legal Fees	-	2,000	-	-
Subscriptions	-	3,966	-	-
Telephone & Tolls	5,335	8,390	-	-
	<u>492,226</u>	<u>508,653</u>	<u>-</u>	<u>-</u>

TAUHARA MOANA TRUST & SUBSIDIARIES

**Supplementary Schedules
For the Year Ended 31 May 2015**

F. LIVESTOCK TRADING

	2015			2014		
	No.s.	Ave	\$\$\$	No.s.	Ave	\$\$\$
DAIRY CATTLE						
Sales						
Calves	1,335	70	92,943	1,751	46	80,712
Rising 2yr Heifers	3	796	2,387	21	478	10,040
Mixed Aged Cows	156	848	132,341	279	662	184,631
Breeding Bulls	32	1,491	47,700	29	1,671	48,447
	<u>1,526</u>		<u>275,371</u>	<u>2,080</u>		<u>323,830</u>
Less Purchases						
Rising 2yr Heifers	61	1,264	77,100	-	-	-
Breeding Bulls	34	1,882	64,000	26	1,463	38,040
	<u>95</u>		<u>141,100</u>	<u>26</u>		<u>38,040</u>
CASH SURPLUS/(DEFICIT)			134,271			285,790
Add Increase in Numbers			339,175			53,594
GROSS PROFIT/(LOSS)			<u>473,446</u>			<u>339,384</u>

Tallies			\$\$ per Head		Total Value	
Start	End		Start	End	Start	End
DAIRY CATTLE						
442	575	Rising 1yr Heifers	1,000	605	331,500	347,650
391	483	Rising 2yr Heifers	1,700	1,200	488,750	579,600
2,122	2,210	Mixed Aged Cows	1,942	1,172	2,909,875	2,589,950
	66	Rising 1yr Steers		679		44,840
	1	2yr Jersey Bulls		1,000		1,000
<u>2,955</u>	<u>3,335</u>				<u>3,730,125</u>	<u>3,563,040</u>
95		Purchases				
1,976		Natural Increase				
1,526		Sales				
165		Deaths and Missing				
<u>3,335</u>	<u>3,335</u>					
		Change in Numbers			339,175	-
		Change in Values			(506,260)	-
					<u>3,563,040</u>	<u>3,563,040</u>

2015 TAUHARA MOANA TRUST AGM MINUTES

Tauhara Moana Trust AGM held 23 April 2015 at Suncourt Hotel, Taupō .

Present:	Toby Rameka (Chairman), Trustees; John Tahau, Metiria Rameka, Hinemoa Henderson, Danny Loughlin, Topia Rameka
Farm Consultant:	Mark Johnston
Secretaries:	He Akina: Vernon Rameka (General Manager), Miria Stephens, Linette Leach
In Attendance:	Refer to Attendance Register
Apologies:	Refer to Apologies Register
Mihi:	Topia Rameka
Karakia:	Topia Rameka
Dinner:	5.34pm

1.0 MEETING ADMINISTRATION

1.1 The Meeting Opened at 6.13pm

The Board of Trustees introduced themselves to the floor.

The He Akina staff, Stephen Maniapoto (Audio, Visual), Mark Johnston (Farm Advisor) were also introduced to the owners.

Trustees welcomed those in attendance.

1.2 Apologies

Apologies were recorded, as per the Apologies Register, 23 April 2015.

Clinton Hemana, Director of Tauhara Farms Limited's apology is registered verbally.

Resolved

That the apologies be accepted.

Moved: John Tahau Second: Hinemoa Henderson CARRIED UNANIMOUSLY

1.3 Minutes of Meeting

Resolved

That the minutes of the meeting held on the 1st February 2014 be accepted as a true and accurate record of that meeting.

Moved: John Tahau Second: Metiria Rameka CARRIED UNANIMOUSLY

1.4 Matters Arising

- It is noted that the remuneration of Trustee fees on page 47 state 'Annual Trustee fees'.
- The Trust applied to the Māori Land Court to amend the Trustee fees to \$9,000 per Trustee and \$10,000 for the Chairman. The rates are half of the amounts approved at the last AGM.

2.0 CHAIRMAN'S REPORT

2.1 Chairman's Report

The Chairman Toby Rameka verbally presents his report to the owners as published in the AGM booklet.

Resolved

That the Chairman's Report be accepted.

Moved: Toby Rameka Second: Matiu Northcroft CARRIED

3.0 OPERATIONS REPORT

3.1 Farm Report and Farm Developments

Mark Johnson (Farm Advisor) presents a PowerPoint presentation.

- Updates are presented to the owners on the recent farm developments.
- 155 hectares of Lucerne took two years to establish due to the drought, this resulted in only two cuts of lucern last year, as opposed to four cuts this year.
- The TFLP structure and map of the whenua is presented to the owners.
- An update was given on the number of farm employees and contractors.
- The milk solids production target for the year is 850,000 kgms.
- The farm is paid for the volume of milk solids produced, milk solids are the fat and protein content of the milk.
- The farm is running at a \$5.80 break even milk price.
- Tauhara Farms Limited Partnership undertaking a drilling project to source additional water supply for irrigation. The goal is to establish a bore to supply 5 million litres per day, which will improve the quality of the surrounding pastures by approximately 50%. \$100k has been budgeted for the project to cover resource consent, drilling equipment, and pump expenses.
- Moana Farm 602 covers 402 hectares, and has a 60 bale rotary shed. An operation description is given on the rotary process, the snap chiller, the milk tanks and automatic wash down with recycled water.
- The Trust has built two new houses and have upgraded the existing houses.
- The new calf shed can hold up to 300 calves.

- Stock are fed on the feed pad before milking. The feed pad features spring loaded gates.
- Solids are removed from the effluent storage pond liquids are filtered into a 90,000 litre collection pad, this is then filtered and recycled to clean the yard and nutrients are distributed back on the paddocks.
- The farm is a DairyNZ monitor farm for the Central North Island, sharing information with other farms and service providers. The farm often has visitors coming in to look at the initiatives and the environmental strategies that have been implemented.
- The farm production is going really well but the low milk price is hurting the financial performance.

Resolved

That the Operations Reports be received.

Moved: Matiu Northcroft Second: Tom Northcroft CARRIED UNANIMOUSLY

3.2 Miraka Report

- Miraka were able to show a profit and pay their first dividends to the share holders this year.
- The Trust has developed a great relationship with Miraka and have maintained high milk production standards.
- Miraka has secured 43 new suppliers and have had very few issues in the daily collection of the product.

3.3 Ownership and Distributions

Kaumatua Grants were established in 2010, since that time the following grants have been distributed to kaumatua:

- 2010-2011: 147 grants paid @ \$300
- 2011-2012: 198 grants paid @ \$300
- 2012-2013: 197 grants paid @ \$300
- Current value of the grant is \$300.00
- Total of 1913 registered owners
- Distributions are made in November

4.0 FINANCIAL REPORTS

4.1 Financial Statements for the Year Ended 31st May 2014

Danny Loughlin presented and spoke to the financial reports for the years ended 31st May 2014.

The main points highlighted were:

- The Trust received an unqualified report from the auditor Dickson Chartered Accounts.
- A graph was presented displaying the financial performance of the trust over the last four years. 2013 returned the worst result mostly due to the severe drought that summer.
- The Trust produced a net operating surplus of \$898k, which was a big improvement on last year's \$1.17 million deficit.

- The surplus from farming operations was \$2.03 million, surpluses from other activities include a Contact Energy joint venture relationship.
- The Trust sold the Parariki land block for \$2.74 million, proceeds were used to reduce the debt levels.
- The Trust's fixed assets include:
 - \$14.6m Land, two dairy sheds, houses, vehicles and equipment
 - \$3.7m Livestock
 - \$2.7m Investments, Miraka

Resolved

That the Audited Financial Reports for the year ending 31 May 2014 be received.
 Moved: Nganehu Whatu CARRIED UNANIMOUSLY

Resolved

That Dixon & Co. Chartered Accountants be appointed as auditor for the Tauhara Moana Trust for 2015.
 Moved: John Tahau Second: Rangimaria Ngamotu CARRIED UNANIMOUSLY

4.2 Tauhara Moana Trust Strategic Plan

(As presented in the booklet)

- The Strategic Plan timeframe covers 2014 to 2019.
- The mission and values presented were derived from discussions with the owners in 2011.
- Well over half of the strategic goals have been achieved, and several are currently in progress.

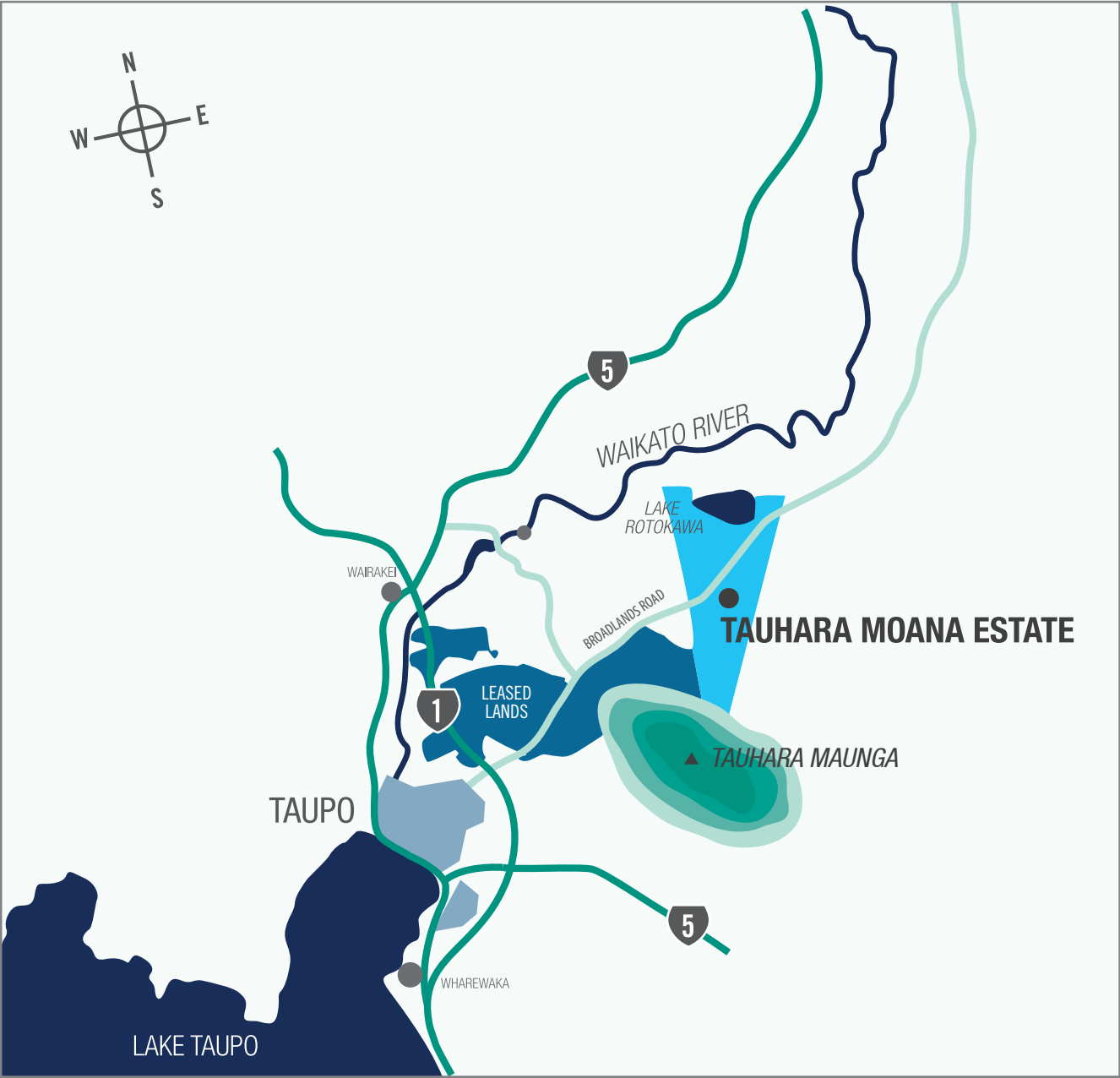
5.0 GENERAL BUSINESS

- The Trust is seeking expressions of interest in an Associate Trustee role. Experience and or knowledge of the agricultural and financial sectors is preferred.
- Acknowledgement was made to Marie Ngamotu, Trustee on Tauhara North No2 Trust for her support to the Trust.
- Next AGM is to be held closer to summer and be on the farm.
- Any owners that want to visit the farm may contact Topia Rameka or Mark Johnston to arrange a visit.

6.0 WHAKAMUTUNGA

Meeting closed by Toby Rameka at 7.19pm.
 Karakia: Topia Rameka

APPENDIX THREE: TAUHARA MOANA TRUST LOCATION MAP



Saturday 19th March, 2016

10.00am

Nukuhau Marae,
Pitiroi Street, Taupō