

# 2016 Annual General Meeting

TAUHARA MOANA TRUST



# Meeting & Agenda

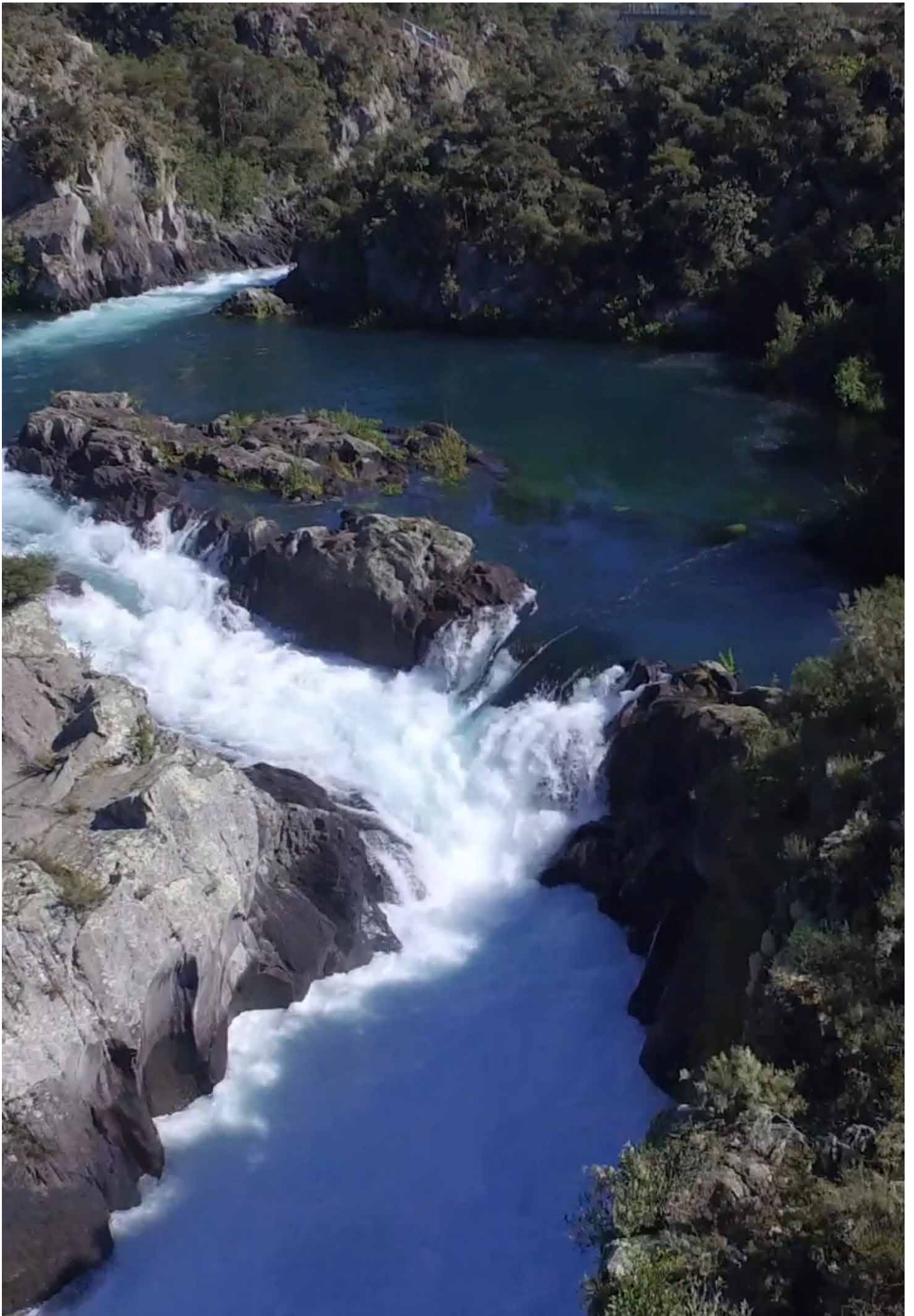
31 May 2017

Suncourt Hotel & Conference Centre, Taupō.

5.00pm Registrations / Dinner

6.00pm Meeting Commencement

- Receive Apologies
- Confirm Previous Minutes
- Chairman's Report
- Operations Report
- Financial Report
- Appointment of Associate Trustees as Full Responsible Trustees



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# Tauhara Moana Trustees



Metiria Rameka



Topia Rameka



Danny Loughlin



Hinemoa Henderson



Toby Rameka



John Tahau



# 2016 AGM Minutes

19 MARCH 2016 - NUKUHAU MARAE, TAUPŌ

## **Present:**

Trustees - Toby Rameka (Chairman), Metiria Rameka, Hinemoa Henderson, Danny Loughlin, Topia Rameka  
Advisory Trustees - Skay Rangī, Heemi Biddle  
Farm Advisors - Mark Johnston, Clinton Hemana  
He Akina - Vernon Rameka (General Manager), Miria Stephens (Minute Taker), Roka-Maye Hemara (Registration)

## **In Attendance:**

Refer to Attendance Register

## **Apologies:**

Refer to Apologies Register

## **Mihi:**

Topia Rameka

## **Karakia:**

Sonny Tupara

## 1.0 MEETING ADMINISTRATION

### 1.1 The meeting opened at 10.05am

- The Board of Trustees are introduced to the floor.
- Acknowledged the resignation of John Tahau. Skay Rangī and Heemi Biddle introduced as the Associate Trustees.
- He Akina staff (secretary and registration services), Stephen Maniapoto (audio and visual services), Mark Johnston (Farm Advisor), Clinton Hemana (Farm Supervisor) introduced to the owners.
- Trustees welcomed all those in attendance.

### 1.2 Apologies

Apologies noted as received as per Owner Register.





#### RESOLVED

That the apologies be accepted.

Moved: Matiu Heperi Northcroft  
Second: Raureti Wall  
CARRIED UNANIMOUSLY

### 1.3 AGM Minutes of Meeting

#### RESOLVED

That the minutes of the previous meeting of 24th April 2015 be accepted as a true and accurate record of that meeting.

Moved: Matiu Heperi Northcroft  
Second: Nganehu Whatu  
CARRIED UNANIMOUSLY

### 1.4 Matters Arising

- Aroha Henry requests that the minutes be distributed prior to the AGM, it is noted due to costs of sending the minutes to 2000 owners would be a significant cost to the Trust.
- Name correction from Rangimaria Ngamotu to Rangimarie Ngamotu.

### 2.0 CHAIRMAN'S REPORT

Presented by Toby Rameka.

Key activities include:

- Implementation of 5 Year Strategic Plan.
- Payment of kaumātua grants (totalling \$75,159).
- Further investment in health & safety on the farm.

- Renovation of the fire station building into a house.
- Rollover of lease with Tauhara No2 Trust.
- Review of Trustee fees with Māori Land Court.

#### RESOLVED

That the Chairman's Report be received.

Moved: Matiu Heperi Northcroft  
Second: Aroha Henry  
CARRIED

### 3.0 FINANCIAL REPORT

#### 3.1 Financial Statements for the Year Ended 31st May 2015

Danny Loughlin presented the Financial Reports for the year ended 31st May 2015.

The main points highlighted were:

- The Trust reported a \$1.8m total loss; made up of \$1.3m due to drop in the value of the stock, and \$506k due to a drop in the value of shares.
- \$228k deficit in farming operations with \$1305k admin deficit.
- The Trust assets sit at \$22.4m with loans of \$10.4m.
- It was noted that the Trust received an extra 10c premium on the Fonterra milk price by supplying to Miraka.
- The Trust has invested \$1.5m in A and B Miraka shares. Since the purchase, the value of these shares has increased in value to \$3.5m.
- The Trust is looking at selling down a portion of their Miraka shares to put towards debt, and are currently working with the Miraka Board to complete this.
- Trust assets:
 

\$12806m	Land, two dairy shed and all the houses
\$3563m	Livestock on farms
\$3549m	Investments

#### RESOLVED

That the Audited Financial Reports for the year ending 31 May 2015 be received.

Moved: Raureti Wall  
Second: Lydia Cooper Flintoff  
CARRIED UNANIMOUSLY

#### RESOLVED

That Dixon and Co Chartered Accountants be appointed as Auditor for Tauhara Moana Trust.

Moved: Judy Harris  
Second: Kata Rangataua - Rameka  
CARRIED UNANIMOUSLY

### 4.0 OPERATIONS REPORT

#### 4.1 Farm Report and Farm Developments

Powerpoint presentation and Farm Report presented by Mark Johnson (Farm Advisor) and Clinton Hemana (Farm Supervisor).

Recent farm developments / updates:

- Clinton Hemana gave an overview of the structure of Tauhara Farms Limited Partnership (noting that Clinton Hemana and Danny Loughlin were the Directors).
- Milk production in 2014- 2015 achieved a record of 839,649kg/ms. This year's target is 810,000kg/ms.
- Plans are in place to minimise risks and debt. The farms have made cuts to expenses where possible.
- Debt reduction should take priority to owner distributions and therefore, it is the Trustees recommendation to sell \$3m in Miraka shares to reduce Trust debt.
- \$10k had been allocated to Kaumātua Grants, however, a review of the Kaumātua Grants will be looked at closer to November.
- \$150k had been spent on drilling for water for irrigation purposes.
- Total land area of 1,813 hectares is made up of corpus land, Tauhara North No.2 leased land and Tauhara blocks.
- The Trust and Contact Energy signed an agreement to establish a minimum of two geothermal wells on the Tauhara Moana Corpus land. Construction has been delayed, and as a result compensation payments to the Trust of \$100k per year are being made.
- The Trustees were asked whether they had considered sheep farming. It was noted that funds have been invested into dairy operations and the transition to sheep farming would be a costly exercise.

## RESOLVED

That the Operations reports be received.

Moved: Hoani Simon

Second: Matiu Heperi Northcroft

CARRIED UNANIMOUSLY

### 4.2 Ownership and Distributions

Since the establishment of Kaumātua Grants in 2010, the following has been distributed to kaumātua:

- 2012-2013: 197 grants paid totalling \$59,100.
- 2013-2014: 217 grants paid totalling \$66,100.
- 2014-2015: 247 grants paid totalling \$74,159.
- Owners over the age of 65 years are eligible for a \$300 grant.
- Unclaimed distributions have been written off, with a value of \$34,398.
- 30 kaumātua meat packs were distributed in the Taupō /Turangi area.

### 5.0 GENERAL BUSINESS

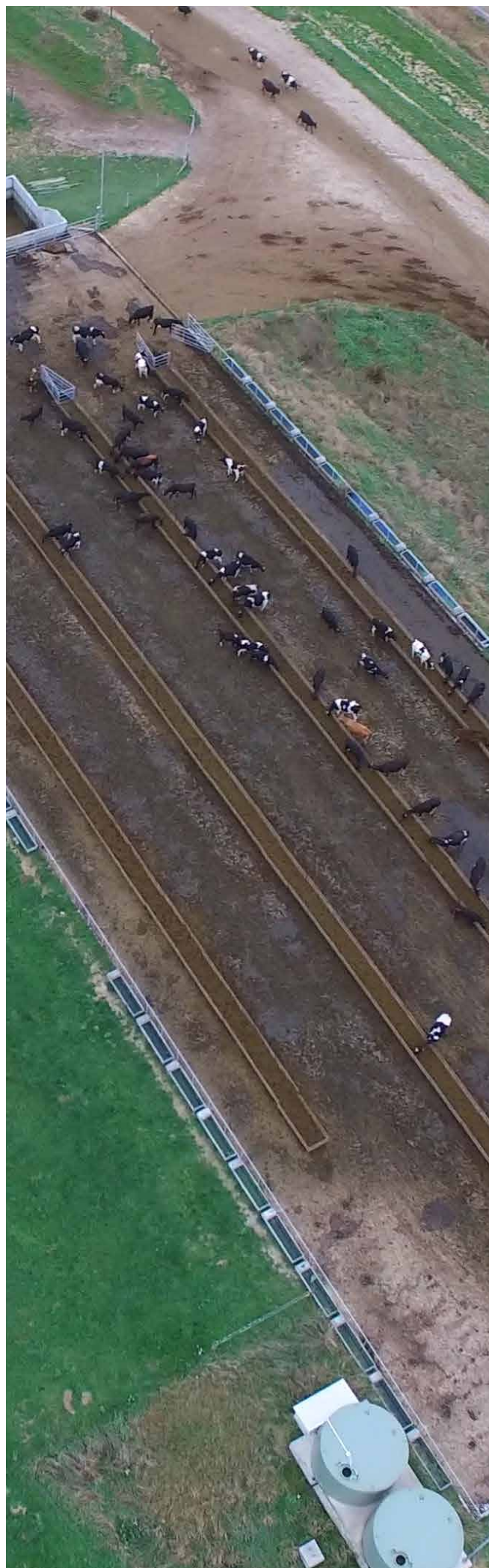
- A suggestion from the floor was for the Trust to consider growing kai. The Trustees acknowledged that they would consider any income generating activity.
- Toby Rameka notified the owners of his resignation as Chairman, however he will continue as a Trustee. Toby spoke of his time as Chairman recalling the following highlights:
  - The purchase of the Parariki block, which was sold to Tauhara North No2 at a profit.
  - Transition from sheep farming to dairy.
  - Establishment of forestry.
  - Building of farm houses and the second dairy shed.
- Topia Rameka will take over the role of Chairperson and Hinemoa Henderson as the Deputy Chairperson.
- Acknowledgement is given to John Tahau whom had resigned due to health issues.
- Skay Rangi and Heemi Biddle have joined the governance team as Associate Trustees.

### 5.0 WHAKAMUTUNGA

Meeting closed by Topia Rameka at 11.40am.

Karakia:

Sonny Tupara





# Chairman's Report

Tēnā koutou katoa kua huihui mai nei i runga i te kaupapa o te ra.

Ngā mate o tēnā o tēnā a o tatou marae, haere, haere, haere atu ra. ki a tatou te hunga ora, mauriora ki a tatou katoa.

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

## 2015 – 2016 OVERVIEW

The Tauhara Moana Trust has been very busy focusing on business growth and managing business change.

Over the last two seasons we have experienced the lowest milk prices in over a decade and whilst the business returned another record production of over 812,000 kg milk solids, the milk price has created a very difficult environment.

Key activities during the year included:

- Implementation of 5 Year Strategic Plan (plan to be reviewed).
- Payment of Kaumātua Grants \$86,484.
- Drilling for irrigation water. This investment had to subsequently be written off.
- Further investment in Health & Safety on the Farm.
- Final touches in renovation of Fire Station building into a house.
- Installation of alarm systems in all houses and security cameras in sheds.
- Completion of Tauhara Moana Monitor Farm project.
- Rollover of lease with Tauhara No 2 Trust.
- Final Dividend from A-class shares in Miraka Limited.
- Sale of A-class 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 \$1.70 million deficit in 2016, a slight increase on the previous year but a disappointing result none the less. 2016 is the second season in a row 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.

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.

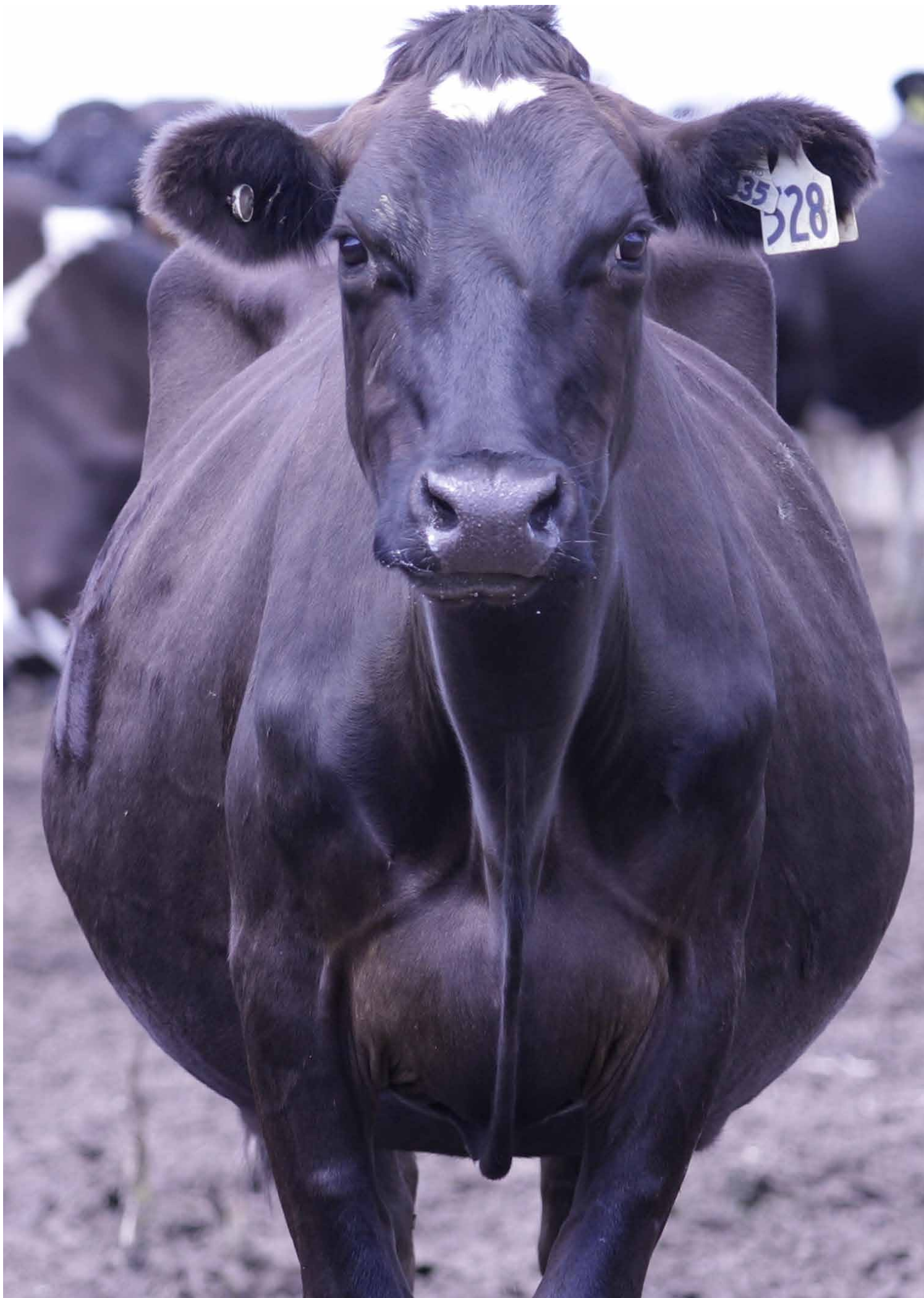
Finally, I acknowledge our farm and He Akina staff also, who are key contributors to our overall success.

#### CONCLUSION

While the previous two years have been challenging, and have tested the mettle of our Committee of Management, 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  
Chairman





# Farming Report

Tena koutou katoa,

I have chaired the Tauhara Farms Limited Partnership (TFLP) since 2012.

Danny Loughlin and I make up your Board of Directors with Mark Johnston of Agribusiness Solutions Ltd supporting us as our Farm Supervisor.

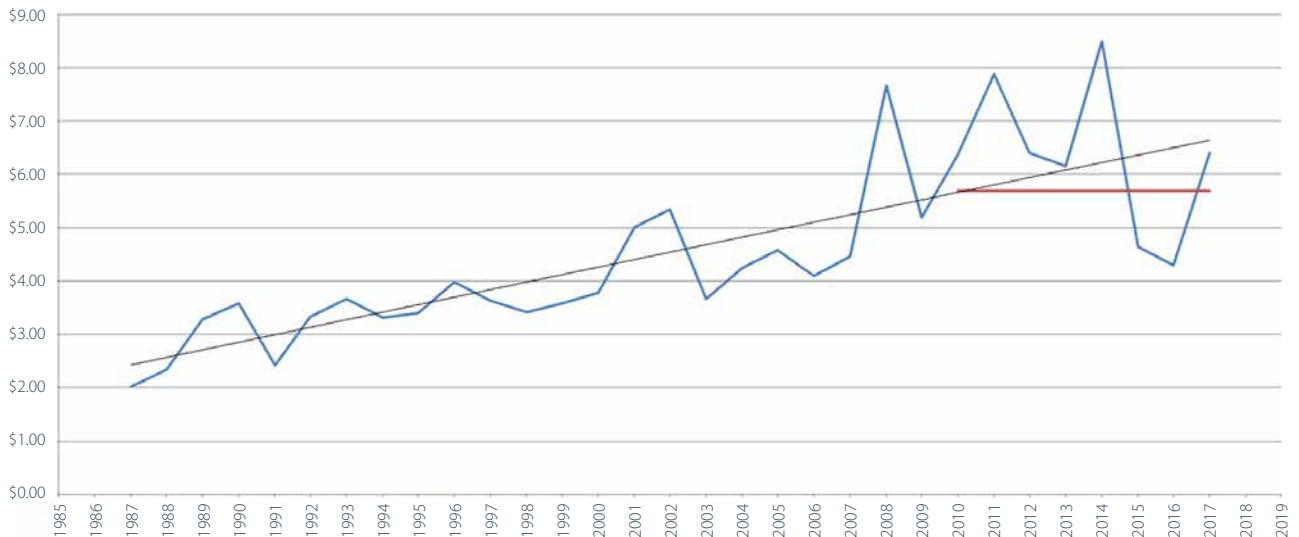
We are pleased to present our report on the performance of the Partnership for your Annual General Meeting for the 2016 financial year.

The Tauhara Moana Trust re-entered the dairy industry in 2010 with a positive attitude. The pace of development and investment that the Trust adopted was at a rate designed to minimise risks and maximise returns.

Since 2010 the Trust has moved from being a lessor of land to being owner operators of a 2,200 cow herd milked through two independent dairy units (365ha and 409ha respectively); with 440 replacement heifers and 120 trade animals spread over 1,000 ha support land.

TFLP was developed based on a milk price of \$6.00/kgMS. However, the 2015 and 2016 years have been significantly below the cost of production for TFLP (TFLP COP) \$5.69/kgMS and the start of the 2017 season saw milk price forecast estimates of \$4.25/kgMS – so the business was remodelled.

## DAIRY PAYOUT TREND



Fundamentally, TFLP are still the same however, this year Tauhara Moana has realised a capital gain of over \$1m and paid down over \$3m capital debt to help reduce operational costs and milk price risk for the business. TFLP have reduced cow numbers

by 200 to reduce supplement requirements and we have opened a milk price futures trading account in order to lock in milk price positions to further minimise milk price risk in the future and we are now targeting 1,000kgMS/ha.

## DAIRY FARMING PHILOSOPHY

The Trust has a strong vision in the dairy sector and that vision is still being followed. The concept of "E tipu, e rea – whakapaipai tonu" invokes the ethos of constant continual improvement; it is the Partnership's goal to achieve this in every facet and at every level of operational performance. The Partnership's farming philosophy is to maximise

pasture harvested per hectare to maximise profit which requires a higher input system.

All this has to be achieved within the context of an efficient N leaching framework and volatile globally dairy prices. TFLP view milk price futures trading as a potential benefit for the owners.

## THE FARM BUSINESS

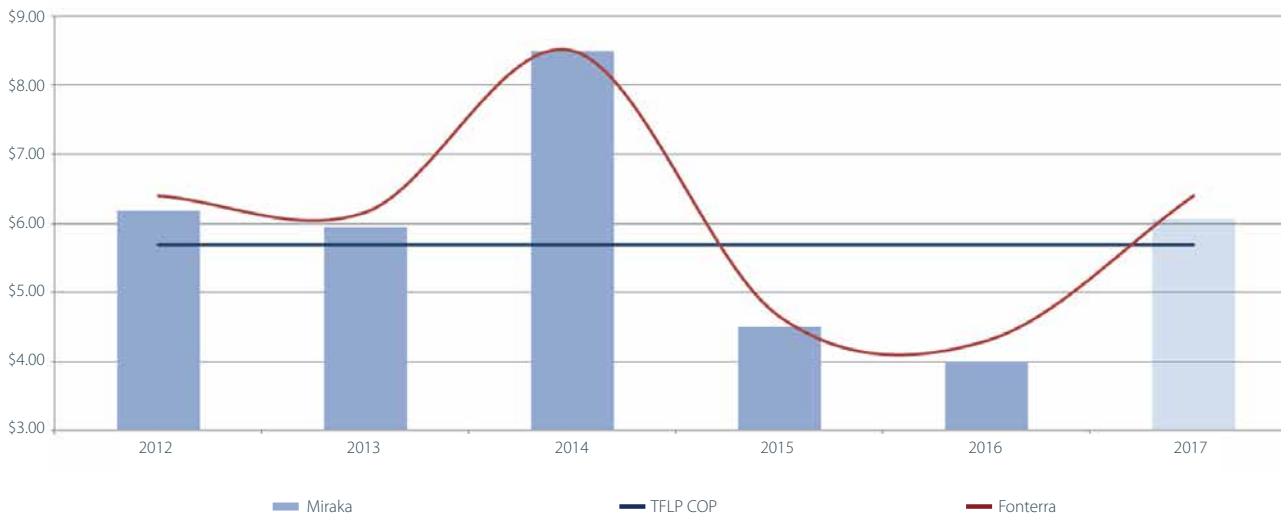
Block	Area	Area (ha) last season
Corpus dairy land	690	690
Tauhara No 2 Lease land	123	123
Lease blocks (drystock)	1,000	1,000
<b>Total area</b>	<b>1,813</b>	<b>1,813</b>

### 3 – 5 year goals

1. High per hectare production (>1,000kgMS/ha @ 13kgDM/kgMS)
2. Low per milk solid costs (<\$4.50/kgMS EBITDAR)
3. High per hectare trading surplus (EBITDAR >\$2,500/ha)
4. Efficient nitrogen leaching (33kgN/ha)



## COMPARATIVE MILK PRICE TRENDS

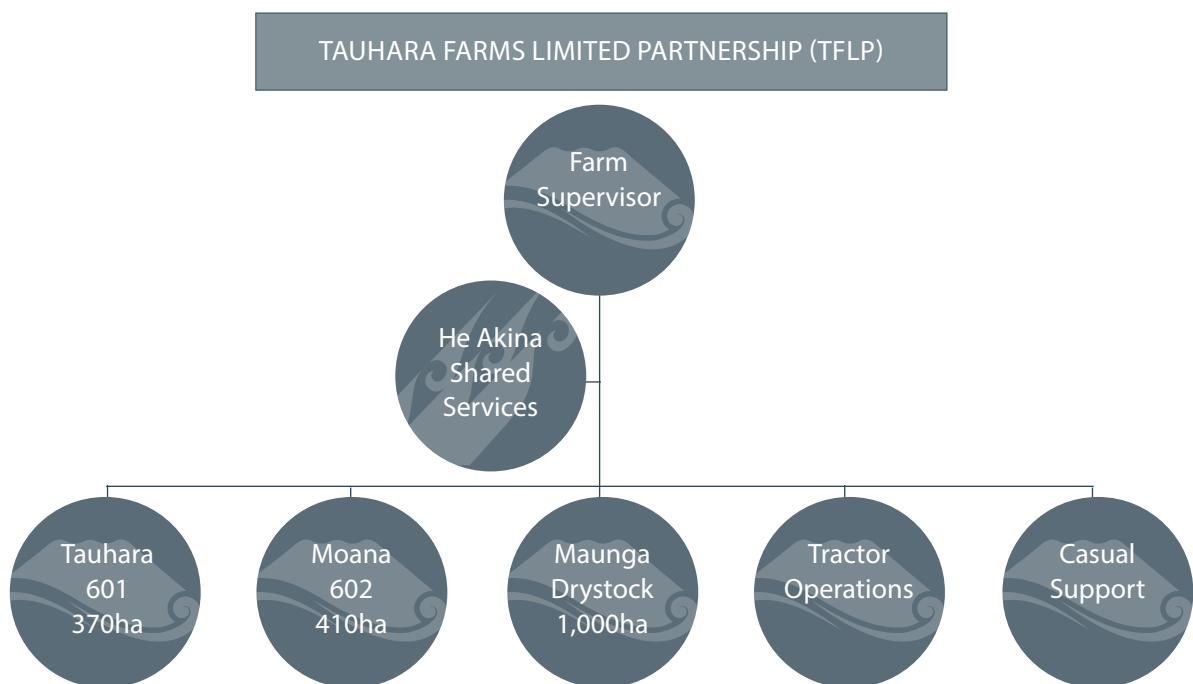


## TAUHARA FARMS LIMITED PARTNERSHIP (TFLP) - ORGANISATIONAL STRUCTURE

TFLP has a Board of Directors that appoints a Farm Supervisor to manage the operations of the three farming units Tauhara 601; Moana 602; and, Maunga drystock; and we manage the tractor operations for all farms and other support 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. In all, TFLP

employs a peak 20 people as well as using many local businesses and services. 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 and performance.

## ORGANISATIONAL CHART



## 2015/2016 SEASON PERFORMANCE

Total production was just ahead of budget at 812,315kgMS and financial performance was just ahead of benchmark averages.

However, for the second year in a row milk price has been well below our cost of production - \$3.95/kgMS achieved versus our costs of \$5.69/kgMS and this has been difficult. TFLP combated this by

generating an extra \$370,000 in net livestock income with total income up \$410,000 over last year even with a lower milk price.

We also reduced total costs by over \$380,000 even with higher interest and lease costs. These actions saved a much greater lose however, this year we report a financial loss of \$1.49m.

## PRODUCTION DATA

Production	2010/11	2011/2012	2012/2013	2013/2014	2014/2015	2015/2016	2015/2016 target
<b>Milksolids</b>	392,307	515,423	526,385	731,859	839,646	812,315	810,000
<b>Per cow</b>	245	303	329	347	379	369	351
<b>Per eff. ha</b>	569	747	763	946	1085	1051	1,047
<b>Cows peak milked</b>	1,600	1,700	1,600	2,112	2,214	2,050	2,110

TFLP are very proud to report that we able to deliver strong performances as kaitiaki - your farms use less water than is allowed and much less than the average dairy farm. In addition, the two dairy units are within the bottom 25 percent of all Miraka Supplier Farms Sustainable Milk Plans for nitrogen discharge. Out of 60,000 supplier cows this is very good.

Finally, for effluent management, TFLP has received a commendation from the Waikato Regional Council as being the exemplar farm for the Upper Waikato catchment with regard to effluent storage, solids separation and effluent management systems.

TFLP farms have been used for field days and

examples by Waikato Regional Council and Miraka.

None of this would be possible without the support of the owners and Trustees - ka pai to mahi e ngā rangatira!

Your investment and TFLP's performance bode well for the plan changes that are coming for the Upper Waikato river - dairy farms on pumice soils like yours will be most heavily affected by the nitrogen discharge rules that will eventually be used to manage water quality in the Waikato.

There is a lot of water to go under the bridge with this rules regime and TFLP and the Trust are heavily engaged in ensuring your opportunities and investments to date are not taken for granted.

## KEY PERFORMANCE INDICATORS

Farm KPI's	KgMS/ha	KgMS/cow	OpEx/kgMS	Op profit/ha	Cows/FTE
<b>Central North Island 2016</b>	1057	362	5.98	-1964	141
<b>TFLP budget 2016</b>	1050	360	6.21	-1972	141
<b>TFLP actual 2016</b>	1090	369	5.31	-1928	125

TFLP are also very proud to announce that your farms have placed 3rd and 4th out of 106 farms in the Te Ara Miraka assessment for the 2017 season. Te Ara Miraka is the Miraka Ltd supplier compliance and bonus system for farming excellence which includes five pou as key performance areas - Ngā Tangata, Te Taiao, Ngā Kau, Miraka, and Taurikura. TFLP have scored over 80% this season.

Health and safety is another very important issue on farm and this year we have had very few lost time accidents and no serious accidents or issues to report. This is an ongoing area of vigilance, monitoring and improvement; as is the quality of our staff on farm. This is a key area of focus for our Farm Managers and Supervisor.

## 2016/2017 SEASON TO DATE PERFORMANCE

The recurring theme for TFLP seems to be tough starts - the 2016 spring was one of the worst on record nationally and locally.

Cows suffered during calving and early spring with winter weather and with low payouts last season and a \$4.25/kgMS forecast for the 2016 season TFLP had pulled palm kernel feed support - so the cows did it tough. Late spring mating and early summer were not much better for us or the rest of the country - Fonterra was reportedly 10 percent behind average production at that time and Miraka around 7 percent behind. However, Santa Claus arrived and in the New Year we had a new milk price of \$6.00/kgMS and by late February the drought was broken.

Looking forward the rain has put a little pressure on the milk price however, to date Fonterra have confirmed their milk price forecast at \$6.00/kgMS and Miraka have confirmed \$5.90 plus Te Ara Miraka bonus - which in the case of TFLP is around 17c per milksolid.

TFLP are forecasting production of 700,000kgMS this season which due to the poor spring is 10 percent behind our original budget. Of course this milk is worth much more than budget now with a milk price over 40 percent higher than expected. However, a further hangover from the poor spring is a poor mating performance this season where we have a 17 percent total empty rate including 45 heifer replacements that managed to be incalf too early - so at this point it is difficult to confirm our expected profit for 2017.

Sufficed to say TFLP are working hard to ensure the best possible response to all these issues and we are sure of a much improved performance over this year.

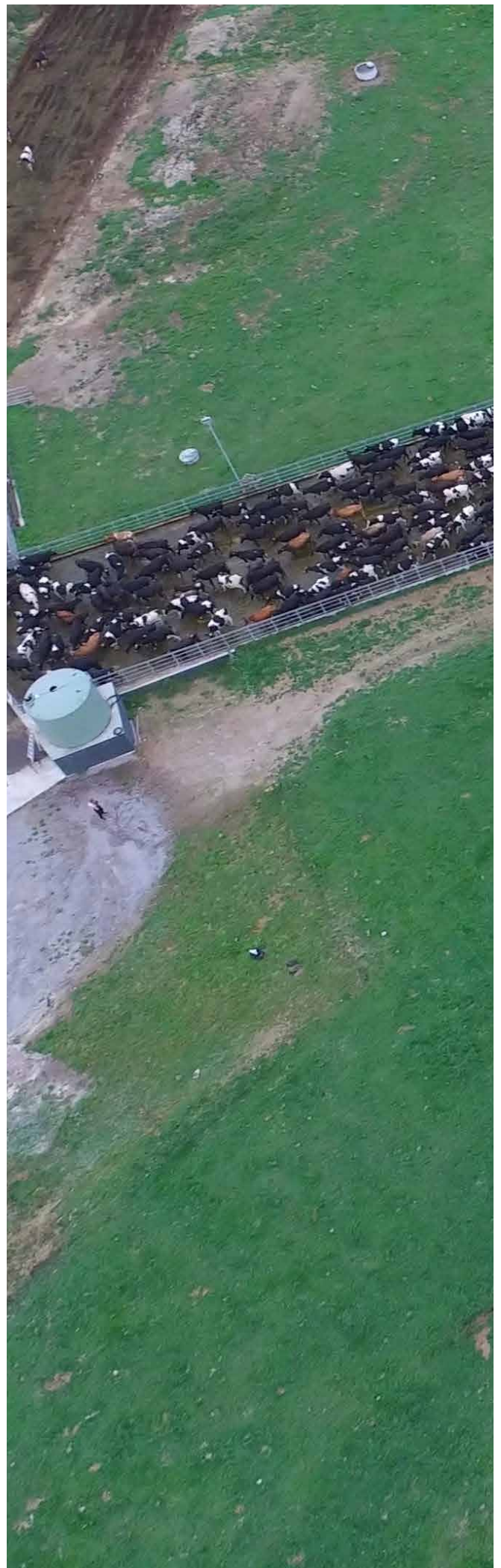
I am very proud of the TFLP team, we have a new young Māori couple managing together on Tauhara 601 - Lawrence and Ema Walden, and Gary Nant and his whānau are still working hard on 602 Moana as is Andrew Gibbert our Manager on the Maunga drystock block.

I would like to thank the Trustees, my fellow Director, Mark Johnston and all the owners for your continued support. As always our goal is constant and continual improvement and we will continue to strive to deliver for you.

Ngā mihinui kia koutou,



Clinton Hemana  
Chairman, Tauhara Farms Ltd





## Miraka YEAR IN REVIEW 2016

Our fifth operational year has proven to be our most challenging since we commenced operations in August 2011. However, we have maintained a competitive milk price for our suppliers.

On a positive note the areas of the business where we have had total control over have been managed well. We have achieved a USD\$175 per metric tonne premium above the Global Dairy Trade auction for our Whole Milk Powder sales, while maintaining our cost structure in line with previous years. Furthermore, UHT production has increased by 14 million litres over the last year.

During the 2016 financial year we have processed 251 million litres of milk into 31,912 metric tonne of powder and 21 million litres of UHT milk.

We have indicated in the past that we expect that every four out of five years Whole Milk Powder will provide the best returns of the commodity products. Unfortunately, this was the case last season being the one year when

Whole Milk Powder did not deliver us an advantage.

It has been our goal to innovate, optimise, enhance and develop new products to take to market. One of the highlights in January was the Shareholder Brand Launch of Whai Ora and Taupō Pure.



Shareholders had the opportunity to taste test the three Whai Ora smoothies - Berry Boost, Go Green and Solar Shake as well a mix of Taupō Pure with honey. Over the next few months we will be attending festivals and serving smoothies from our Whai Ora Waka.

### MILK SUPPLY

The 2015/2016 season was another incredibly tough year for our suppliers as the pay-out



has been below their operating costs. The majority have showed their resilience and reduced their cost structure which will put them in a stronger position in the coming years.

A key strategic project was implemented during the year with the introduction of Te Ara Miraka.

Our Farming Excellence Programme is designed to make our farmers world class in everything they do. Te Ara Miraka will also support our value growth strategy as we launch our consumer products.

#### OPERATIONS AND SUPPLY CHAIN

There have been two key projects delivered over the last 12 months. We have been able to increase the capacity in the dryer which allows us to process more milk through the season.

We have also invested in an Ultra Filtration plant which will provide the ability to standardise protein for the UHT plant. We are

then able to run high protein milk at any time through the year which is what our customers require for the premium China market.

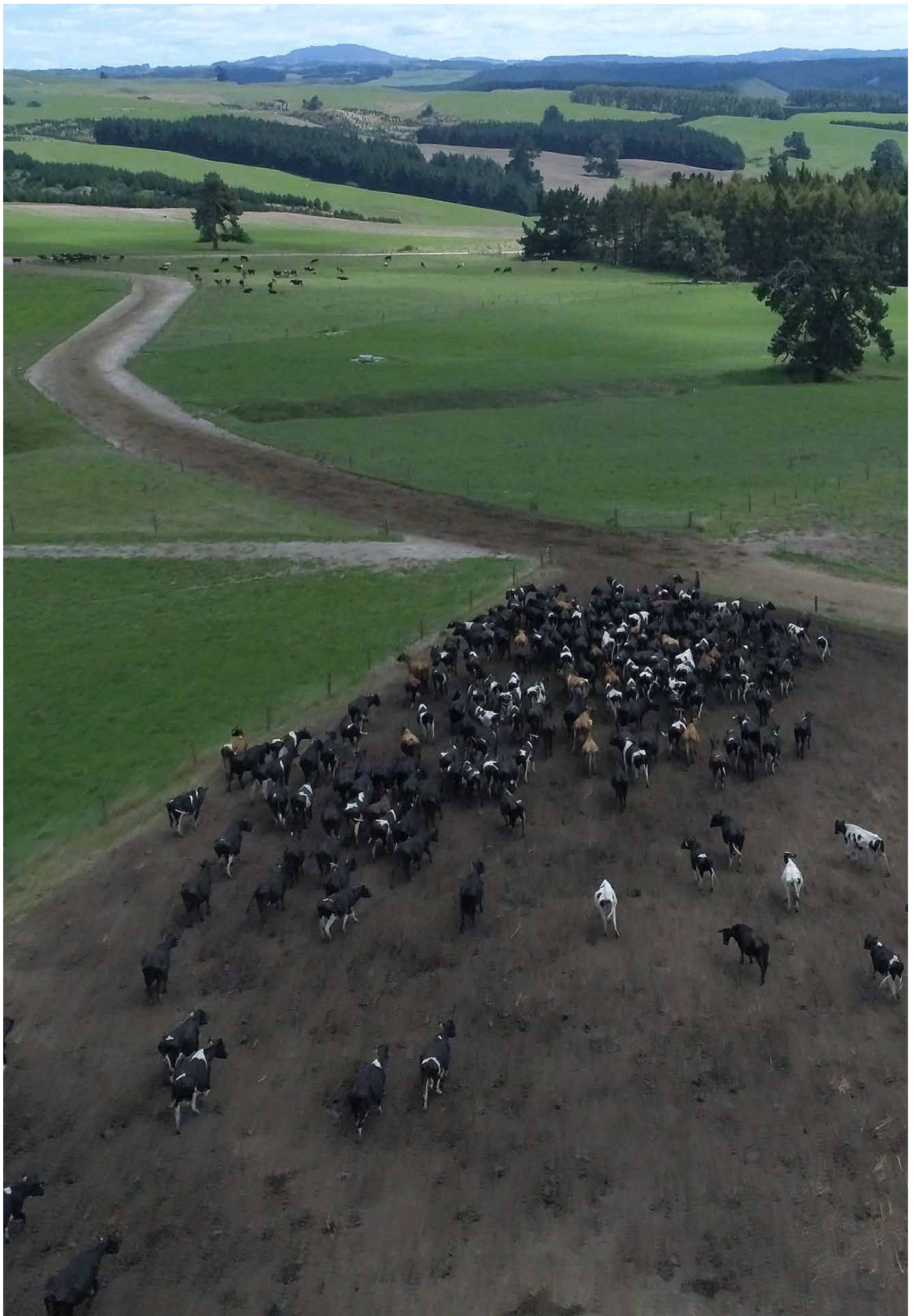
#### PEOPLE

While last year we were able to celebrate a win in the He Kai Kei Aku Ringa Awards, this year the highlight for the team was doing the haka on live television to acknowledge our win in the inaugural Matariki Awards for Business and Innovation. The 30 staff that attended the night out celebrated in style for the entire Miraka whānau.

#### OUTLOOK

With recent increases in commodity prices and the improvement in Whole Milk Powder relative to other commodities the future is looking more positive.

Furthermore with the milk price surpassing \$5 for the first time in two seasons it will allow our suppliers a reprieve from the financial pressure they have been under in recent times.



# Ownership & Distribution

AS AT 31 MAY 2016

Total Number of Shares	65.25
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## OWNER STATISTICS

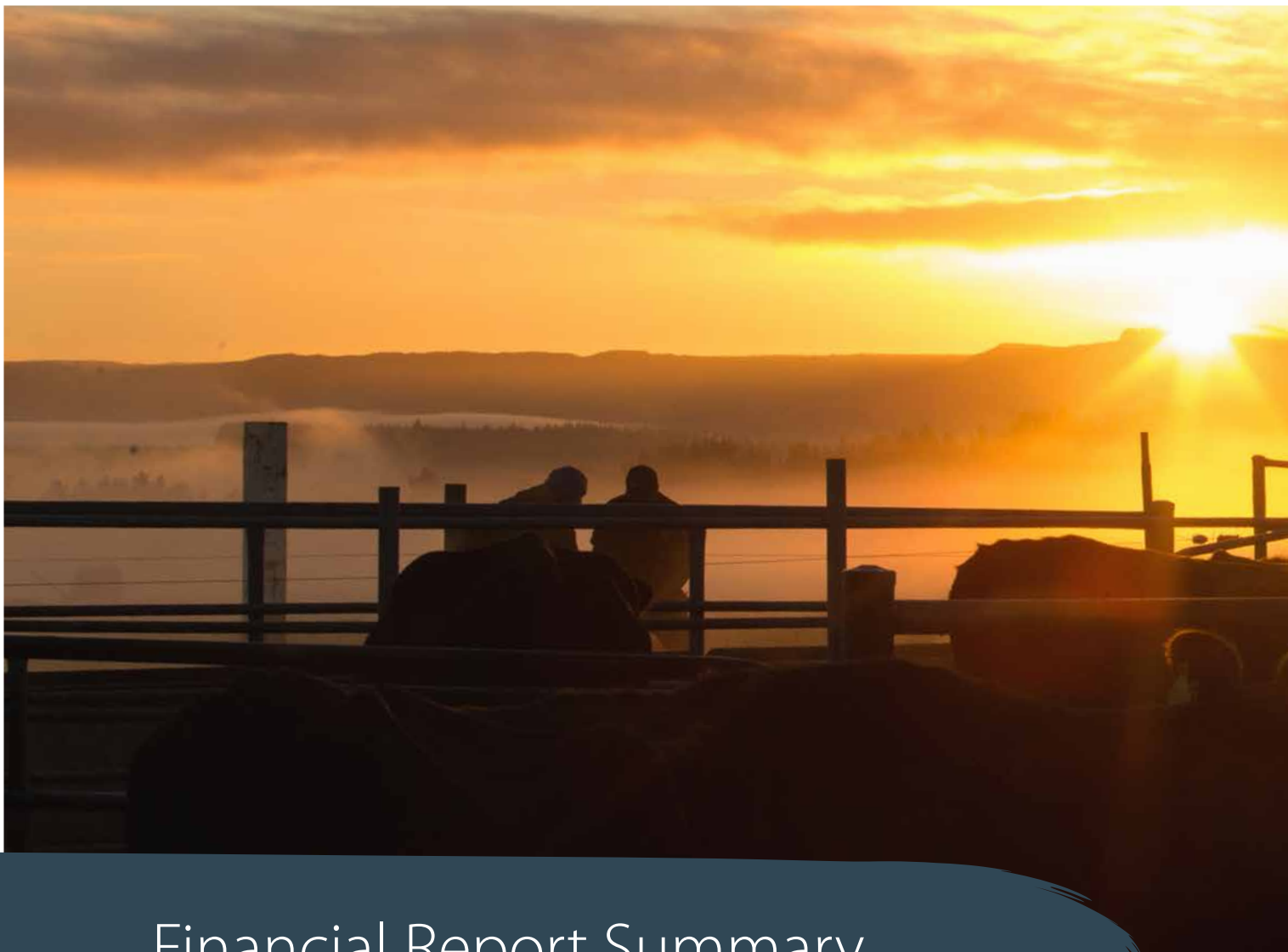
	2015 - 2016	2014 - 2015	2013 - 2014	2012 - 2013
Total Number of Owners	2053	2017	1913	1849
Owners with Known Address	1173	1133	981	900
Owners with Address Unknown	880	884	932	949

## KAUMĀTUA GRANTS

2013-2014	217	@\$300.00	\$65,100.00
2014-2015	242	@\$300.00	\$72,600.00
2015-2016	287	@\$300.00	\$86,100.00
Totals to Date	746		\$223,800.00

## KAUMĀTUA MEAT PACKS

Delivery Dates	Total	Taupō	Turangi
July 2015	15	11	4
November 2015	26	13	13
Totals Received and Distributed	41	24	17



## Financial Report Summary

- Third year with two dairy units
- Group Revenue for the year ended 31st May 2016 was \$4.0 million
- Net Deficit for the year of \$1.7 million
- Kaumātua grants and koha paid \$86,484
- Decrease in average price per kg of milk sales of \$0.52
- The overall result was a decrease in equity of \$1.79 million for the year

### REVENUE

Group Income was down 10% in 2016 to \$4.04 million (2015: \$4.50 million). Milk revenue reduced by \$537,000 on the previous year. The size of the herd was reduced by 200 cows to take some pressure off the requirement for supplements. Despite milk production reducing

by 27,335 kgs of milksolids from the previous year, the farms have remained slightly ahead of budgeted production. The decrease in revenue is largely due to the significant drop in the milk price, with an average price per kg of milk sales of \$3.94 compared to last year's figure of \$4.46.





#### EXPENDITURE

Expenditure was reduced in most areas to offset the drop in milk price.

Farm expenses decreased by \$506,000 on the previous year, with overall expenses reducing by \$267,000.

#### STATEMENT OF FINANCIAL PERFORMANCE

Tauhara Moana Group's net operating deficit for the year of \$1.70 million was a \$200,000 improvement on last year's \$1.86 million deficit.

The further drop in milk price and reduction of livestock is the cause of this decrease. In terms of performance, the farm reduced the number of cows by 200, reduced production by

approximately 27,000 kgs of milksolids and yet managed to tighten expenditure to achieve an improvement on last year's profit despite lower milk prices than the 2015 financial year.

#### STATEMENT OF FINANCIAL POSITION

Tauhara Moana Group had total assets of \$22.0 million at 31 May 2016, slightly down on last year (2015: \$22.4 million).

The group increased its borrowing by \$1.98 million to fund business operations. The result was bank debt of \$12.7 million at balance date.

Debt levels are sitting at 60% of total assets, an increase of 8% from last year.





# Financial Statements

FOR THE YEAR ENDED 31 MAY 2016

## TRUST DIRECTORY

NATURE OF BUSINESS	Dairy Farming
LOCATIONS	Farm: Broadlands Road, Taupō Business: 63-65 Waikato Street, Taupō
RESPONSIBLE TRUSTEES	Toby Rameka (Chairman) John Tahau Metiria Rameka Hinemoa Henderson David 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 2016

	Note	2016	Group 2015
<b>Revenue</b>			
Income from livestock	2	3,733,306	4,214,291
Other farm income	2	241,454	169,065
<b>Total Revenue</b>		<u>3,974,761</u>	<u>4,383,356</u>
Other income	2	71,071	122,062
Expenses	3	(5,591,886)	(5,858,475)
Livestock holding gains/(losses)	11	(158,546)	(506,260)
<b>Net operating profit/(loss) before tax</b>		<u>(1,704,600)</u>	<u>(1,859,317)</u>
Income tax expense	4	-	-
<b>Net profit/(loss)</b>		<u><b>\$(1,704,600)</b></u>	<u><b>\$(1,859,317)</b></u>

*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 2016

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	Notes	Group	
		2016	2015
<b>Equity At Beginning of Year</b>	<b>18</b>	<b>10,549,874</b>	<b>11,135,233</b>
Tax paid Surplus/(Deficit) for Year	18	(1,704,600)	(1,859,317)
Kaumatua Grants & Koha paid	18	(86,484)	(74,159)
Increases in Revaluation Reserves	18	-	1,348,117
<b>Equity at End of Year</b>	<b>18</b>	<b><u>8,758,789</u></b>	<b><u>10,549,874</u></b>

*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 FINANCIAL POSITION FOR THE YEAR ENDED 31 MAY 2016

	Note	Group	
		2016	2015
<b>Current Assets</b>			
Cash and short-term deposits	8	157,307	1,894
Trade and other receivables	9	155,081	492,534
Other current assets	10	742,705	347,795
Taxation Refund Due	4	13,239	13,239
<b>Total Current Assets</b>		<b>1,068,333</b>	<b>855,462</b>
<b>Non Current Assets</b>			
Property Plant and Equipment	5	1,617,812	1,651,312
Investment Property	6	12,585,079	12,753,754
<b>Other Non Current Assets</b>			
Investment in shares/ownership interests	7	3,551,194	3,549,172
Intangibles	16	5	5
Biological assets	11	3,158,700	3,563,040
TFLP - Capital Contribution		-	-
		<b>6,709,899</b>	<b>7,112,217</b>
<b>Total Assets</b>		<b>21,981,123</b>	<b>22,372,745</b>
<b>Current Liabilities</b>			
Trade and other payables	13	297,598	456,139
Other current liabilities	14	185,441	108,758
Current loans (includes bank overdrafts)	15	7,184,396	813,773
<b>Total Current Liabilities</b>		<b>7,667,435</b>	<b>1,378,670</b>
<b>Non Current Liabilities</b>			
Non-current Loans	15	5,554,899	10,444,198
<b>Total Liabilities</b>		<b>13,222,334</b>	<b>11,822,868</b>
<b>Net Assets</b>		<b>8,758,789</b>	<b>10,549,877</b>
<b>Equity</b>			
Owners Initial Capital		59,180	59,180
Compensation - Land Taken		47,208	47,208
Accumulated Losses	18	4,140,251	(2,833,661)
Reserves	18	4,512,151	13,277,151
<b>Total Equity</b>		<b>8,758,789</b>	<b>10,549,877</b>

For and on behalf of the Trust:



Trustee



Trustee

Date

20/01/2017

20/01/2017

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 2016

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## 1. STATEMENT OF ACCOUNTING POLICIES

### Reporting Entity

Tauhara Moana Trust is a Trust originally vested under section 438 of the Maori Affairs Act 1953, and continues under section 215 of Te Ture Whenua Maori Act 1993 as an Ahu Whenua Trust.

The Group includes Tauhara Dairy Limited, a company incorporated under the Companies Act 1993 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 the requirements of Te Ture Whenua Maori Act 1993 and "A Special Purpose Framework for use by For-Profit Entities (SRFR for FPEs) published by the New Zealand Institute of Chartered Accountants".

The Group has stepped up to New Zealand International Financial Reporting Standards (NZ IFRS) where applicable.

The financial statements have been specifically prepared for the purpose of meeting the Group's income tax requirements and to comply with obligations under the Group's loan agreements.

The financial statements of the Group have been prepared on a consolidated basis in accordance with NZ IFRS 10 *Consolidated Financial Statements*.

The special purpose financial report was authorised for issue in accordance with a resolution of Trustees dated 19/01/2017.

### General Accounting Policies

The Group transitioned on 1 June 2014 from preparation of general purpose financial information in accordance with New Zealand generally accepted accounting practice ("NZ GAAP") to special purpose financial reporting in accordance with SPFR for FPEs. The transition had the following impact on the accounting policies of the group:

The Group now recognises Investment Property separately from Property, Plant & Equipment. The revaluations of Investment Property previously recorded in Revaluation Reserves have been transferred to Retained Earnings (refer note 18).

Certain prior year amounts have been reclassified with the current period presentation. All other accounting policies were consistently applied during the year.

### Historical Cost

These financial statements have been prepared on a historical cost basis except for certain assets which have been revalued as identified in specific accounting policies below. The financial statements are presented in New Zealand Dollars (NZ\$) and all values are rounded to the nearest NZ\$ except when otherwise indicated.

### 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

Accounts receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for any uncollectable amounts. Individual debts that are known to be uncollectable are written off in the period that they are identified.

# Tauhara Moana Trust & Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

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## **(d) Property, Plant & Equipment and Investment Property**

Property, Plant & Equipment and Investment Property are stated at historical cost less any accumulated depreciation and impairment losses. Historical cost includes expenditure directly attributable to the acquisition of assets, and includes the cost of replacements that are eligible for capitalisation when these are incurred.

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. Any revaluation surplus or deficit arising on the revaluation of a class of fixed assets is transferred directly to the asset revaluation reserve.

## **(e) Depreciation**

Depreciation is calculated on a diminishing value basis over the estimated useful life of the asset using depreciation rates published by the Inland Revenue Department. Assets estimated useful lives are reassessed annually.

The following depreciation rates have been used:

- 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

All other repairs and maintenance expenditure is registered in profit or loss as incurred.

An item of Property, Plant & Equipment or Investment Property is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated on the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is derecognised.

## **(f) Income Tax**

The Trust entered the Maori Authority regime on the 1<sup>st</sup> 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.

Income tax is accounted for using the taxes payable method. The income tax expense in profit or loss represents the current obligation payable to the Inland Revenue Department.

## **(g) Goods and Services Tax**

The Group is registered for GST. All amounts are exclusive of GST 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.

## **(h) Investments in Shares**

Miraka Limited shares are stated at fair value, being the sale price of the shares sold subsequent to balance date.

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

Tauhara Dairy Limited shares are stated at issue value (cost) being \$1 per share.

## **(i) Biological Assets**

Livestock is measured at fair value less cost to sell, determined by independent count and valuation performed on 1 June 2016 by NZ Farmers Livestock Limited.

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, in accordance with NZ IAS41 Agriculture.

For taxation purposes livestock is valued using the National Standard Cost Scheme.

## **(j) Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services, to the extent it is probable that the economic benefits will flow to the entity and revenue can be reliably measured.

Sales of goods and livestock are recognised when the entity has transferred the significant risk and rewards associated with ownership of the goods to the customer.

Forestry income is recognised on sale or harvest of the forest.



# Tauhara Moana Trust & Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

Lease income is recognised on a straight line basis over the life of the lease.

Interest received is recognised as interest accrues, gross of refundable tax credits received.

Dividends received are recognised on receipt, net of non-refundable tax credits.

### **(k) Leases**

Operating lease payments, where the lessors effectively retain substantially all the risks and benefits of ownership of the leased items, are recognised as an expense in profit or loss on a straight line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Leases in which the entity retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. The leased asset is included within investment property and income recognised on a straight line basis over the life of the lease.

### **(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.

### **(m) Financial Instruments - Financial Assets**

At initial recognition the entity determines the classification of financial assets as either held at fair value, cost or amortised cost. Financial assets are measured initially at fair value, estimated at the transaction price less any associated transaction costs.

#### *Amortised Cost*

Includes assets where the entity intends to earn contractual cash flows in the nature of principal and interest payments. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, as well as through the amortisation process.

#### *Cost*

Equity instruments as classified as held at cost. Assets are stated at cost less any accumulated impairment loss. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired.

#### *Fair Value*

Financial assets not held at amortised cost or cost are held at fair value. Assets are subsequently measured at fair value only when the fair value of the instrument can be reliably measured based on a quoted price for an identical asset in the active market. Where no active market price is available the instrument shall be measured at the fair value for a prior year less any accumulated impairment loss.

Gains and losses are recognised in profit or loss for movements in the fair value of the assets and when the assets are derecognised.

### **(n) Financial Instruments - Financial Liabilities**

Financial liabilities, including borrowings and bank overdrafts, are initially measured at fair value net of transaction costs and are subsequently measured at amortised cost using the effective interest method. Interest expenses are recognised in profit or loss on an effective yield basis.

### **(o) Impairment of Non-Financial Assets**

At each balance date, non-financial assets are classified into four categories: assets measured at fair value; assets currently available that the entity intends to use to the end of its useful life; assets intended to be sold prior to the end of their useful life; and assets damaged or idle at balance date.

Assets measured at fair value, or assets the entity intends to use to the end of its useful life, are not reviewed for impairment at balance date.

Assets intended to be sold prior to the end of their useful life, or assets damaged or idle at balance date, are reviewed to determine if any indicators of impairment exist. If indicators exist, the asset is tested for impairment to ensure that the carrying amount of the asset is recoverable.

If the recoverable amount of an asset is determined to exceed its carrying amount then the resulting difference is recognised as an impairment loss in profit or loss for that period.

# Tauhara Moana Trust & Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

2. REVENUE	Notes	Group	
		2016	2015
<b>Revenue</b>			
<b>a) Income from livestock</b>			
Cattle - Sales (net)		529,001	473,446
Milk solids sales		3,204,306	3,740,845
<b>Total Income from livestock</b>		<b>3,733,306</b>	<b>4,214,291</b>
<b>b) Other farm income</b>			
Grazing		-	28,784
Rebates		84,374	35,281
Rental, Leases & License Income		157,080	105,000
Rates Recoveries		-	-
<b>Total other Farm Income</b>		<b>241,454</b>	<b>169,065</b>
<b>c) Other Income</b>			
Interest		5	181
Dividends (net of imputation credits)		69,444	117,583
Quarry Royalties		1,534	4,299
Rental Income		-	-
Sundry Income		87	-
Timber Harvest Revenue/Forestry Proceeds		-	-
<b>Total Other Income</b>		<b>71,071</b>	<b>122,062</b>
Milk Solids		3,204,306	3,740,845
<b>Total agricultural produce</b>		<b>3,204,306</b>	<b>3,740,845</b>

3. EXPENSES	Schedule	Group	
		2016	2015
<i>Expenses are categorised as follows:</i>			
<b>Farm Expenses</b>			
Farm Working Expenses	E	2,923,940	3,317,039
Vehicle Expenses	E	158,343	214,758
Repairs and Maintenance	E	277,953	287,644
Overheads	E	528,461	574,992
<b>Administration Expenses</b>			
Depreciation (See below)	Note 5	1,052,592	973,751
Loss on Sale of Property, Plant & Equipment		140,331	-
Impairment Loss on Shares	Note 17	33,829	-
		<b>5,591,886</b>	<b>5,858,475</b>

Depreciation is summarised as follows:	Notes	Group	
		2016	2015
<b>Depreciation for Year</b>			
Land, Buildings & Improvements	5	187,210	200,198
Plant & Equipment	5	179,255	204,123
Motor Vehicles	5	109,971	85,970
		<b>476,436</b>	<b>490,291</b>

# Tauhara Moana Trust & Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

## 4. INCOME TAX EXPENSE

	Group	
	2016	2015
Net profit/(loss) before tax	(1,704,600)	(1,859,317)
Prima facie tax expense at 17.5% (2015 17.5%) on net profit before tax	-	-
Taxation adjustments:		
- Imputation credits	27,006	52,091
- Timing differences - accruals and provisions	103,121	25,453
- Non-deductible expenses - entertainment	-	1,652
- Fair value adjustments - biological assets	29,710	272,127
- Further Payments This Season	(403,220)	(83,965)
- Further Payments Last Season	83,965	1,158,095
- Income tax losses brought forward	(4,038,577)	(3,289,017)
- Imputation credits converted to a loss	(154,320)	(297,663)
- Prior year tax adjustments	-	(18,033)
<b>Taxation losses to carry forward</b>	<b>(6,056,916)</b>	<b>(4,038,577)</b>

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. PROPERTY, PLANT & EQUIPMENT

	Group	
	2016	2015
<b>Land, Buildings &amp; Improvements - Cost</b>	61,035	71,815
Revaluation	-	-
Improvements @ cost	-	-
Less Accumulated Depreciation & Impairment	(19,509)	(19,778)
Net Book Value	<u>41,526</u>	<u>52,037</u>
<b>Vehicles - Cost</b>	785,995	644,990
Less Accumulated Depreciation & Impairment	(249,080)	(202,946)
Net book value	<u>536,915</u>	<u>442,044</u>
<b>Plant &amp; Equipment - Cost</b>	1,980,099	1,931,280
Less Accumulated Depreciation & Impairment	(940,727)	(774,049)
Net book value	<u>1,039,372</u>	<u>1,157,231</u>
<b>Total Fixed Assets - Net Book Value</b>	<b><u>1,617,812</u></b>	<b><u>1,651,312</u></b>

## 6. INVESTMENT PROPERTY

	Group	
	2016	2015
<b>Land, Buildings &amp; Improvements - Cost</b>	13,897,794	5,120,193
Revaluation	-	8,764,460
Less Accumulated Depreciation & Impairment	(1,312,716)	(1,130,900)
Net Book Value	<u>12,585,079</u>	<u>12,753,754</u>

Land, Buildings & Improvements have been restated to valuation in accordance with the most recent valuation provided by the local council for rateable purposes.

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 2016

## 7. INVESTMENTS IN SHARES

	No Shares	Group	
		2016	2015
Farmlands	15,000	15,000	15,000
Livestock Improvement Co-op	7,456	7,456	2,759
Miraka Ltd "A" Shares	1,500,000	3,045,000	3,075,000
Miraka Ltd "B" Shares	185,185	375,926	379,629
Ravensdown	107,813	107,813	76,659
Tauhara Dairy Ltd	1,000	-	-
Taupo Sale Yards	250	-	125
		<b>3,551,194</b>	<b>3,549,172</b>

## 8. CASH & SHORT TERM DEPOSITS

	Group	
	2016	2015
BNZ Cheque Account	156,915	1,507
BNZ Call Account	392	387
	<b>157,307</b>	<b>1,894</b>

## 9. TRADE AND OTHER RECEIVABLES

	Group	
	2016	2015
Accounts Receivable	116,798	449,225
GST	38,283	43,309
	<b>155,081</b>	<b>492,534</b>

## 10. OTHER CURRENT ASSETS

	Group	
	2016	2015
Accrued Income	1,578	-
Miraka Further Payments	403,220	83,965
Prepaid Expenses	63,961	42,151
Consumables	273,946	221,679
	<b>742,705</b>	<b>347,795</b>

## 11. LIVESTOCK RECONCILIATIONS

	Notes	2016 Number	Average Price	2016	2015
<b>DAIRY CATTLE</b>					
<b>Sales</b>					
Calves		1,182	42	49,163	92,943
Rising 1yr Heifers		76	431	32,778	
Rising 2yr Heifers		13	980	12,740	2,387
Mixed Aged Cows		666	908	604,846	132,341
Rsg 1 Yr Steers & Bulls		111	459	50,912	
Rsg 2 Yr Steers & Bulls		55	2,212	121,651	
Breeding Bulls					47,700
		<b>2,103</b>		<b>872,090</b>	<b>275,371</b>
<b>Less Purchases</b>					
Rising 2yr Heifers		20	1,231	24,620	77,100
Rsg 2 Yr Steers & Bulls		13	1,600	20,800	-
Rsg 3 Yr Steers & Bulls		25	2,075	51,875	
Breeding Bulls					64,000
		<b>58</b>		<b>97,295</b>	<b>141,100</b>
Cash Surplus/(Deficit)				774,795	134,271
Add increase in Numbers				(245,794)	339,175
<b>Gross Profit/Loss</b>				<b>529,001</b>	<b>473,446</b>

# Tauhara Moana Trust & Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

	2016 Number	2015 Number	2016	2015
<b>Opening stock</b>				
Rising 1yr Heifers	575	442	347,650	331,500
Rising 2yr Heifers	483	391	579,600	488,750
Mixed Aged Cows	2,210	2,122	2,589,950	2,909,875
Rising 1yr Steers & Bulls	66		44,840	
Rising 2yr Steers & Bulls	1		1,000	
	<b>3,335</b>	<b>2,955</b>	<b>3,563,040</b>	<b>3,730,125</b>
<b>Closing stock</b>				
Rising 1yr Heifers	605	575	349,250	347,650
Rising 2yr Heifers	513	483	557,100	579,600
Mixed Aged Cows	1,965	2,210	2,212,800	2,589,950
Rising 1yr Steers & Bulls	50	66	36,250	44,840
Rising 2yr Steers & Bulls		1	2,000	1,000
Rising 3yr Steers & Bulls	1		1,300	
	<b>3,134</b>	<b>3,335</b>	<b>3,158,700</b>	<b>3,563,040</b>
<b>Increase/(decrease) in stock on hand</b>	(201)	380	(404,340)	(167,085)
Change in values (livestock holding gain/(loss))			(158,546)	(506,260)
Change in numbers			(245,794)	339,175
<b>Increase/(decrease) in stock on hand</b>			<b>(404,340)</b>	<b>(167,085)</b>

## 12. MILK INCOME

	2016 kg	2015 kg	2016 \$	2015 \$
<b>Milk solids</b>				
Last season increase/(decrease)			(15,875)	1,157,622
June	5,858		22,732	
July	5,428		20,965	
August	44,336	36,264	119,997	170,127
September	82,704	91,738	383,849	430,537
October	111,556	116,391	381,030	469,804
November	106,902	112,575	377,511	492,590
December	103,760	102,997	355,850	450,689
January	91,980	88,484	341,011	386,168
February	81,177	80,207	281,635	345,853
March	79,070	82,090	273,072	351,229
April	70,095	78,842	241,231	340,731
May	29,449	50,062	102,042	219,626
<b>Total</b>	<b>812,315</b>	<b>839,650</b>	<b>2,885,050</b>	<b>4,814,975</b>
Plus Pay-Out Estimate Current Season			403,221	83,965
Less Pay-Out Estimate Prior Season			(83,965)	(1,158,095)
<b>Net Total</b>			<b>3,204,306</b>	<b>3,740,845</b>
Average price per kg milk sales			\$ 3.94	\$ 4.46

# Tauhara Moana Trust & Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

## 13. TRADE AND OTHER PAYABLES

	Group	
	2016	2015
Accounts Payable	297,598	456,139
Tauhara Farm Limited Partnership	-	-
	<u>297,598</u>	<u>456,139</u>

## 14. OTHER CURRENT LIABILITIES

	Group	
	2016	2015
Accrued Expenses	126,398	45,282
Accrued Interest	21,798	22,443
Provision for Annual Leave	37,244	41,033
	<u>185,441</u>	<u>108,758</u>

## 15. LOANS (INCLUDES BANK OVERDRAFTS)

	Group	
	2016	2015
<b>BNZ term loans</b>	12,739,295	10,760,561
Less current portion of term loans	(7,184,396)	(316,363)
Non-current portion of term loans	<u>5,554,899</u>	<u>10,444,198</u>
Current portion of term loans	7,184,396	316,363
Bank overdrafts	-	497,410
<b>Current loans including bank overdrafts</b>	<u>7,184,396</u>	<u>813,773</u>

### **Tauhara Moana Trust**

The BNZ Farm First overdraft limit is \$100,000.

### **Tauhara Farms Limited Partnership**

The BNZ Business and Farming Account overdraft limit is \$250,000.

### **Tauhara Moana Trust.**

BNZ Customised Average Rate Loan Balance at 31st May 2016 is \$2,586,184 with a maturity date of 31st May 2017. Repayment at maturity of \$2,586,184 with an interest rate at 31st May 2016 of 5.18% (2015 - 6.36%)

BNZ Customised Average Rate Loan Balance at 31st May 2016 is \$237,325 with a maturity date of 20th December 2017. Repayment at maturity of \$237,325 with an interest rate at 31st May 2016 of 5.18% (2015 - 6.36%)

BNZ Customised Average Rate Loan Balance at 31st May 2016 is \$3,559,900 with a maturity date of 20th December 2017. Repayment at maturity of \$3,559,900 with an interest rate at 31st May 2016 of 5.18% (2015 - 6.36%)

BNZ Customised Average Rate Loan Balance at 31st May 2016 is \$250,000 with a maturity date of 31st May 2017. Repayment at maturity of \$250,000 with an interest rate at 31st May 2016 of 5.18% (2015 - 6.36%)

### **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 2016 is \$3,549,527 with a maturity date of 31st May 2017, repayment at maturity of \$3,549,527 with an interest rate at 31st May 2016 of 5.18% (2015 - 6.36%)

BNZ Customised Average Rate Loan Balance at 31st May 2016 is \$48,684 with a maturity date of 23rd May 2017, irregular repayments with an interest rate at 31st May 2016 of 6.29% (2015 - 7.33%)

BNZ Tractor Loan Balance as at 31st May 2016 is \$77,514 with a maturity date of 17th April 2018. Irregular repayments of \$7,319 with an interest rate at 31st May 2016 of 7.65% (2014 - 7.65%)

# Tauhara Moana Trust & Subsidiaries

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

BNZ Customised Average Rate Loan Balance at 31st May 2016 is \$750,000 with a maturity date of 30th June 2016, repayment at maturity of \$750,000 with an interest rate at 31st May 2016 of 5.18%

BNZ Customised Average Rate Loan Balance at 31st May 2016 is \$912,500 with a maturity date of 30th June 2020, irregular repayments of \$100,000 with an interest rate at 31st May 2016 of 5.18%

BNZ Tractor Loan Balance as at 31st May 2016 is \$127,660 with a maturity date of 20th July 2018. Irregular repayments of \$9,496 with an interest rate at 31st May 2016 of 6.33%

BNZ Customised Average Rate Loan Balance at 31st May 2016 is \$640,000 with a maturity date of 20th June 2017, repayment at maturity of \$640,000 is due at maturity with an interest rate at 31st May 2016 of 5.18%

Facility approved by the bank but not yet drawn down as at balance date: \$500,000.

### 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.
- 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.
- Existing Chattels security over 2015 Massey Ferguson 7619 Reg no: B7AWJ
- Existing Chattels security over 2015 Titan 900 Silage Wagon
- Existing Chattels security over 2015 Giltrap 5001 Fert Spreader

## 16. 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 at nil cost to the Trust and are recorded at a nominal value cost of \$5 (See also note 24: Contingent Liabilities).

## 17. FINANCIAL INSTRUMENTS

2016	Amortised Cost	Cost	Fair Value
Cash and short-term deposits	157,307		
Trade and other receivables	164,389		
Other current assets	786,664		
Investment in shares		130,269	3,420,926
	<b>1,108,360</b>	<b>130,269</b>	<b>3,420,926</b>

2015	Amortised Cost	Cost	Fair Value
Cash and short-term deposits	1,894		
Trade and other receivables	492,534		
Other current assets	361,034		
Investment in shares		94,543	3,454,629
	<b>855,462</b>	<b>94,543</b>	<b>3,454,629</b>

All investments in shares are value at cost, except for Miraka Limited shares which are valued at fair value, being the sale price of the Miraka Limited 'A' shares sold subsequent to balance date. The current year impairment losses on the Miraka and Taupo Saleyards shares of \$33,828 is recorded in the Statement of Financial Performance.

## 18. EQUITY

	Group	
	2016	2015
<b>Retained Earnings/(Accumulated Losses)</b>		
Opening Balance	(2,833,664)	(900,189)
Net Profit/(Loss)	(1,704,601)	(1,859,317)
Kaumatu Grants & Koha paid	(86,484)	(74,159)
Transfer from Revaluation Reserves	8,765,000	-
<b>Closing Balance</b>	<b>4,140,251</b>	<b>(2,833,664)</b>

# Tauhara Moana Trust & Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

	Group	
	2016	2015
<b>Revaluation Reserves</b>		
Opening Balance	10,488,166	9,140,049
Less revaluations on Investment Property previously recorded in Revaluation Reserves	(8,765,000)	-
Plus revaluation of Shares	-	1,348,117
Net increase in Revaluations Reserves	<u>(8,765,000)</u>	<u>1,348,117</u>
<b>Closing Balance</b>	<u><b>1,723,166</b></u>	<u><b>10,488,166</b></u>
<b>Capital Reserves</b>		
Opening Balance	2,788,985	2,788,985
Capital Gain on Sale of Land	-	-
Transfer from Retained Earnings	-	-
<b>Closing Balance</b>	<u><b>2,788,985</b></u>	<u><b>2,788,985</b></u>
<b>Total Reserves</b>	<u><b>4,512,151</b></u>	<u><b>13,277,151</b></u>

The Group now recognises Investment Property separately from Property, Plant & Equipment in accordance with *SPFR for FPEs*. The revaluations of Investment Property previously recorded in Revaluation Reserves have been transferred to Retained Earnings this year as a result of this change in accounting policy.

## 19. 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.

## 20. MAORI AUTHORITY CREDITS (MACA)

The Trust has MACA's available as at 31st May 2016 as follows:

	Group	
	2016	2015
<b>Opening Balance</b>	103,277	41,283
Add: Resident Withholding Tax Credits Attached to Dividends Received	-	9,903
	27,006	52,091
Less: Taxation Refund received	-	-
<b>Closing Balance</b>	<u><b>130,283</b></u>	<u><b>103,277</b></u>

## 21. 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 (2015 - \$670).

D Loughlin was appointed Director of He Akina Limited on 29 January 2016. The Trust paid He Akina Limited \$72,000 for administration and financial services during the year (2015 - \$7,357), owing at balance date nil (2015 - \$41).

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 \$1,000 per month plus mileage and telephone expenses incurred. Owing at balance date \$1,337 (2015 - \$2,071). Tauhara Moana Trust paid nil to Agnosis Ltd for consultancy services (2015 - \$1,500).

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.

Transactions with related parties are recorded on normal commercial terms. The Group has not made any allowance for impairment loss relating to amounts owed by related parties for the year ended 31 May 2016 (2015 \$Nil). There are no loans from related parties.



# Tauhara Moana Trust & Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

## 22. 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.

Annual rent payable to Tauhara North No 2 Trust is now \$71,000 per annum plus GST, rates and outgoings.

### Grazing Lease Commitments

	Group	
	2016	2015
<b>Future Lease Commitments</b>		
Current	71,000	8,436
Non-Current	556,167	-
<b>Balance of lease</b>	<u><u>627,167</u></u>	<u><u>8,436</u></u>

### 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	
	2016	2015
<b>Future Licence Commitments</b>		
Current	69,425	69,425
Non-Current	47,316	116,556
<b>Balance of licence</b>	<u><u>116,741</u></u>	<u><u>185,981</u></u>

### 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 the 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	
	2016	2015
<b>Future Licence Commitments</b>		
Current	256,295	256,295
Non-Current	174,678	473,037
<b>Balance of licence</b>	<u><u>430,973</u></u>	<u><u>729,332</u></u>

# Tauhara Moana Trust & Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

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## **23. CAPITAL COMMITMENTS**

There are no known capital commitments as at 31 May 2016 (2015 - nil).

## **24. 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. (2015 — Nil)

Other than the above there are no known material contingent liabilities as at 31st May 2016 (2015 — Nil).

## **25. EVENTS SUBSEQUENT TO BALANCE DATE**

Subsequent to balance date, Tauhara Moana Trust sold its 1,500,000 "A" shares in Miraka Limited for proceeds of \$3,045,000.

There were no other known material events subsequent to balance date which would have an effect on these financial statements (2015 - Nil).

## **26. 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 \$110,000 (2015 -\$105,000) as an extension for the Trust entering into this agreement and granting Contact easement to access the land.

# Tauhara Moana Trust & Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

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Declaration of General Interest as at 31 May 2016 pursuant to section 140(2) of the Companies Act 1993:

## 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	Trust Farm Advisor
Opepe Farm Trust	Drystock Farm Advisor
Awhina Group	Secretary

## 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
Ngati Tuwharetoa Fisheries	General Manager
He Akina Ltd	Director
Takataraka Trustee Ltd	Director

## **INDEPENDENT AUDITOR'S REPORT**

To the Trustees of Tauhara Moana Trust

We have audited the consolidated financial statements of Tauhara Moana Trust on pages 26 to 41 which comprise the statement of financial position as at 31 May 2016 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 in accordance with the financial reporting requirements of Te Ture Whenua Maori Act 1993 and *A Special Purpose Framework for use by For-Profit Entities* (SPFR for FPEs) published by the New Zealand Institute of Chartered Accountants, 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 accompanying consolidated financial statements of Tauhara Moana Trust on pages 1 to 17 for the year ended 31 May 2016 are prepared, in all material respects, in accordance with the financial reporting requirements of Te Ture Whenua Maori Act 1993 and *A Special Purpose Framework for use by For-Profit Entities* (SPFR for FPEs) published by the New Zealand Institute of Chartered Accountants.

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

We draw attention to the reporting entity section in Note 1 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the Trustees of Tauhara Moana Trust in preparing its income tax return and in fulfilling its obligations under the Group's loan agreements. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for Tauhara Moana Trust and its Trustees and should not be distributed to parties other than Tauhara Moana Trust or its Trustees.

Our audit was completed on 20<sup>th</sup> January 2017 and our unqualified opinion is expressed as at that date.



Kirsten Dixon  
DIXON&CO, Taupo

20<sup>th</sup> January 2017

# Tauhara Moana Trust & Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

## FINANCIAL PERFORMANCE SUMMARY — OPERATING SURPLUS BY ACTIVITY

	Schedule	Group	
		2016	2015
<b>SUMMARY</b>			
Farming Operations	D&E	(312,485)	(227,973)
Commercial Activities	C	110,000	105,000
Other Income	A	155,444	157,344
Less: Administration Costs	B	(1,465,184)	(1,387,427)
<b>Net Operating Surplus/(Deficit) for year</b>		<b>(1,512,226)</b>	<b>(1,353,056)</b>
Livestock Holding Gains		(158,546)	(506,260)
Impairment Losses on Shares		(33,829)	-
<b>Net Operating Surplus/(Deficit) before Taxation</b>		<b>(1,704,601)</b>	<b>(1,859,316)</b>

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

### A. OTHER INCOME

	Group	
	2016	2015
<b>Other Income</b>		
Dividends Received	69,444	117,583
Interest Received	5	181
Rebates	84,374	35,282
Sundry Income	87	-
Quarry Royalties	1,534	4,299
	<b>155,444</b>	<b>157,344</b>

### B. ADMINISTRATION COSTS

	Group	
	2016	2015
<b>Administration</b>		
AGM Expenses	6,768	5,330
Accountancy & Secretarial Fees	72,000	72,397
Audit Fees and Disbursements	12,733	12,688
Bank Fees	2,214	596
Consultancy	2,590	2,000
General Expenses	737	62
Impairment Losses	-	2,083
Insurance	671	-
Interest	375,883	435,953
Legal Fees	1,478	11,662
Lease Fees	406,018	335,838
Rates	80,039	82,766
Resource Consents	1,685	-
Trees Shelter	3,145	-
Trustee Expenses & Fees	56,495	62,933
Directors Fees	28,000	30,000
Directors Expenses	2,138	2,208
<b>Total Administration</b>	<b>1,052,592</b>	<b>1,056,517</b>
Depreciation & Loss on Sale	412,593	330,910
	<b>1,465,184</b>	<b>1,387,427</b>

# Tauhara Moana Trust & Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

## C. COMMERCIAL ACTIVITIES

	Group	
	2016	2015
<b>Income from</b>		
Geothermal Development	110,000	105,000
Lease Fees	-	-
Rates Recoveries	-	-
	<u>110,000</u>	<u>105,000</u>
<b>Commercial Activities Surplus/(Deficit)</b>	<u><b>110,000</b></u>	<u><b>105,000</b></u>

## D. FARMING OPERATIONS

	Schedule	Group	
		2016	2015
<b>Income from</b>			
Dairy Cattle		529,001	473,446
Milk Production		3,204,306	3,740,845
Grazing Revenue		-	28,784
Rental Income		47,080	
		<u>3,780,386</u>	<u>4,243,075</u>
<b>Less: Expenses</b>			
Farm Working Expenses	E	2,923,940	3,317,039
Vehicle Expenses	E	158,343	214,758
Repairs and Maintenance	E	277,953	287,644
Overheads	E	528,461	492,226
Loss on Sale of Property, Plant & Equipment		24,692	-
Depreciation	Note 3	179,482	159,381
		<u>4,092,872</u>	<u>4,471,048</u>
<b>Farming Surplus/(Deficit)</b>		<u><b>(312,486)</b></u>	<u><b>(227,973)</b></u>

## E. DETAILED FARM EXPENSES

	Group	
	2016	2015
<b>Farm Working Expenses</b>		
Animal Health	171,753	204,700
Breeding	91,448	131,662
Calf Rearing	54,474	80,623
Commission on Livestock Sales	7,721	-
Cultivation	-	129,379
Dairy Insight Fee	29,300	30,943
Dairy Expendables	61,910	45,761
Electricity	85,284	110,693
Fertiliser & Nitrogen	557,868	637,125
Freight & Cartage	5,213	2,110
Grass & Crops	94,539	
Hay & Silage Making	254,794	399,893
Health & Safety	-	262
Stockfood	509,064	567,632
Wages and Allowances	966,086	942,901
Weed & Pest Control	34,489	33,356
	<u><b>2,923,940</b></u>	<u><b>3,317,039</b></u>

# Tauhara Moana Trust & Subsidiaries

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MAY 2016

## Vehicle Expenses

General Vehicle Expenses	60,378	75,009
Tractor Expenses	97,965	139,749
	<u>158,343</u>	<u>214,758</u>

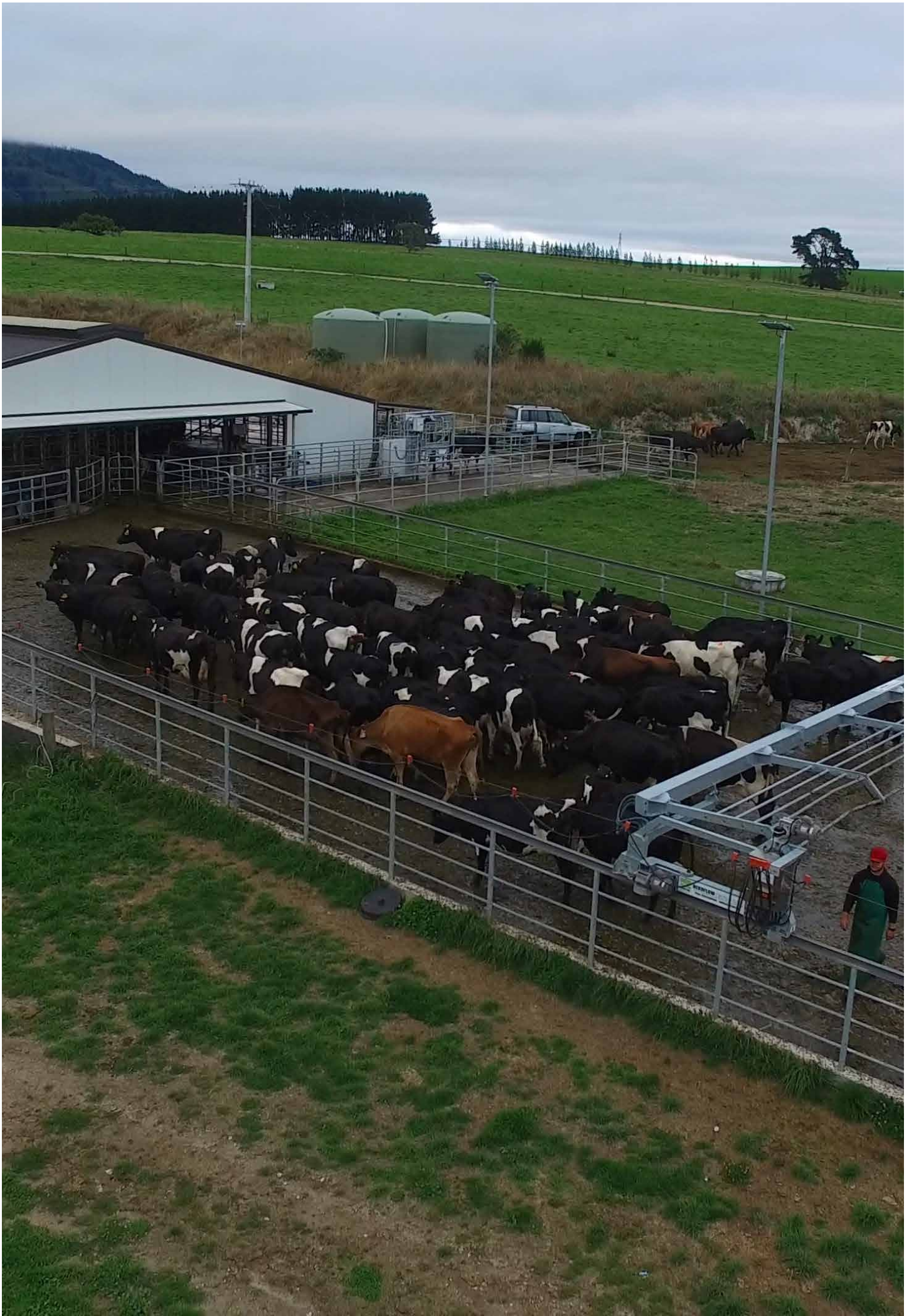
## Repairs and Maintenance

Workers Accommodation	9,679	14,922
General Repairs	268,274	272,722
	<u>277,953</u>	<u>287,644</u>

## Overheads

Accident Compensation	26,039	25,891
Accountancy & Secretarial Fees	51,264	66,363
Bank Fees	778	733
Directors Insurance	4,070	-
Entertainment	5,819	3,088
Farm Advisory	56,182	63,267
General Expenses	670	2,704
Insurance	43,190	42,005
Interest	329,658	282,840
Staff Training	1,281	-
Telephone & Tolls	9,511	5,335
	<u>528,461</u>	<u>492,226</u>











TAUHARA MOANA  
TRUST