Ngāti Whakaue Tribal Lands

Annual Report
2017 - 2018

OUR VALUES

Kaitiaki
Aroha
Whakapono
Kotahitanga

OUR WHAKATAUKI

Mana Whenua,
Mana Tāngata.

We are committed to upholding the honour of both the land and the people.

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AGENDA

2018 ANNUAL GENERAL MEETING

Time: 9:30am for registration;
10:00am start of meeting
Date: Saturday 10th of November 2018
Venue: Tamatekapua, Te Papaiouru Marae, Ōhinemutu, Rotorua

1. **Apologies**
2. **Call for General Business**
3. **Elections (Presentations and Voting)**
4. **Minutes of the Annual General Meeting**
5. **Receive NWTL Annual Reports and presentations by respective Chairs and GM**
   a. Chairman's Report
   b. Whakaue Farming Report
   c. General Manager's Report
   d. Grants & Scholarships Report
6. **Financial Report – Glenn Hawkins**
   a. Ngāti Whakaue Tribal Lands
   b. Ngāti Whakaue Tribal Lands Educational Trust
7. **Appointment of Auditor**
8. **Approve Annual Grant & Dividend**
9. **General Business**

2017 AGM MINUTES

MINUTES OF THE ANNUAL GENERAL MEETING
AT TE PAPAIOURU MARAE, ŌHINEMUTU, ROTORUA
ON SATURDAY 11th NOVEMBER 2017
AT 10:00 AM.

The meeting was opened by Monty Morrison with mihi and karakia at 10:03am. David Thomas welcomed all in attendance and chaired the meeting of 135 Shareholders *(Refer Appendix A)*.

APOLOGIES:

49 Apologies received. ***(Refer Appendix B)***
RESOLUTION: That the apologies be received.
(David Thomas/Tony Wihapi) ***Carried***

ELECTION OF MEMBERS:

Tamarapa Lloyd, Tanira Kingi and Geoffrey Rolleston retired this year by rotation and were eligible and available for re-election. Nominations were received for Justin Mitchell, Roana Bennett and Cyrus Hingston resulting in six candidates for the 2017 Election.

A written apology was read on behalf of Cyrus Hingston who was unable to attend the meeting and presentations were made by all other candidates. Albert Rice asked the candidates to provide their educational achievements to the meeting which was done accordingly.

Roana Bennett presented following approval of the 2016 AGM Minutes and a motion was put to the floor resulting in the following:

RESOLUTION: That the 2017 election be carried out by Poll Vote with Tina Ngatai and Josie Rolleston appointed as scrutineers.
(David Thomas/Tina Ngatai/Bob Armstrong/Josie Scott/Selwyn Bennett) ***Carried***

MINUTES:

The Minutes of the Annual General Meeting held on 29 November 2016 were presented.

RESOLUTION: That the minutes of the meeting held on Saturday 29th of November 2016 be received and are confirmed as being a true and correct record.
(David Thomas/Josie Scott) ***Carried***

CHAIRMAN'S REPORT

David Thomas presented his report:

- The Incorporation has had a year of considerable operating and financial success as a result of strong farming business, an increase in rental income and increased land valuations. Despite increased earnings, there has not been a significant change in the Incorporation's cash position which will be explained further in the financial report.
- Ngāti Whakaue Tribal Lands have been through a challenging time and look to be coming into a period where more benefits may be provided to the owners. Therefore, the Committee would like to recommend a modest dividend for the 2017 year.
- A significant change for the Incorporation this year has been the employment of a full-time General Manager, Ray Morrison.
  The Committee recognised the increased work required to manage business as usual activities and investigate new opportunities. Chair thanked Tina Ngatai for her contribution in navigating the Incorporation through a challenging period and laying a strong foundation for improved returns and success moving forward.
- Chair also thanked the Farm Staff, Farm Consultant (PerrinAg), Accountant (Glenn Hawkins & Associates), Forestry Manager (PFM – Shane Perrett), Auditors (BDO), Rabobank, the corporate office staff and fellow Committee Members for their work throughout the year.

RESOLUTION: That the Chairman's report be received.
(David Thomas/Monty Morrison) ***Carried***

WHAKAUE FARMING LIMITED REPORT

Tanira Kingi (WFL Chairman) presented the farming report:

- A summary of the profitability and costs over the 5 years following restructuring in 2012 was provided. The information reflected a good year for WFL with increased revenue of $3m, up on a budgeted $2.6m. The results were mostly due to excellent lamb prices and improved cost control by management. Tanira thanked the farm managers and PerrinAg for their work this year in continuing to improve the farms efficiency.

- The use of improved technology has had a positive effect on the farms operations. FarmIQ is being used to benchmark WFLs performance in comparison with national results.

- The farms have experienced a number of challenges over the past 5 years including drought in 2013 and facial eczema in 2015. Systems have now been put in place which means WFL is better positioned to respond to these challenges and look at options for diversification.

- There are a number of diversification options that are being considered including an increase in forestry, mānuka oil, alternative milking, tourism, residential development and commercial development.

Tony Wihapi commended Tanira on the report which shows the Incorporation is starting to move forward and queried if the farms expenditure as shown on page 10 is reflective of good cost control. Tanira advised that the expenditure is under control in terms of two key areas being repairs and maintenance (R&M) and capital expenditure (Capex). WFL are keeping to budget with R&M and disciplines are in place to ensure that investment is made in the right areas. Tony commented that the $611k result is good and lambing percentages also appear to be improving with Tihiotonga performing the best this year. Tanira agreed and informed the meeting that Tihiotonga had faced difficulty with lambing prior to Steve Hewson coming on board.

Jason Nairn queried the use of urea for fertiliser and whether more environmentally friendly options could be explored. Tanira explained that WFL have been looking at alternative options for a number of years and completed costings for a biological farming system 3-4 years ago. The timing was not right as WFL were just coming out of a drought episode but this is now being considered together with potential land use changes moving forward.

Merehira Savage asked if Tanira could explain the effect of the Plan Change 10 with regard to NWTLs Nitrogen Discharge Allowance (NDA). Tanira advised that all farms have experienced a change in their NDA and there is excess nitrogen available due to the closure of the Wharenui Dairy farm.

WFL have changed the way the truffles are managed. Other truffle owners who planted at the same time are now starting to see results, therefore the trees will not be removed yet. Albert Rice queried if the 3ha section of truffles will be separated from the 7ha which will not be managed. Tanira advised that the 3ha will be fenced off and irrigated.

RESOLUTION: That the Whakaue Farming Limited report be received. *(Tanira Kingi/Norma Sturley)* ***Carried***

GENERAL MANAGER'S REPORT

Ray Morrison presented key highlights from his report:

- The Manaaki Ora lease at the Kōkōreke site is fully operational with the driveway being recently sealed which has improved the health and safety conditions for staff.

- Wingspan are going through the consent process to begin construction on the new site at Ngongotahā.

- OGO are building two new tracks to provide alternative experiences for the 34k visitors they are receiving each year.

- Kiwirider suffered a weather event which damaged the helium balloon. They are now going through an insurance process and look to be up and running by Christmas.

- The three rental properties at Paradise Valley Road, Sloane Avenue and Otonga Road are being managed well and are presently tenanted by three whānau of Whakaue descent.

- The Nitrogen Management Plan (NMP) for the farms has been updated for submission to the Bay of Plenty Regional Council. Once this is approved, negotiations can be furthered for the sale of any excess nitrogen.

- Graphs were provided showing the returns that are generated from the Incorporations current activities in comparison with other land use options such as tourism and alternative agri-business. Ray advised that there will be extensive due diligence required and challenges to manage in exploring these options whilst maintaining a profitable farming operation.

- Three items that will be explored for 2018 and beyond include:

  - Forestry: planting will be occurring over 900ha to provide an annual sustainable harvest for future generations.

  - Tourism Masterplan: a request for proposal process will be conducted to select a consultant that will look at the tourism opportunities across Ngongotahā and provide pathways for NWTL moving forward. There is also an opportunity to undertake a joint venture with OGO.

  - Mānuka Oil: This joint venture involves providing 50ha of irrigated land to grow mānuka for oil that would yield approximately $3.5k per hectare.

  - Ray thanked the Chair, Committee of Management, farming staff and all other support staff for their work throughout the year.

Bob Armstrong commented that it is good to see a variation to farming coming through in the Incorporations activities particularly with tourism. Bob said that for many years he has campaigned to have the reports out early and therefore would like to compliment the staff on achieving that this year.

Donna Grant asked if the Incorporation is in alignment with the government's forestry strategy to possibly have some of the planting costs subsidised. Ray advised that NWTL are looking into the Afforestation Grant Scheme and will be using funding from the sale of pre-1990 Carbon Units to fund next year's planting.

Merehira Savage asked if review of leases occur with tourism operations. Ray advised that each operator has individual lease review dates.

Melissa Bennett queried if there were opportunities for employment available for rangatahi or succession planning within the farm management so that Ngāti Whakaue can manage their own farms in the future.

Tanira Kingi advised that investing in opportunities that provide employment is at the forefront of the Committees decision making. John Vercoe who is of Whakaue descent, is currently part of the farm management team and succession plan. Ray added that the tourism and mānuka oil ventures that are on the table at present will have real opportunities for employment.

Tony Wihapi commended Ray on his first report which clearly sets out the Incorporation's direction for the future.

RESOLUTION: That the General Manager's report be received. *(Ray Morrison/Tony Wihapi)* ***Carried***

GRANTS REPORT

Matthew Heke presented the key highlights:

- The Grants were apportioned this year with $10k for Marae Grants, $16k for Health Grants, $6k for Tangihanga, $16k for Discretionary Grants, $10k for the Whakaue Whakanuia and $2k for administrative costs (fees for the independent member – Josie Scott). The Grants Committee includes Josie Scott, Matthew Heke, Kiriwaitingi Rei and Ray Morrison.

- This year there were 8 recipients of the Ngāti Whakaue Educational Trust Scholarships and all recipients were listed in the Annual Report. The Scholarship Committee included Ray Morrison, Geoffrey Rolleston and Kiriwaitingi Rei.

Merehira Savage put a motion to the floor, seconded by Tina Ngatai, that the grants funding be increased to $120k based on a great financial year.

Tony Wihapi said that a more modest increase could be considered rather than doubling the grant funds this year as the funding was not fully utilised last year. He also queried why there was only one agricultural scholarship. Geoffrey Rolleston advised that Alistair Campbell was the only applicant studying in this field and the fees associated with his course were around $500.00.

The Chairman agreed with Tony Wihapis comment that the grants funds were not fully utilised this year and the Incorporations cash position has not improved significantly to warrant an increase in the funding. However, the Committee are flexible in considering funding applications in excess of the proposed $60k should the need arise.

Tony Wihapi moved an amendment to the previous resolution in that $60k be approved for the 2017/18 years grants. Tina Ngatai responded that the grants are the only way the Incorporation are presently contributing to owners and therefore the grants should be increased and the grants sub-committee should look at increasing the individual grants to $500.00. However, she would be prepared to amend the motion to allow the Committee to spend 'up to' $120k.

Tony Wihapi supported the amended motion recommended by Tina Ngatai with the proviso that the final decision sits with the Committee of Management to assess the kaupapa and viability of the application.

RESOLUTION: That the Committee of Management be approved to spend up to $120k for grants in the 2017/2018 year at the discretion of the Committee of Management. *(Matthew Heke/Merehira Savage)* ***Carried***

RESOLUTION: That the Grants report be received.
(Matthew Heke/Tina Ngatai) ***Carried***

FINANCIAL REPORT

Glenn Hawkins presented the financial statements for the year ended 30 June 2017:

- Financial reports were provided for the group being Ngāti Whakaue Tribal Lands and its subsidiaries - Whakaue Holdings Limited, Whakaue Farming Limited and the Whakaue Property Trust.

- Last year a resolution was passed to appoint Iles Casey as the auditor, however the company was acquired in March this year by BDO Rotorua, hence they have provided the audited opinion under review today.

- The statement of profit or loss and other comprehensive income showed minimal change in revenue. There was a slight increase from livestock sales. There has also been a noticeable drop in other income as a result of poor wool prices, lower government funding for commercial advice and nil forestry income which was one of the Incorporations main income sources.

- Figures for expenditure confirmed that the Committee and Management Staff had endeavoured to make cost savings where possible across the board. Farm costs have reduced by 5% and overall there has been a $591k or 15% decrease in expenditure.

- There has been a movement of $4.1m in the fair value of investment properties. The movement in the fair value of land held for sale being the Porikapa Road block, has seen an increase in value from $1.2m to $2.8m in the last three years and the movement in the fair value of biological assets or increase in the value of the trees has gone up by $194k in the last year.

- In summary, there has been total revenue of $4m and total expenses of $3.3m resulting in an operating profit of $664k. This amount together with the increase in values of property and trees, less the grants paid of $48k gave a total profit before tax of $6.5m.

Bill Kingi queried whether or not the returns being made on freehold property cover the cost of interest payable toward the Rabobank loan. Glenn Hawkins advised that the freehold property being referred to is the Brents Road and Gee Block, which has had a significant increase in value and also receives good returns from the farming activities.

Tony Wihapi queried if the dividend that is being proposed today will be coming from the funds made through profit and the reduced expenditure. Glenn confirmed this was accurate.

RESOLUTION: That the annual accounts for the year ended 30th June 2017 be received.
(Monty Morrison/Norma Sturley) ***Carried***

The Ngāti Whakaue Educational Trust paid out $32,979.00 this year including costs as set out in the grants report.

RESOLUTION: That the Ngāti Whakaue Tribal Lands Educational Trust Accounts be received.
(Maureen Jehly/Albert Rice) ***Carried***

RESOLUTION: That a dividend of 10 cents per share, being $152,327.00 be declared from capital reserves to 30 June 2017.
(David Thomas/Bill Kingi) ***Carried***

The Chairman opened the floor for discussion around the dividend.

Tony Wihapi commented that a dividend is acceptable if it is not being paid from debt as has been the case in previous years. Chairman confirmed this will be paid from profit.

Tina Ngatai responded that she is against the dividend payment as the real profit was $165k in cash, therefore she is concerned that the Incorporation would be spending all that was made this year on the dividend and it would contribute to a further increase in unclaimed monies. Tina suggested that it would be better to increase the grants and pay more money to owners through that vehicle. Chairman confirmed that the operating surplus was approximately $600k.

The Chairman asked for any final questions and put the motion to the floor. All attendees voted in favour excluding Tina Ngatai, Merehira Savage, Kahira McRae and Helen Crawford.

APPOINTMENT OF AUDITOR & SHARE VALUER

RESOLUTION: That BDO Rotorua be appointed auditors for the ensuing year.
(Bill Kingi/Josie Scott) ***Carried***

GENERAL BUSINESS:

Bill Hall thanked Monty Morrison for the opening karakia today. He also suggested that funding be provided to refurbish Tamatekapua Wharenui. Glenn Hawkins advised that the Ngāti Whakaue Assets Trust are looking into this with the Te Papaiouru Trustees. Bill commended the Incorporation on a successful meeting and expressed his thanks for the achievements being made on behalf of his mokopuna and generations to come.

Colin Bennett raised that the Queen Victoria Bust will soon be re-instated at the front of Te Papaiouru Marae. Therefore, the marae trustees will make arrangements for the unveiling and advise whānau of the details.

Chairman thanked the owners for their attendance and participation in today's meeting and is looking forward to the exciting times ahead.

With no further business the Chairman declared the meeting closed at 12:45pm

Closed by Monty Morrison with a mihi and karakia.

APPENDIX A
2017 AGM Attendance List

Eva Waretini, Wikitoria Kake-Flavell, Lorraine Inia, Inia Whānau Trust, Hohepa Taepa, Graham Prentis, Edie Vercoe, Tracy Te Kowhai, Temoana Blake, Elaine Tapsell, Diane White, Beverly Rogers, Putiputi Tonihi, Jackie Aratema, Mary Hodge, Joseanne Gage, Marion Te Kaawa, Kayla Christiansen, Audrey Herewini, Yolanda Pehi, Richard Harrington, Airini Hepi, Helen Crawford, Bill Vercoe, Kiri Fraser, Miriama Morehu, Norma Sturley, Kimi Matthews, Roberta Rickard, Jimmy Ross, Ataraeta Heretaunga, Ray Flood, Lawrence Ehau, Vervies Punohu, Agnes Morrison, Thomas Ahomiro, Patangata Te Aranga, Tiana Hodge, Darwini Crosbie, B.C Haira, Jonelle Reardon, Rukingi Haupapa, John Vercoe, Tilly Hirst, Bob Armstrong, Lorraine Power, Tetoko Pateriki Kingi, Lorin Manahi, Amiria Manahi, Maramena Vercoe, Selwyn Bennett, Colin Bennett, Lucy Tapsell, Warwick Rika, Cynthia Smith, Frances Watson, Viv Manley, Lisa Manley, Irihapeti Wineera, Roana Bennett, George Manley, Christine Clayton, Merehira Savage, Jillian Naera, Mary Kusabs, Jason Nairn, Tony Wihapi, Denise Kingi, Josephine Rolleston, Bunny Ormsby, Huhana Church, Olivia Taylor, Tania Butcher, Josephine Scott, Albert Yates, Teresa Smith, Frederick Clubb, Margaret Herbert, John Renata, Tamarapa Lloyd, Laura Taepa, Marjorie Taua, Donna Kingi, Geoff Rolleston, Keepa Taepa, David Thomas Kath Henderson, Jack Butcher, Barnett Vercoe, Sonia Cooper, Wiremu Kingi, Hana Tatere, Jean James, Ruihi Bidois, William Atall, Judy Tapsell, Christine Tapsell, Eva Morehu, Rangi Coffey, Edie Wilton, David Herewini, Polly Herewini, Manunui Blake, Toni Harvey, Monty Morrison, Ritchie Macpherson, Maureen Jehly, Peter Robb, E.M Robb, Rereamanu Wihapi, Iris Thomas, Terrence Morrison, Tina Ngatai, Donna Grant, Moray Smith , Cherie Kingi, Pirimi Tait, Barry Rogers, Veronica Butterworth, Jimmy Bray, Delme Porter, Melissa Bennett, Leo Rika, Piwiki Heke, P K Hatata, Laurie Morrison, Rawiri Bhana, Kiriwaitingi Rei, N Te Awekotuku, Sir Howard & Lady Morrison Whānau Trust, B R Morrison Whānau Trust, Hiwinui Heke Whānau Trust, Ray Morrison.

Illegible Names: 2 **Total Attendance** = 135

APPENDIX B
2017 AGM Apologies

Susan Clayton, Hariata Kohunui, Margaret Clayton, Rui Corbett, Maxine Rennie, Pirihira Fenwick, John Fenwick, Alex Wilson, Tuhi Morrison, Mrs Frost, Wynette Griffins, T M H Whānau Trust, Peter Mohi, Margaret Edwards, Pauline Ross, Sylvia Gamble, Kim Taylor,Monty Curtis, Joseph Gordon, William Moses, David Tapsell, Althea Vercoe, Richard Verco, Lyn Vercoe, Lewis Vercoe, Marie Lyme, Rangikahiwa Muller, J Beazley, Frances Stainton, Shirley Pahl, Malcolm Short, Marama Panapa, Barbara Harrison, Tipene Christiansen, Michelle Roberts, Adrian Macpherson, Priscilla Macpherson, Lillian Panapa, Leonie Gardiner, Michael Macpherson, Rangi Timihou, Michael Te Kaawa, Stephanie Te Kaawa, Michael Te Kaawa Jnr, Shontell Te Kaawa, Darleen Roberts, Opere Roberts, Hiria Wii Tahu Aranga Whānau Trust.

Illegible Names: 1 **Total Apologies** = 49

CHAIRMAN'S REPORT

Tēnā koutou e āku tini whanaunga, ngā karangamaha o Ngāti Whakaue ka rere te tai o mihi ki a koutou katoa



The Incorporation has had another strong year with good progress made on a number of fronts including operational performance, development opportunities and shareholder engagement.

I am delighted to report that we have finally completed an arrangement with the Bay of Plenty Regional Council regarding the limiting of our nitrogen discharge into Lake Rotorua. Our farming operation had another good year with solid improvements in farm management practices that allowed us to have the best financial result for the farms in several years.

A further review of our forestry estate uncovered blocks of trees that we were able to harvest, an outcome we had not envisaged at the start of the year. These outcomes, in conjunction with a good lift in the carrying value of our forestry holdings, have helped to deliver another strong financial performance for the year. We have recommended limiting a dividend to shareholders in line with last year's, primarily because the improved cash/borrowing position we find ourselves in is critical to fund the growth we intend to embark upon.

At last year's AGM we indicated that we had begun to review a range of land use/development options and I am pleased to say that we have made good progress on understanding which ones we could further pursue. Tanira and Ray will comment on these in their reports. Apart from forestry the vast majority of these options are a function of the growth of Rotorua and it will therefore be important for us to recognise where we can assist in that process and where we can capitalise on such growth.

We were very happy to run another successful shareholder/beneficiary visit to Ngongotahā and Wharenui in March and had great feedback from those Koeke who were able to spend a day at Hell's Gate. We also took proactive steps to "tidy" up the shareholder register and reduce the level of "unclaimed dividends". None of this would be possible without the unstinting efforts and dedication of our staff. In the first instance our thanks and congratulations go to Ray Morrison for the great progress he has made for the Incorporation on a wide range of activities. He has been more than ably assisted by Kayla Christiansen and Audrey Herewini who thoroughly enjoy their interactions with you. Our thanks also go to the Farming team who have done a great job this year.

We should also acknowledge the continued strong support from Perrin Ag, particularly in advancing resolution of the 'nitrate' position. GHA have once again done a great job in meeting our commercial, financial and reporting needs. Similarly, Prime Forestry Managers and Rabobank have done all we ask in terms of advice and service.

My thanks go to the Committee of Management members for their positive participation in determining potential development pathways and in our "business as usual" activities. In July 2017 we decided that, because of the impact of land usage changes required for our Nitrates reduction plan, all Committee of Management members should, where possible, attend the Farming meetings. This year Matt Heke and Kiriwaitingi Rei retire by rotation. Matt has offered himself for re-election and will be joined in the election process by Merehira Savage and Brad Tatere.

Our best wishes go to all three candidates. Kiriwaitingi has decided to stand down this year and on behalf of us all I would like to thank her for her strong and well thought through contribution to the Incorporation.

My final thanks go to you our shareholders for your support and guidance in helping to develop a robust future for us all. We are looking at some exciting, but challenging options, and we will need to find the right balance between benefits(of all types), risk and affordability in our quest to ensure the Incorporation's future.

Kia ora mai anō
David Thomas

WHAKAUE FARMING REPORT

Kia ora tātou Ngati Whakaue

It is my pleasure to present the 2018 Whakaue Farming Ltd report on behalf of the Board of Directors.

The 2017/18 year marked the fifth consecutive year of profit increase for WFL.

The end of year profit before tax to June 30 2018 was $684,560 after the $415,008 lease expense was paid to NWTL.

The confirmation of the nitrate sale to the Bay of Plenty Regional Council has provided much needed certainty for the directors and management team to implement the start of the farms' land use change strategy into forestry. Planning for the tourism and residential development is underway and while these ventures will reduce the area of land available for animal production, the transition is being managed to reduce the impact on farming operations. Lambing percentage continues to trend towards targeted levels, cattle carcass weights are lifting and good cost control is allowing the farms to take advantage of favorable market conditions for red meat.

All of WFL's Key Performance Indicators across the farms are tracking favourably. In particular lamb and beef carcass live weight gains have all increased along with lambing percentages. These critical indicators underpin farm profitability and are captured in the EFS/Ha and EFS/SU indicators which are explained in the following section.

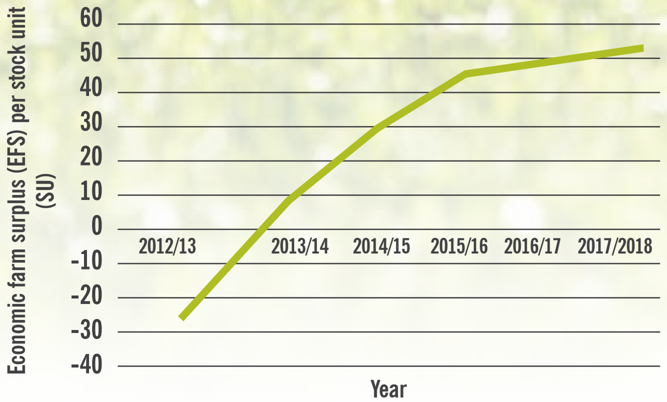
Table 1: 5-yr Key Performance Indicators

KPI		2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Lams cwt	kg	16.6	17.8	17.8	17.5	17.9	17.7
Steers cwt	kg	275	266	281	287	292	303
Bulls cwt	kg	275	283	281	299	300	n/a
Lambing %	%	127%	137%	119%	129%	132%	133%
EFS/SU	$	-26	8.8	29	46	48	52
EFS/Ha	$	-216	219	287	392	478	513
FWE % Revenue	$	127%	78%	73%	67%	59%	59%

WFL Financial Performance

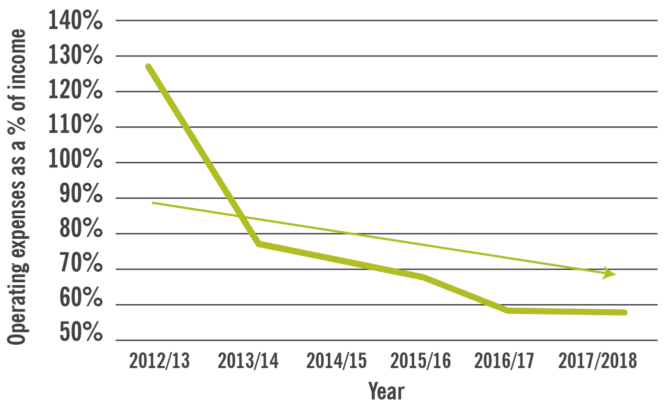
WFL's profitability since 2013 continues to improve as shown below in Figure 1. Profitability per stock unit is $52 EFS/SU (cf. $48 in 2017), and profitability per hectare is $513 EFS/Ha (cf. $478 in 2017).

Figure 1: 5-yr WFL Profitability - 2013 to now



Cost control continues to be a key focus across all of our farms with the managers working-in well with our farm advisor Lee Matheson, and NWTL GM, Ray Morrison to ensure that we meet our budgeted expenses and to find areas where we can reduce unnecessary spending without compromising the farm performance. This year's farm working expenses as a percentage of net farm revenue was 59% FWE/NFI.

Figure 2: 5-yr WFL Cost Structure - 2013 to now



Wharenui Station

Forestry expanded by 280ha at Wharenui but had minimal disruption on the farming team led by Ben Parsons. Moving forward however, the farm has had to make changes to its stock policy including fewer ewes and Friesian bulls as a result of the reduction in farm area. Lamb growth rates were again the highest in the group at 18.4kg, in part due to the large areas of the block now in lucerne, and the focus on targeting older Wagyu x dairy steers for finishing is delivering higher average marble scores. The dairy bull sire policy was again successful with 550 18-month old bulls sold for an average of $100/head more than budgeted. A breeding cow herd was also acquired to provide pasture control and a degree of supply surety for our Wagyu x Angus cattle.

Tihi-o-tonga

The performance at Tihi-o-tonga continues to lift year on year under the management of Steve Hewson. Lambing percentage has improved to 138% (the highest in the group), and Tihi-o-tonga also produced the highest per hectare profitability. Growth rates in the Wagyu x heifers continues to improve with the cattle averaging 250kg, although marble scores continue to be lower than desired. This is an ongoing issue and our farm consultant, Lee Matheson (PerrinAg) has been working with Firstlight Foods to understand the relationship between a newly introduced marbling score matrix and our farms' feed profile.

Lamb carcass weights improved by 0.6kg/head to 16.9kg and the heifer grazing operation continues to generate solid revenues but the success of the restored breeding cow herd and the large areas of pasture development now completed will see us move away from the winter cow grazing policy post 2018.

Ngongotahā

The highlight this year for Ngongotahā Manager Clive Carrington, was winning the NZ Steak of Origin competition by Firstlight Foods with a Wagyu x Angus steak from Ngongotahā. This is a fantastic result for the team and confirmation of the quality of our farm management team to take out the first prize in a very sought after national competition. Clive also continues to produce lambs with the highest saleable meat yield in the Awhina group (55%) with the benefit of purely terminal sired lambs.

The reduced area of the Ngongotaha farm following the termination of the Dalbeth Road lease continues to challenge management through high per stock unit overheads. The decision to plant at least one third of the property in forest before 2020, and the proposed tourism development means the ongoing management of the property as a stand-alone business unit will need to be reassessed at each point in the future.

WFL Outlook

For the past 3-years I have been reporting on the nitrogen emission regulation plan change for Lake Rotorua (PC10) was made operable by the Bay of Plenty Regional Council (BoPRC) in August 2017. The regulation is currently under appeal and a decision by the Environment Court is expected in March/April 2019. This has been a lengthy and time consuming process for WFL that has created a number of uncertainties for both the board and the management team. However, the sale of nitrogen was signed in June 2018 by NWTL and this has signalled the start of the diversification plans that NWTL has been planning for some time.

Reducing WFL's exposure to the agricultural sector has always been at the forefront of NWTL since the decision to diversify into horticulture in the early 1980s. The introduction of Rule 11 (the forerunner to PC10) by BoPRC has reinforced this strategy and it is critical that additional revenue streams are developed. The GM Ray Morrison and NWTL Committee of Management (CoM) have been working on a number of major programmes that will be covered in the GM's report.

Other impacts on WFL and NWTL include the introduction of the Zero Carbon Bill and the revision of the Emissions Trading Scheme by the coalition government. An interim Climate Change Commission has been established to oversee the policy framework for the government. It is therefore imperative that Māori are represented at the highest levels to ensure that the government-led transition to a low emission economy and New Zealand's carbon reduction commitment under the 2015 Paris Agreement includes strong and clear Māori advocacy for Māori concerns and interests. The Te Arawa Primary Sector Group, (which represents 30 Te Arawa land authorities including NWTL), has presented submissions on the Zero Carbon Bill and the ETS revision along with regional government regulation changes on fresh water.

I have reported in previous years that the improved management of the WFL farms in the past six years has positioned NWTL well to respond to these legislative and regulatory challenges. Additionally, this has also improved WFLs position to explore alternative land use options to further build the resilience and flexibility of our farms and to continue to provide sustainable returns to our shareholders.

In closing I would like to thank the WFL farm management team – Clive Carrington, Ben Parsons, Steve Hewson and John Vercoe along with our farm staff, Kane Fredrickson and Paul King. I'd also like to thank Lee Matheson and his team from PerrinAg Ltd for their supervision of the farms, Shane Perrett our forestry advisor, and Glenn Hawkins and his team at GHA for their accountancy services.

I would also like to acknowledge the work of NWTLs GM, Ray Morrison and the NWTL team - Kayla Christiansen and Audrey Herewini for their support of the WFL board over the past year. Finally to the WFL for their commitment and dedication to WFL over the past year.

Tanira Kingi
Chair, WFL

GENERAL MANAGER'S REPORT

Tēnā tātou, i runga i ngā piki me ngā heke o te ao hurihuri nei

Ngāti Whakaue Tribal Lands (NWTL) has enjoyed another successful year with our core business of farming underpinning our overall financial performance by returning a strong result for a fifth consecutive year.

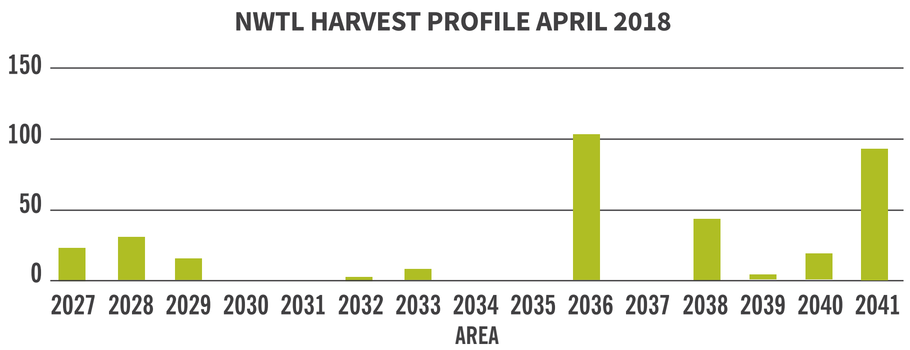
Key Land Use Changes:

Last year, I indicated in my report that our land holdings provide a number of significant economic, social, environmental and tribal development opportunities. I also highlighted a challenge that most of our land was yielding returns below land asset values. As a consequence, the Committee of Management adopted a view to explore alternative land use options therefore, a large amount of my time in 2018 has been spent pursuing this course, especially when considering Rotorua's future growth needs in terms of how we can potentially leverage these opportunities. This work has been supported by our successful funding applications from Te Puni Kokiri and MBIE to investigate these prospects.

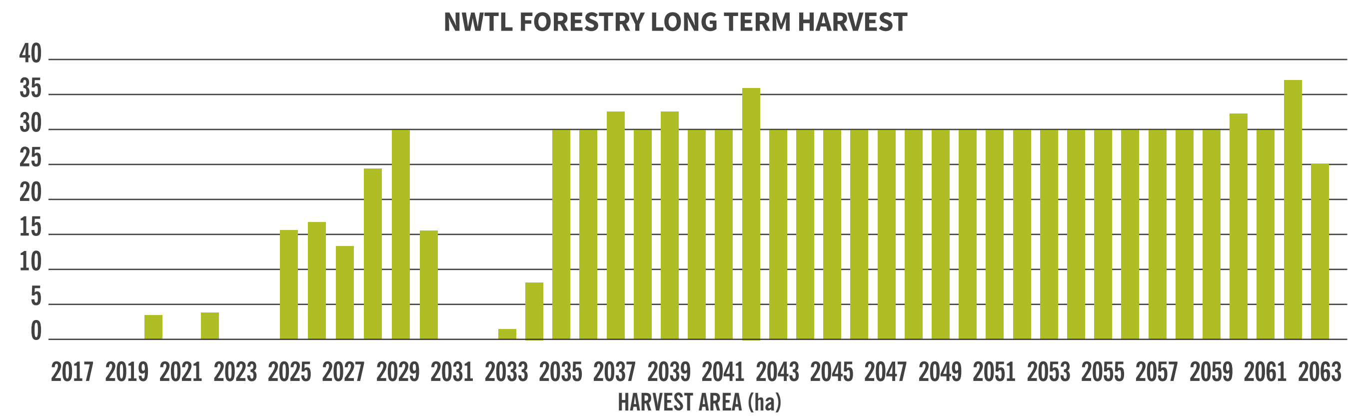
While some of the options we have taken (i.e. tourism and forestry) are based on sound logic and make good business sense, others have required further research and due diligence in order to gain a better understanding to determine if we should pursue them. A Mānuka Oil Plantation proposal is an example where we saw a potentially sound alternative land use and employment option however, the final analysis resulted in the decision not to proceed with the project.

New Forestry Development:

We have just completed planting 280ha of radiata pine on Wharenui farm as part of a wider strategy to increase our forest holdings. As at April 2018, our total forest (350ha) delivered a harvest profile which was characterised by sporadic cashflows and periods of nil returns. ***(See below: April 2018 Profile)***



From 2035, our new forestry regime will provide annual logging returns of 20ha-30ha (as reflected in the 'smoothing' of logging volumes), our forest will be a minimum age of 25yrs and we can expect net returns in the order of $1.2m/year based on current log prices. ***(See below: New 2020 Long Term Profile)***



While the net result of alternative land use options (such as new forestry) has meant a reduction in our farming footprint, it has had little impact on our farming operations from profit and productivity perspectives, which underlines even more so, just how well our farming team have performed in 2018.

New Tourism Masterplan:

In February 2018, we were successful in receiving Te Puni Kōkiri funding for the purpose of engaging a tourism specialist to develop a Tourism Masterplan through a formal tender process which was completed in June. This process resulted in the appointment of a UK-based firm (Scott Brownrigg Architects), who are currently undertaking these works and will provide us with a site-specific roadmap for future tourism development for a 200ha footprint on our Ngongotahā site.

An NWTL Tourism Masterplan will be visionary, contemporary and yet also incorporate our rich stories and history and we are confident that this process will provide our owners and shareholders with sustainable and commercially viable tourism development pathways. Our expectation is that it will:

- Deliver a Roadmap for Tourism Development for the 200ha Ngongotahā site;
- Produce Commercial Development Opportunities (including a suite of visitor experiences, activities and attractions that are 'best fit' for our land, and tie back to our history and culture);
- Identify clear Target Markets that are 'evidence based' and how they may be accessed;
- Provide Indicative Business Cases for each proposal, outlining their potential costs and returns;
- Forecast Indicative Cashflows based on extensive due diligence and sensitivity analysis.

The Masterplan is scheduled for delivery in December which will then provide NWTL with a platform for our future tourism investment and development aspirations which we hope to share with you in 2019.

Tourism Update:

Ogo have experienced another great year with the completion of their new site and track development which gives them greater scope to offer different ride combinations to their customers. The new 'TOWGO' (elevator system to return the Ogo's back to the top) is in the very final stages of completion and the 'BIG AIR' track opened in September in time for the busy school holiday period. ***(Photo top left: Ogo's new tracks and operations)***

Wingspan gained resource consent early this year and began earthworks on their new entranceway and building site, with construction of their offices and new aviaries currently underway. While various consent delays have been unfortunate, they are hoping for an opening date in early 2019. ***(Photo top middle: Wingspan's new site currently under construction)***

Kiwirider ceased operations in 2017 due to a severe weather event which damaged the balloon and unfortunately made the venture no longer commercially viable. As a result, their lease was terminated in August and a demolition operation was recently carried out in order to clean up and restore the site.

Financial & Funding Update:

Notwithstanding farming returns, a key financial highlight was the successful conclusion of negotiations with Bay of Plenty Regional Council regarding our Nitrogen Discharge Agreement. While the agreement binds us to environmental practices that protect and enhance our waterways, it also aligns to our investment in alternative agriculture, tourism and forestry. The sale of our excess nitrogen not only provides a substantial boost to our financial position but it will also free up some capital to re-invest in our tourism and other commercial development aspirations. The overarching goal is to create long term, viable business operations which may then build sustainable growth and employment opportunities for NWTL in the future. ***(Photo top right: NWTL Lawyer Helen Nathan witnesses the signing of the NDA with David Thomas, Tamarapa Lloyd and Terry Tapsell.)***

The other significant (and unexpected) income was a 6-month logging operation at Tihiotonga and Wharenui which originally stemmed from neighbours' concerns around branches from some of our stands potentially damaging their properties. This led to a full review of our boundary blocks, small islands and shelter belts, and then to a decision to log a mix of Radiata, Macrocarpa, and Douglas Fir stands. As these trees were not considered in our forestry management plan, we decided that harvesting the trees would tidy up these boundary areas and prevent further fence damage. Ultimately this operation has resulted in some 7,000-8,000 tonnes of log sales.

Interestingly, when we looked at the quality of the logs and mix of species, we decided to engage a local saw-miller to cut some of this wood into timber which will eventually be used in the construction process for our future tourism developments – which may also provide stories that tie back to our land.
(Photos above: Tihiotonga Logging Operations; Export Logs; Milled Timber)

Aged Care & Retirement:

We are continuing with due diligence around a potential joint venture project with NZ Superfund for the development of an Aged Care / Retirement Village in Rotorua, on the back of research around population trends, land availability and strong demographics which support this proposition.
Our initial investigations concluded that the investment has merit, and there is sufficient confidence in our preferred sites to progress to a full feasibility report. Therefore we look forward to presenting an update on our findings in the new year.

Delivering Benefits to our Owners:

We have made a concerted effort this year to improve our connectivity with our owners and shareholders through the following range of key activities:

Reducing Missing Owners:
Kayla and Audrey have been working hard to reduce our missing owners (currently 3,804) which impacts our growing level of unclaimed dividends ($1.02m) so we were pleased with the massive response we received from our August Facebook post which has led to numerous successions and which effectively reduces this pool of missing owners and increases our ability to reduce our level of unclaimed dividends.

Share Register Improvements:
We have also been working through all of the original shareholder documents in order to transfer them from hard to soft copy which provides an added security layer to their protection, preservation and ease of maintenance and management.

Farm Tour:
Over 100 people attended Ngāti Whakaue Tribal Lands' farm tour in March this year which we hold on a biennial basis. As they are working farms, many of our owners don't usually have an opportunity to come out and see them so our aim is to provide the opportunity for everyone to connect with our whenua, learn more about the land and its historical context. I would like to thank Rawiri Waru again for his contributions on the day and we look forward to our next event in 2020 where we will be able to provide a comprehensive update on our various developments through these types of events.
(Photos on top right page)

Whānau and Koeke Day:
Our Koeke Day at Hell's Gate in July was attended by almost 40 of our koeke and included a bush walk, sulphur spa and lunch. The feedback we received by those who attended told us that they really enjoyed the opportunity to share a day with whānau and also enjoyed our region's thermal and tourism attractions which are so close to home, yet so often overlooked.

Ngāti Whakaue Quarterly Pānui:
This is an initiative that we have developed as part of a wider communication's strategy which aims to improve NWTL's ability to connect with our tribal members here and around the world by providing a snapshot of key events, updates on some of the initiatives which are more people related and less commercially driven so look out for this online (Facebook / Email) and via our office very soon.

2019 and Beyond:

I would like to take the opportunity to acknowledge the Committee of Management for their continued support and guidance which has allowed me to make solid progress as we consider some very important opportunities for Ngāti Whakaue. Whilst the road ahead is exciting, it also requires robust deliberations, rigorous assessment and strategic oversight which are key areas where I feel that as a leadership group, we have made considerable progress.

I would also like to thank Clive, Ben and Steve (and all of our farming staff) for their efforts this year. We have been admirably supported by Glenn, Oksana and the team from GHA Accountants, Shane from Prime Forest Management, Lee at Perin Ag Consultants and Isla from Rabobank who have all made a significant contribution to the great results we see in our books and on the land.

I would like to especially thank my support staff of Kayla and Audrey for all of their work in the background of NWTL's functional operations and specifically for the improvements that we have made to our share register, across whānau events and towards improving our tribal communication and connectivity.

In closing, I look forward to working with all of our key stakeholders, partners and of course our shareholders and owners of Ngāti Whakaue as we head toward a prosperous 2019.

Ngā mihi

Ray Morrison
General Manager

GRANTS & SCHOLARSHIPS REPORT

Tēnā tātou katoa, On behalf of the Grants & NWET Scholarships Sub-Committee, is my pleasure to provide you with this report for the 2017-2018 Financial Year.

Grants:

As approved by the owners at last years AGM, funding was increased from $60,000 to $120,000 for Health, Tangihanga, Marae and Discretionary Grants. This year the Committee approved grants to the value of $118,163.10 however due to timing issues or further information being required we were only able to pay $56,461.19 within this financial year. The funds were allocated as follows:

MARAE
$6,000

HEALTH
$11,457

TANGIHANGA
$4,200

DISCRETIONARY
$34,804

Highlights for the Committee this year have included supporting the celebration of Rongomaipapa Kokiris 100th Birthday, assistance for our Whakaue and Ōhinemutu Kapahaka Roopu, koha toward the Indigenous Healing Summit for whānau who were adopted or wards of the State and the repair of the Queen Victoria Bust Shelter.

Ngāti Whakaue Educational Trust Scholarships:

Traditionally the NWET Scholarships have been awarded to 5 or 6 Iwi members who had completed post-graduate studies related to the Incorporations business enterprises such as Agribusiness, Accounting and Science Related Studies.



Scholarship Recipients:

This year we opened up the pool of eligibility to students in their second year of study or higher in order to assist a greater number of whānau across wider areas of study. As a result, we have been able to award $26,000 to 13 Scholarship Recipients.

Phillipa Bennett - Master of Analytics
Harina Rupapera -Post-graduate Diploma in Environmental Management
Mikaere Berryman-Kemp - Bachelor of Arts/Bachelor of Commerce
Thomas Brown - PGDip. Māori Medium Education
Arthur Flintoff - Master of Environmental Planning
John Rapana - Bachelor of Science (Earth Science)
Blake Nahu - Bachelor of Business Analysis
Jakkie Nahu - Bachelor of Analysis/Bachelor of Science
Tipene James - Bachelor of Arts (Te Reo)
Pia Bennett - Masters Social Science: Public Policy & Political Science
Kura Lacey-Brooks - Bachelor of Dental Surgery
Bailey Lacey-Rameka - Bachelor of Medicine & Surgery
Atiria Morrison - Bachelor of Architectural Design.

In our quarterly pānui, we feature siblings Jakki and Blake Nahu *(Photo: Jakki top middle; Blake top right)*, and cousins Kura Lacey-Brooks and Bailey Lacey-Rameka *(Photo top left)* who received the NWET Scholarships. ***See our website for their full stories.*** The Grants & Scholarships Committee includes Matthew Heke, Terry Tapsell, Geoffrey Rolleston, Kiriwaitingi Rei and our independent member, Josie Scott.

"The Ngāti Whakaue Tribal Lands scholarship has helped with my studies immensely. There's a lot of expensive devices and equipment essential to my course..."
Bailey Lacey-Rameka *(Photo top left)*

"My advice to Ngāti Whakaue people interested in doing to university is don't think you can't do anything..."
Jakki Nahu *(Photo top middle)*

Grant Recipients:

Remihio Heretaunga
Henry Walker Mitchell
Maria Te Kiri
Te ao Marama Hall
Gay Kingi
Dorthy Lewis/Murray
Wendy A Barrett
Josephine Scott
Ngawini Frost
Ohinemutu Kapahaka
Carol Beckett
Kathleen Pene
Kathleen Rika
Wikitoria Kake-Flavell
Ivan Douglas
Martha Majurey
Mihipa McGrath
Tere Tapsell
Elaine Macfarlane
Margaret Dorset
Maria Pook
David Winiata
Huhana Clayton Evans
Faenza Tapsell
Peter Glasgow
Sonia Cooper
Andrew Clarke
Clare Ngatai
John Doyle Marino
Christine Garratt
Taniko Charteris
Keith Mitchell
Marice Van Der Leeden
Indigo Phillips
Christine Clayton
Selwyn Bennett
Ivan Douglas
Maxine Rennie
John Kopae
Robyn hemmings
Wikitoria Kake
Leanne Phillips
James Bray
Yvette Van Vliet
Patricia Burton
Ema Kalman
Bernard Rogers
Tui Rolleston
Cleo Vicki Butler
Rangi McGarvey
Denise Beddes
Parekawa Chase
Moana Miller
Anna Rossi
Karen Moses
Harry Rota
Taliah Winiata
Wayne Douglas
Glenn Rossi
Marnie & Ricky James
Kaya Waititi
Susan Evans
William Tapsell
Ivan Douglas
Haeata Bray
Indiana Forgus
Margaret Rolleston
Wharangi Waetford
Peter Dodd
Tangihaere Macfarlane
Anne Yates
Anaha & Grace Hiini
Rui Corbett
Kahira McRae
Toni Cummins
Josephine Rolleston
Pauline Retemeyer
Te ao Marama Hall
William Tapsell
Elaine Tapsell
Aaliyah McMahon
Alexandra Hodge
James Ross
Ohinemutu Kapahaka
Marion Te Kaawa
Brett Michael Short
Hemi Rahurahu
Ronald Morehu
Te Papaiouru Marae
James Bray
Murray Short
Ruia Davy
Dawn McGrigor
Tane McGarvey
Whakaue ki Maketu Marae
Cleo Vicki Butler
Ema Miria Kalman
Miria Hohaia
Peter Walters
Elizabeth Morrison
Owhata Marae
Karen Moses
Marjorie Ann Taua
Roimata Brown
Wiremu Keepa
Reona Tepania
Te Kuira Marae
Ngāti Whakaue Kapahaka
– Mihaere Kirby

FINANCIAL REPORT 2018

This overview provides a snapshot of the Incorporation's financial performance for the 2017/18 year. The full financial statements are provided on pages 24 - 46. The financial statements were audited by BDO Rotorua who issued a clear audit opinion.

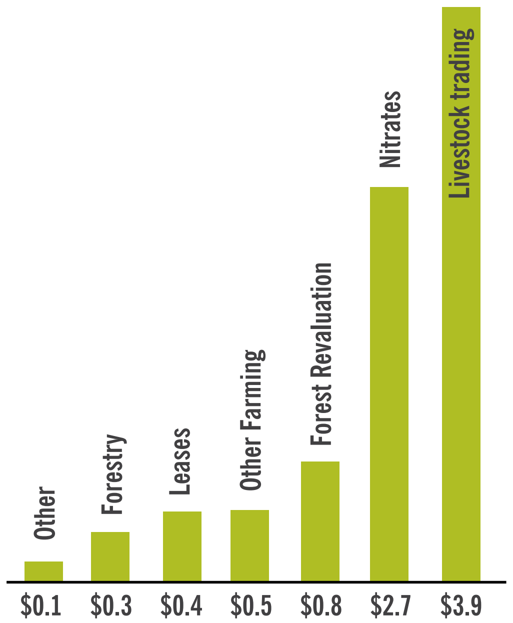
Financial performance

In 2017/18, the Incorporation delivered a strong financial result with operating revenue up 101% compared to last year, while operating expenses were up 37%. An overall net profit of $4.2 million was achieved this year.

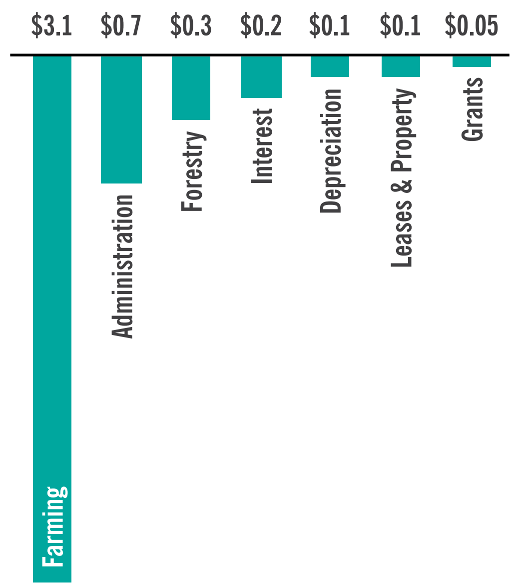
	This Year	Last Year	Change
Revenue	8,042,996	4,009,143	↑ 101%
Expenses	(4,596,099)	(3,344,949)	↑ 37%
Operating profit	3,446,896	664,193	↑ 419%
Other gains/(losses)	762,045	5,891,589	↓ 673%
Net profit	**4,208,941**	**6,555,782**	↓ 56%

The result was underpinned by strong farming returns and a one-off payment from the Rotorua Lakes Incentive Scheme ($2.7m) relating to future land use. Forest harvesting returns were also strong this past year though most of these proceeds were reinvested back into re-establishment costs. There was also a significant increase in the value of the trees on the block ($803k). No land revaluations were undertaken this year.

Revenue ($millions)



Expenses ($millions)



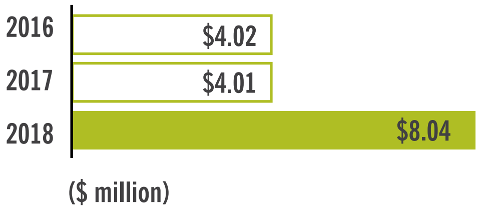
Revenue

Total revenue was up 101% compared to last year Farming revenue was up 27% and continues to be the major source of revenue for the Incorporation. Forest harvesting commenced in April 2018 and returns were excellent on the back of a strong export log market.

Leases revenue was down by 7% which reflected a one-off lump sum payment received in the previous year. The lease arrangements are locked in for extended periods now and there are further growth opportunities being worked through.

Other revenue increased by over $110k this year with the Incorporation attracting Government support of $100k to assess various investment opportunities.

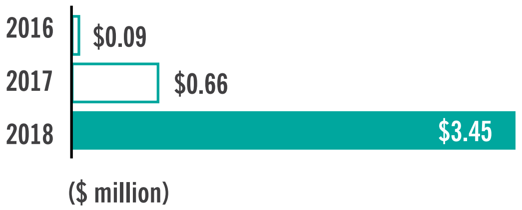
The Incorporation also entered into an arrangement with Bay of Plenty Regional Council to limit future nitrogen discharges thereby reducing some opportunities for future land use, receiving an initial 80% tranche of $2.7m during this past year.



Operating profit

The overall operating profit increased by 419% from $664k to $3.45m compared to last year, predominantly made up of:

- profit from Farming $1.21m (LY $1.12m)
- profit from Forest harvesting $0.12m (LY nil)
- profit from Leases $0.38m (LY $0.39m)
- one-off payment from BOPRC $2.7m



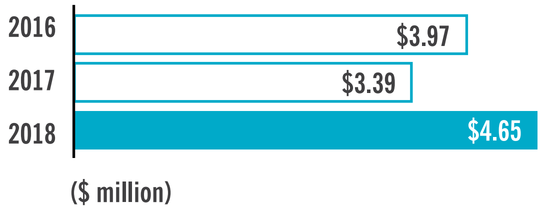
Expenses

Total expenses were up 37% compared to last year. Farming expenses were up 38% though this reflected increased livestock trading activities, with actual farm operating costs up only 5%.

Administration expenses were up 27% with an increase in staffing costs and also consulting expenses associated with some of the new investment opportunities (funded by Government contributions).

Forestry expenses increased significantly due to the harvesting activity and re-establishment costs. Interest costs were down 10% due to the continued decline of interest rates and the repayment of principal through the year.

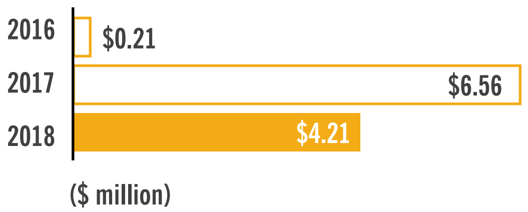
Lease & property expenses were up 22% reflecting an increase in rates and property maintenance costs. Grants and distributions increased 18% from $48k to $56k compared to the previous year.



Net profit

The net profit decreased by 36% compared to last year though this was mainly due to an absence of land revaluations this past year (last year $5.7m).

This year's result was bolstered by an increase in the value of the Incorporation's trees ($803k).



Financial position

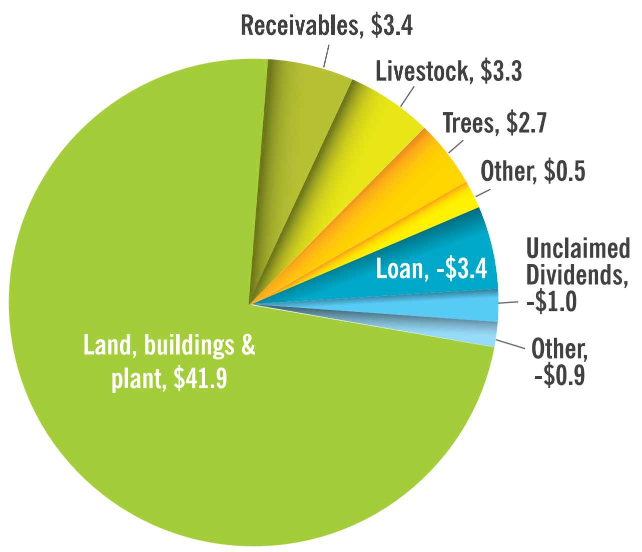
At the end of each year, the financial statements reflect the current financial position of the Incorporation. This reflects the overall value of the Incorporation and its subsidiaries.

	This Year	Last Year	Change
Total assets	51,772,413	48,226,384	↑ 7%
Total liabilities	5,402,955	5,795,982	↓ 7%
Equity	**46,369,459**	**42,430,404**	↑ 9%

As at 30 June 2018, total assets were $51.8 million. Of this, land, buildings and plant accounted for $41.9 million or 81% of this figure. The value of the total assets has increased by 7% over the past year. Total liabilities at 30 June 2018 were $5.4 million, with 63% of this being the long-term loan facility from Rabobank. Other liabilities include money owed to suppliers, accrued leave entitlements, GST and PAYE, as well as unclaimed dividends.

The difference between total assets and total liabilities means that owners' equity in the Incorporation is $46.4 million. This reflects a 9% increase compared to last year.

Financial Position ($millions)

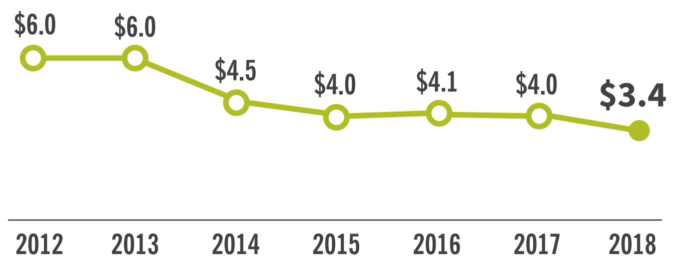


$51.8m Assets | **$5.4m** Liabilities | **$46.4m** Equity

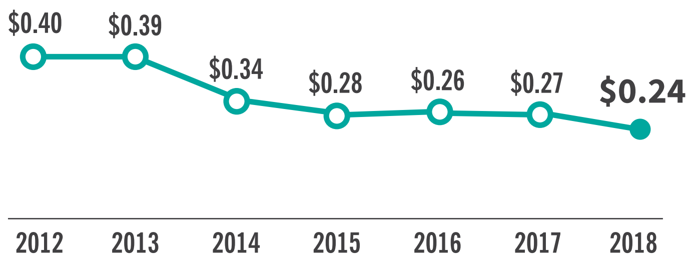
Cash and debt management

The Incorporation made steady progress during the last year further reducing the loan facility, ending the year with a total debt of $3.4 million which was $0.60 million lower than a year ago. This reflects careful management and a prudent approach to managing cash flow over the past year. Interest costs were also down 10% over the past year as the debt was steadily paid down over the 12-month period and management also negotiated lower interest rates with Rabobank.

Loan facility ($millions) **14%** Reduction



Interest Paid ($millions) **10%** Reduction



Distributions

Last year, the Incorporation made distributions to owners by way of dividends and grants. Total dividends of $152,324 were declared with $98,878 paid out to the owners with valid bank accounts. Total grants of $56k were paid out for health, Marae and other worthy Ngati Whakaue causes. In addition, $26k was paid from the Ngati Whakaue Tribal Lands Educational Trust towards post-graduate and master's degree studies.

The Proprietors of
Ngāti Whakaue Tribal Lands

CONSOLIDATED FINANCIAL STATEMENTS

CONTENTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF NGATI WHAKAUE TRIBAL LANDS INCORPORATION AND SUBSIDIARY

Opinion

We have audited the financial statements of Ngati Whakaue Tribal Lands Incorporation and Subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements of the Group for the year ended 30 June 2018 are prepared, in all material respects, in accordance with the accounting policies specified in Note 2 to the financial statements.

Basis for Opinion

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

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

Committee of Management's Responsibilities for the Financial Statements

The Committee of Management are responsible for the preparation of the financial statements in accordance with the accounting policies specified in Note 2 to the financial statements and for such internal control as the Committee of Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than forone resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by directors.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Committee of Management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

Who we Report to

This report is made solely to the Group's shareholders, as a body. Our audit work has been undertaken so that we might state 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 do not accept or assume responsibility to anyone other than the Group and the Group's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

BDO Rotorua Limited

BDO Rotorua Limited
Rotorua
New Zealand
11 October 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

NGĀTI WHAKAUE TRIBAL LANDS INCORPORATED AND SUBSIDIARIES
For the year ended 30 June 2018

	Notes	2018	2017
		$	$
Revenue			
Livestock sales	7	3,912,622	2,939,014
Other farm income	8	505,901	545,438
Forestry income		326,344	-
Lease income	9	463,621	500,220
Investment income	10	5,175	2,764
Other revenue	11	131,732	21,706
Rotorua Lakes Incentive Scheme	32	2,697,600	-
Total Revenue		**8,042,996**	**4,009,143**
Cost of sales - livestock	7	(967,535)	(1,116,726)
Movements in fair value of livestock	7	(240,970)	685,232
Gross profit		**6,834,490**	**3,577,649**
Expenses			
Farm expenses	12	1,884,107	1,797,449
Forestry expenses	13	321,049	66,707
Administration expenses	14	721,548	567,172
Lease expenses	27	64,204	50,450
Property expenses		38,271	33,577
Interest paid		238,259	265,482
Depreciation of property, plant and equipment	18	120,156	132,620
Total Expenses		**3,387,594**	**2,913,456**
Operating profit/(loss)		**3,446,896**	**664,193**
Other items			
Movement in fair value of investment properties	19	-	4,155,061
Movement in fair value of land held for sale	20	-	1,590,000
Movement in fair value of other biological assets	7	803,326	194,491
Gain on sale of intangible assets	22	15,180	-
Grants paid		(56,461)	(47,963)
		762,045	**5,891,589**
Profit before tax		**4,208,941**	**6,555,782**
Income tax expense	15	-	-
Profit for the year		**4,208,941**	**6,555,782**
Other comprehensive income, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Changes in fair value of intangible assets	22	-	(11,040)
Items that will not be reclassified subsequently to profit or loss:			
Gain/(loss) on revaluation of property, plant & equipment		(117,561)	-
Total Other comprehensive income, net of income tax		**(117,561)**	**(11,040)**
Total Comprehensive income for the year		**4,091,380**	**6,544,742**

This Statement is to be read in conjunction with the Notes to the Financial Statements, and the accompanying Audit Report

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

NGĀTI WHAKAUE TRIBAL LANDS INCORPORATED AND SUBSIDIARIES

For the year ended 30 June 2018

	Notes	2018	2017
		$	$
Assets			
Current assets			
Cash and cash equivalents	16	316,761	58,841
Trade and other receivables	17	3,374,937	398,728
Income tax refund due		817	721
Total Current assets		**3,692,515**	**458,290**
Non-current assets			
Property, plant and equipment	18	28,199,606	28,214,178
Investment property	19	10,914,999	10,914,999
Inventory	20	2,800,000	2,800,000
Available-for-sale financial assets	21	181,763	181,763
Intangibles	22	-	235,980
Biological assets	7	5,977,177	5,414,821
Other assets		6,353	6,353
Total Non-current assets		**48,079,898**	**47,768,094**
Total Assets		**51,772,413**	**48,226,384**
Liabilities			
Current liabilities			
Trade and other payables	23	520,392	424,025
Deferred revenue	24	165,840	130,612
Employee entitlements		74,650	65,355
Finance leases	25	-	53,190
Borrowings	26	-	22,595
Goods and services tax		91,469	30,837
Total Current liabilities		**852,351**	**726,614**
Non-current liabilities			
Borrowings	26	3,431,466	3,976,846
Unclaimed dividends		1,026,833	973,387
Other liabilities	30	92,305	119,135
Total Non-current liabilities		**4,550,604**	**5,069,368**
Total Liabilities		**5,402,955**	**5,795,982**
Net assets		**46,369,459**	**42,430,404**
Equity			
Capital	28	1,523,291	1,523,291
Reserves	29	31,596,731	31,950,272
Retained earnings		13,249,437	8,956,841
Total Equity		**46,369,459**	**42,430,404**

For and on behalf of the Committee of Management

D Thomas

Chairman

CoM member

Date: 11 October 2018

This Statement is to be read in conjunction with the Notes to the Financial Statements, and the accompanying Audit Report.

BDO — Marked for Identification Purposes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

NGĀTI WHAKAUE TRIBAL LANDS INCORPORATED AND SUBSIDIARIES

For the year ended 30 June 2018

	Notes	Contributed Share Capital	Reserves	Retained Earnings: Taxable	Retained Earnings: Non Taxable	Total equity
		$		$	$	$
Opening balance 1 July 2017		**1,523,291**	**31,950,272**	**4,952,994**	**4,003,847**	**42,430,404**
Profit for the year		-	-	4,208,941	-	4,208,941
Other comprehensive income		-	(117,561)	-	-	(117,561)
Derecognition of reserve	29	-	(235,980)	-	235,980	-
Realised capital gain - NZUs	22	-	-	(15,180)	15,180	-
Realised capital gain - Rotorua Lakes Incentive Scheme	32	-	-	(2,697,600)	2,697,600	-
Dividends declared		-	-		(152,324)	(152,324)
Closing balance 30 June 2018		**1,523,291**	**31,596,731**	**6,449,154**	**6,800,283**	**46,369,459**
Opening balance 1 July 2016		**1,523,291**	**33,023,032**	**(1,602,788)**	**4,003,847**	**36,947,382**
Prior period adjustment	6	-	(1,061,720)	-	-	**(1,061,720)**
Adjusted opening balance 1 July 2016		**1,523,291**	**31,961,312**	**(1,602,788)**	**4,003,847**	**35,885,662**
Profit for the year		-	-	6,555,782	-	6,555,782
Other comprehensive income		-	(11,040)	-	-	(11,040)
Closing balance 30 June 2017		**1,523,291**	**31,950,272**	**4,952,994**	**4,003,847**	**42,430,404**

This Statement is to be read in conjunction with the Notes to the Financial Statements, and the accompanying Audit Report.

BDO — Marked for Identification Purposes

CONSOLIDATED STATEMENT OF CASH FLOWS

NGĀTI WHAKAUE TRIBAL LANDS INCORPORATED AND SUBSIDIARIES

For the year ended 30 June 2018

	Notes	2018	2017
		$	$
Cash flows from operating activities			
Receipts from customers		5,127,744	4,148,267
Payments to suppliers and employees		(3,917,495)	(3,527,937)
Investment income received		5,175	2,763
Interest paid		(241,643)	(266,026)
Income taxes		(119)	(223)
Grants paid		(58,461)	(46,662)
Net GST		33,166	(9,746)
Total Cash flows from operating activities		**948,367**	**300,435**
Cash flows from investing activities			
Payments to acquire property, plant and equipment		(204,734)	(110,511)
Proceeds from sale of property, plant and equipment		10,000	-
Receipts from sale of intangible assets		251,160	-
Total Cash flows from investing activities		**56,426**	**(110,511)**
Cash flows from financing activities			
Amounts advanced by/(to) related parties		(26,830)	(32,866)
Repayment of borrowings		(598,570)	17,025
Dividends paid		(98,878)	(8,486)
Total Cash flows from financing activities		**(724,278)**	**(24,327)**
Net Increase/ (Decrease) in Cash and Cash Equivalents		**280,515**	**165,597**
Cash balances			
Cash and cash equivalents at beginning of the year		36,246	(129,351)
Cash and cash equivalents at end of the year	16	316,761	36,246
Net change in cash for the year		**280,515**	**165,597**

This Statement is to be read in conjunction with the Notes to the Financial Statements, and the accompanying Audit Report.

NOTES TO THE

CONSOLIDATED FINANCIAL STATEMENTS

NGĀTI WHAKAUE TRIBAL LANDS INCORPORATED AND SUBSIDIARIES

For the year ended 30 June 2018

1. General information

The financial report includes the financial statements and notes of Ngāti Whakaue Tribal Lands Incorporated and its subsidiaries. Ngāti Whakaue Tribal Lands Incorporated (the Parent) is a profit-orientated entity established under Part 5 of the Maori Affairs Amendment Act and now operates under Section 248 of Te Ture Whenua Maori Act 1993.

The consolidated financial statements comprise Ngāti Whakaue Tribal Lands Incorporation and its wholly owned subsidiaries Mountain Action Ltd (non-trading), Whakaue Holdings Ltd, Whakaue Farming Ltd, and Whakaue Property Trust.

The primary operations of the Group are sheep and beef farming, forestry, land leases, and commercial and residential property rental.

These financial statements were approved and authorised for issue by the Committee of Management on 27 September 2018.

2. Statement of compliance and reporting framework

These financial statements are special purpose financial statements that have been prepared using New Zealand equivalents to International Financial Reporting Standards - Reduced Disclosure Regime ("NZ IFRS – RDR") as set out in the External Reporting Board's "Accounting Standards Framework" with the exception of NZ IAS12 Income Taxes and NZ IAS 16 Property, Plant and Equipment.

3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

4. Summary of accounting policies

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Incorporation and entities controlled by the Incorporation.

Control is achieved when the Incorporation:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Incorporation obtains control over the subsidiary and ceases when the Incorporation loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Incorporation gains control until the date when the Incorporation ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Incorporation and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Incorporation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4.2 Functional and presentation currency

The financial statements are presented in New Zealand dollars ($). All numbers presented have been rounded to the nearest dollar.

4.3 Revenue

Revenue is measured by reference to the fair value of consideration received or receivable. The Group recognises revenue when it can be reliably measured, it is probable that future economic benefits will flow to the Group.

5.3.1 Interest and dividend income

Interest income is recognised when it is received, with an adjustment at year end to recognise interest due but not received (accrual basis) using the effective interest method. Dividend income is recognised at the time the right to receive payment is established.

5.3.2 Rental income

Rental income from residential rents is reported at the time the payment is received.
The Group's policy for recognition of revenue from operating leases is described in note 4.8 below.

5.2.3 Government grants

Government grants are not recognised until there is reasonable assurance that the Incorporation will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Incorporation recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Incorporation with no future related costs are recognised in profit or loss in the period in which they become receivable.

4.4 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

4.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.6 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

4.7 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

4.8 Taxation

The Parent and its subsidiary Companies, Whakaue Holdings Limited, Whakaue Farming Limited and Mountain Action Limited have all been approved as a 'Consolidated Group' for taxation purposes from 1 July 2005. All companies with in the 'Group' have been accepted as Maori Authorities from that date.

The group taxation rate is 17.5% (2017: 17.5%). Whakaue Property Trust tax rate is 33%, unless the income is otherwise distributed.

4.8.1 Current income tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, Inland Revenue and relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Provision is made for taxation on a group basis (where applicable) after taking account of all available deductions and after deducting losses available to be carried forward from prior years.

Tax expense (if any) recognised in profit or loss comprises current tax not recognised in other comprehensive income or directly in equity.

4.8.2 Deferred tax

The Group does not recognise deferred tax which is a departure from NZ IAS 12 Income Taxes.

4.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4.9.1 Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

4.9.2 Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

4.10 Financial instruments

4.10.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

4.10.2 Classification and subsequent measurement of financial assets

For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables
- Available-for-Sale ("AFS") financial assets

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for credit losses. Discounting is omitted where the effect of discounting is immaterial. The Group's receivables fall into this category of financial instruments. Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

AFS financial assets

AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include investment in Ballance Agri Nutrients, Farmlands and Firstlight Wagyu (NZ) Limited.

All AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest is calculated using the effective interest method and dividends are recognised in profit or loss within investment income.

Financial liabilities

The Group's financial liabilities include trade and other payables.

4.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

4.12 Goods and services tax (GST)

All amounts in these financial statements are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

4.13 Property, plant and equipment

Land and buildings held for use are valued at the ratings valuations prepared by Landmass Technology Ltd. The ratings valuations are issued every three years. This valuation method is in compliance with section 276A(4) of Te Ture Whenua Maori Act 1993.

Any revaluation surplus arising upon appraisal of land and buildings is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land and buildings are recognised upon appraisal, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

Buildings, building fit out, furniture and fittings, office equipment and plant and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Committee of Management. These assets are subsequently measured using the cost model (cost less subsequent depreciation and impairment losses).

Depreciation is recognised on a diminishing value basis to write down the cost of the assets over their estimated useful lives. The following rates are applied:

- Buildings: 3% - 7.5%
- Building fit out: 0% - 48%
- Land improvements: 2% - 10%
- Office equipment: 20% - 50%
- Plant and equipment: 3% - 26.4%
- Motor vehicles: 13 – 36%

Land is not depreciated.
Material residual value estimates and estimates of useful lives are updated as required, or at least annually.

Gains or losses arising on the disposal of building fit out, furniture and fittings, office equipment and plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

4.14 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value.

Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

4.15 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

4.16 Accounting for biological assets

Biological assets are measured at fair value less cost to sell, as described in Note 7. Changes in fair value of biological assets are recognised in the statement of profit or loss.

Farming costs such as feeding, labour costs, pasture maintenance, veterinary services and sheering are expensed as incurred.

5. Critical judgements in applying accounting policies

When preparing the financial statements, the Committee of Management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

5.1 Estimation uncertainty

Impairment

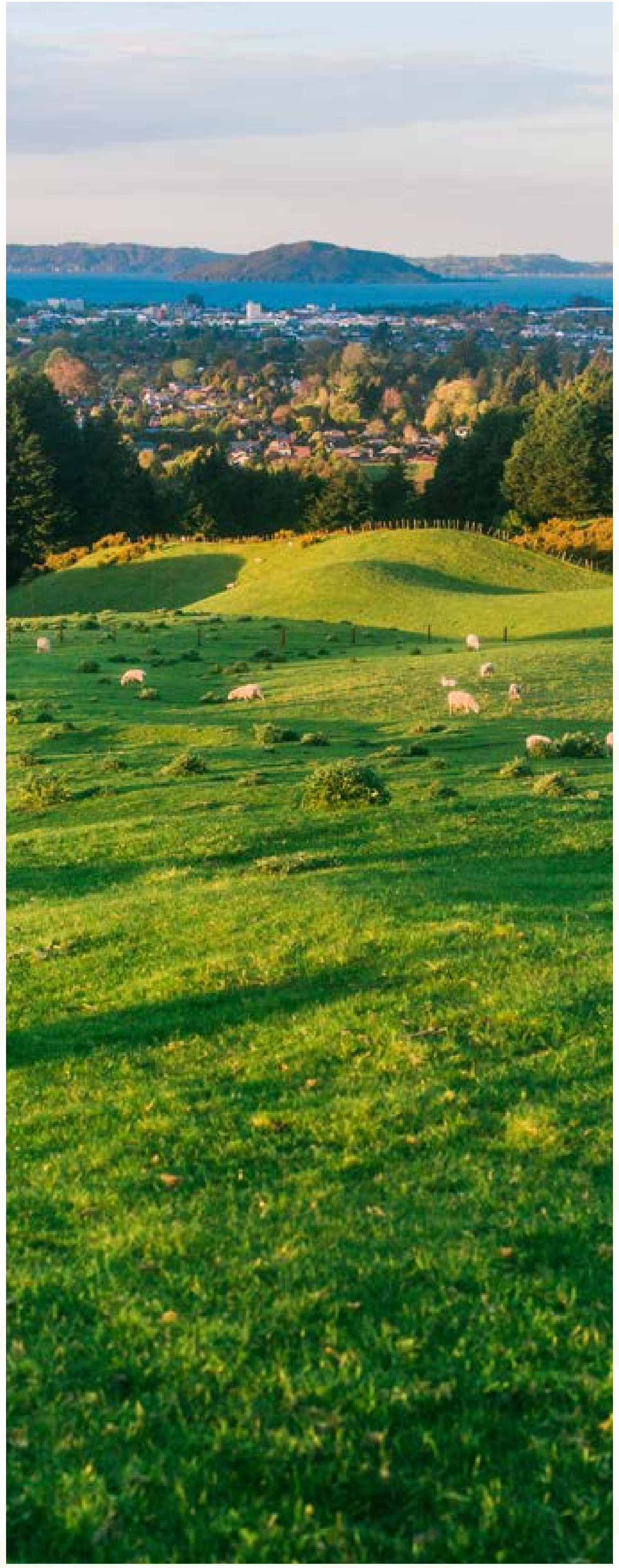
In assessing impairment, the Committee of Management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to the determination of suitable discount rate. The Group recognised no impairment of assets in 2018 (2017: $Nil)

Useful lives of depreciable assets

The Committee of Management reviews its estimates of useful lives of depreciable assets at each reporting date, based on the expected utility of assets.

6. Prior period adjustment

Land previously leased by the Group was inadvertently included within the corpus lands owned by the Group. A retrospective adjustment has been made to correct this.



7 Biological assets

Livestock

Livestock comprises sheep and beef cattle (livestock). The Group farms livestock for the sale of sheep, lambs and cattle. As at 30 June 2018 the Group had 1,668 beef cattle and 9,432 sheep (2017: 1,643 beef catte and 13,486 sheep).

	2018			2017		
	Beef	Sheep	Total	Beef	Sheep	Total
	$	$	$	$	$	$
Opening balance	1,725,373	1,785,712	**3,511,085**	1,358,757	1,467,096	**2,825,853**
Changes in fair value	(121,491)	(119,479)	**(240,970)**	366,616	318,616	**685,232**
Closing balance	**1,603,882**	**1,666,234**	**3,270,115**	**1,725,373**	**1,785,712**	**3,511,085**
Changes in fair value represented by:						
Sales	(1,696,317)	(2,216,305)	**(3,912,622)**	(1,586,815)	(1,352,200)	**(2,939,014)**
Purchases	793,568	173,968	**967,535**	976,869	139,857	**1,116,726**
Price changes	781,259	1,922,858	**2,704,117**	976,562	1,530,959	**2,507,521**
	(121,491)	**(119,479)**	**(240,970)**	**366,616**	**318,616**	**685,232**

The fair value of livestock is determined by independent valuations as at 30 June 2018. The independent livestock valuations were performed by PGG Wrightson, independent livestock agents.The independent valuation uses the quoted price in an active market as the appropriate basis for determining fair value. Where there is more than one active market that the company has access to, the most relevant market has been used.

Trees

The Group grows pinus radiata for harvest and sale. The Group holds approximately 275 plantable hectares of pinus radiata as at 30 June 2018 (2017: 414 ha).

	2018	2017
	$	$
Carrying amount at beginning of the year	1,903,736	1,709,245
Decrease in fair value due to harvesting	(326,344)	-
Increase in fair value due to price	1,129,670	194,491
Carrying amount at end of the year	**2,707,062**	**1,903,736**

The value of the trees excludes the value of land and land improvements thereon.

The valuation is based on a valuation report prepared by Prime Forest Management Ltd. Fair value movement is recognised in the profit or loss for the year. The forest valuation used methodology approved by the New Zealand Institute of Forestry, involving liquidation values for the mature stands to determine what the value of the forest would be if it were to be fully harvested in one day and compounded costs for the recently replanted stands. The valuation is based on the costs and revenues associated with the current crop.

	2018	2017
	$	$
Total biological assets	**5,977,177**	**5,414,821**

	Notes	2018	2017
		$	$
8 Other farm income			
Dairy grazers		304,097	359,571
Wool sales		156,994	149,218
Other farm income		44,811	36,650
Total Other farm income		**505,901**	**545,438**
9 Lease income			
Land leases	27	105,602	105,947
Broadcasting leases		162,258	195,988
Other commercial leases		148,661	153,285
Residential rent		47,100	45,000
Total Lease income		**463,621**	**500,220**
10 Investment income			
Interest received		3,074	2,764
Dividends received		2,101	-
Total Investment income		**5,175**	**2,764**
11 Other revenue			
Bay of Plenty Regional Council funding		25,000	-
MBIE funding		17,850	-
Te Puni Kokiri funding		56,000	-
Other revenue		32,882	21,706
Total Other revenue		**131,732**	**21,706**
12 Farm expenses			
Animal health		135,318	126,904
Feed purchases		179,456	191,434
Fertiliser & lime		213,689	216,355
Rates		109,948	121,692
Repairs & maintenance		200,921	101,458
Salaries and wages paid to employees		488,251	482,865
Vehicle expenses		77,207	60,537
Wool expenses		154,678	177,303
Other expenses		324,639	318,902
Total Farm expenses		**1,884,107**	**1,797,449**
13 Forestry expenses			
Harvesting		167,402	-
Insurance		10,905	12,643
Management fees		25,426	26,383
Silviculture and establishment - new forest		110,008	27,681
Other expenses		7,309	-
Total Forestry expenses		**321,049**	**66,707**

	Notes	2018	2017
		$	$
14 Administration expenses			
Accountancy fees		109,515	102,694
AGM and SGM expenses		19,819	31,598
Audit fees		15,200	16,900
Committee fees	30	67,500	57,750
Consultancy		133,867	71,693
Insurance		14,330	14,221
Management fees		-	65,169
Salaries and wages paid to employees		219,311	99,363
Other administration expenses		142,007	107,785
Total Administration expenses		**721,548**	**567,172**
15 Income tax expense			
Profit before income tax		**4,208,941**	**6,555,782**
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:			
Difference between accounting and tax value of livestock		(231,492)	(218,354)
Difference between accounting and tax depreciation		16,624	16,968
Change in fair value of trees		(803,326)	(194,491)
Change in fair value of investment properties		-	(4,155,061)
Other adjustments		(2,624,114)	75,520
Unutilised losses on wind up		354,735	354,735
Loss brought forward		(3,556,928)	(5,637,291)
		(6,844,501)	**(9,757,974)**
Assessable income		**(2,635,560)**	**(3,202,192)**

The taxation benefit of the losses will be available provided:
- The entities comply with conditions for offset imposed by the Income Tax Act 2007, and the amendments thereto;
- No change in taxation legislation adversely affects the entities in realising the taxation benefits of those losses; and
- The entities generate assessable income in the future, against which the losses can be offset.

Losses are subject to Inland Revenue Department Confirmation.

	Notes	2018	2017
16 Cash and cash equivalents			
Cash at bank - NZD		316,761	58,781
Petty cash		-	60
Total Cash and cash equivalents		**316,761**	**58,841**
Bank overdraft	26	-	(22,595)
Net cash and cash equivalents		**316,761**	**36,246**
17 Trade and other receivables			
Trade receivables		3,323,276	346,217
Prepayments		51,660	52,511
Total Trade and other receivables		**3,374,937**	**398,728**

Trade and other receivables more than 90 days overdue were $13,376 (2017: $3,860). There is no doubtful debt provision (2017: none) and the Group is not exposed to any other significant credit risk (2017: none).

18 Property, plant and equipment

Cost or valuation	Corpus land & improvements $	Buildings & building fit-out $	Motor vehicles $	Plant & equipment $	Office equipment $	Total $
Balance at 1 Jul 2016	**27,481,818**	**1,280,185**	**679,969**	**610,827**	**33,896**	**30,086,695**
Additions	27,600	4,155	29,113	18,683	10,926	**90,477**
Disposals	-	-	(17,673)	-	-	**(17,673)**
Balance at 30 Jun 2017	**27,509,418**	**1,284,340**	**691,409**	**629,510**	**44,822**	**30,159,499**
Additions	174,749	22,144	38,754	12,437	4,256	**252,340**
Disposals	-	(17,000)	(30,337)	-	-	**(47,337)**
Revaluation	(117,561)	-	-	-	-	**(117,561)**
Balance at 30 Jun 2018	**27,566,606**	**1,289,484**	**699,826**	**641,947**	**49,078**	**30,246,941**

Accumulated depreciation	Corpus land & improvements $	Buildings & building fit-out $	Motor vehicles $	Plant & equipment $	Office equipment $	Total $
Balance at 1 Jul 2016	**284,346**	**840,357**	**245,665**	**429,227**	**24,912**	**1,824,507**
Depreciation expense	14,551	23,066	67,172	20,366	7,465	**132,620**
Eliminated on disposal	-	-	(11,808)	-	-	**(11,808)**
Balance at 30 Jun 2017	**298,897**	**863,423**	**301,029**	**449,593**	**32,377**	**1,945,319**
Depreciation expense	14,369	26,919	52,667	19,974	6,227	**120,156**
Eliminated on disposal	-	(9,513)	(8,630)	-	-	**(18,143)**
Balance at 30 Jun 2018	**313,266**	**880,829**	**345,066**	**469,567**	**38,604**	**2,047,332**
Net book value at 30 Jun 2017	27,210,521	420,917	390,380	179,917	12,445	**28,214,178**
Net book value at 30 Jun 2018	**27,253,340**	**408,655**	**354,760**	**172,380**	**10,474**	**28,199,606**

Corpus land and improvements have been revalued to the latest Rating Valuations prepared by Landmass Technology Ltd. The latest valuation is dated 1 July 2014. Corpus land has been revalued to 30 June 2017.

The corpus land is classified as Maori freehold land as per Te Ture Whenua Maori Act 1993 and as such there is a restriction on the sale or disposal of this corpus land.

Leased assets

Motor vehicles includes the the following amounts where the Group is a lessee under a finance lease (refer to Note 23 for further detail).

Leasehold equipment	2018 $	2017 $
At cost	-	313,700
Accumulated depreciation	-	(85,491)
Net book amount	**-**	**228,209**

	Notes	2018 $	2017 $
19 Investment property			
Fair value			
Land - Brents Farm and Gee Road blocks, Rotorua		10,065,000	10,065,000
Commercial building - Henderson Road, Rotorua		849,999	849,999
		10,914,999	**10,914,999**
Balance at beginning of the year		10,914,999	6,759,938
Additions		-	-
Gain on property revaluation		-	4,155,061
Balance at end of the year		**10,914,999**	**10,914,999**

Land

Land has been recorded at its fair value at reporting date. Fair value has been determined by Telfer Young Limited, registered valuers, using current market values. The latest valuation is dated 30 June 2017.

Commercial building

Commercial building has been recorded at fair value plus capital expenditure incurred during the year. Fair value has been determined by Telfer Young Limited, registered valuers, using current market values. The latest valuation is dated 30 June 2017.

The most recent sales in the area and sales of comparable properties are used to assist in analysing the current market values.

20 Inventory	2018	2017
Land - Porikapa Road, Rotorua	2,800,000	2,800,000

Land has been recorded at its fair value at reporting date. Fair value has been determined by Telfer Young Limited, registered valuaers, using current market values. The latest valuation is dated 30 June 2017.

21 Available-for-sale financial assets	2018	2017
Listed shares		
Ballance Agri Nutrients	170,100	170,100
Farmlands	1,663	1,663
Total Listed shares	**171,763**	**171,763**
Unlisted shares		
Firstlight Wagyu (NZ) Limited shares	10,000	10,000
Total Unlisted shares	**10,000**	**10,000**
Total Available-for-sale financial assets	**181,763**	**181,763**

Fair value measurement - listed shares

The fair value of investments in equity securities accounted for as available for sale financial assets is determined by reference to the published market prices at the reporting date.

Fair value measurement - unlisted shares

The above unlisted shares are not traded in an active market but are classified as available-for sale financial assets and stated at cost at the end of each reporting period. The Committee of Management have reviewed the value of the above shares and believe it represents the fair value of the shares.

	Notes	2018	2017
		$	$

22 New Zealand Units

	Notes	2018	2017
Pre-1990 units			
13,800 New Zealand units at fair value		-	235,980
Post-1989 units			
41,080 (2017: 41,080) New Zealand units at fair value		866,788	702,468

During the 2012 year the Incorporation received 5,290 NZUs under New Zealand Emission Trading Scheme from the Ministry of Agriculture and Forestry. Further 8,510 NZUs were allocated in 2013, 34,963 in 2015 and 6,117 in 2016. The receipt of the NZUs was provided to compensate the Incorporation for restrictions on future land use that may affect the forestry land value. In September 2017 the Incorporation sold all its pre-1990 units.

The valuation is based on a valuation report prepared by Prime Forest Management Ltd dated 30 June 2018.

Post-1989 NZUs are not recognised in the Group's financial statements, rather, they are recorded at nominal amount as permitted by NZ IAS20 *Accounting for Government Grants and Disclosure of Government Assistance.*

23 Trade and other payables

	Notes	2018	2017
Trade payables		376,358	285,369
Other payables		44,034	38,656
Provision for lease surrender		100,000	100,000
Total Trade and other payables		**520,392**	**424,025**

Trade payables are unsecured and are usually paid within 30 days of recognition.

24 Deferred revenue

	Notes	2018	2017
Arising from lease income		165,840	130,612
Total Deferred revenue		**165,840**	**130,612**

The deferred revenue arises as a result of the land leases recognised in accordance with NZ IAS 17 *Leases*.

25 Finance leases

	Notes	2018	2017
Undiscounted minimum lease payments:			
No later than one year		-	53,190
Total Finance leases		**-**	**53,190**

The Group leased certain farming machinery under finance leases. The average lease term is three years (2017: three years). The Group has options to purchase the machinery for a nominal amount at the end of the lease terms. The Group's obligations under finance leases are secured by the lessor's title to the leased assets. The leases were fully repaid by the end of June 2018.

Interest rates underlying all obligations under finance leases are fixed at respective contract dates ranging from 1.9% to 3.9% (2017: 1.9% to 3.9%) per annum.

	Notes	2018	2017
		$	$

26 Borrowings

	Notes	2018	2017
Secured - at amortised cost			
Bank overdraft		-	22,595
Bank loan		3,431,466	3,976,846
Total Secured - at amortised cost		**3,431,466**	**3,999,441**

Summary of borrowing arrangements

Whakaue Farming Limited

At balance date, the Company had a $850,000 debt facility with Rabobank New Zealand (2017: $850,000). Debt facility is interest only and is repayable at maturity.

Whakaue Holdings Limited

At balance date, the Company had a $4,000,000 debt facility with Rabobank New Zealand (2017: $4,000,000). Debt facility is interest only and is repayable at maturity.
The loan balance of $3,431,466 at 30 June 2018 comprises $4,000,000 with start date 30 September 2014 and final maturity date 30 September 2029, less unused facility of $568,534 at interest rates fixed as follows.

$931,466 at 5.11% (rate maturity on 30 July 2018)
$1,000,000 at 6.51% (rate maturity on 7 Jan 2019)
$1,500,000 at 5.39% (rate maturity on 1 Mar 2019)

Assets pledged as security

The above debt facility is secured by a Registered First Security Agreement from the Whakaue Holdings Limited over all present and after-acquired property, plus a Registered First Mortgage for the amount of $3,500,000 from the Incorporation over Gee Road and Fairbank Road properties, a Registered First Mortgage from the Incorporation over Morey Street and Wharenui Road properties, a Registered First Mortgage from Whakaue Nominees Limited over 1 Porikapa Road property, and Registered First Security Agreements from the Incorporation, Whakaue Farming Limited, Whakaue Nominees Limited over all present and after-acquired property, plus Guarantees from the Incorporation, Whakaue Holdings Limited, Whakaue Farming Limited and Whakaue Nominees Limited.

27 Operating lease arrangements

The Group as a lessee

Leasing arrangements

Operating leases relate to:

1. Office lease for a period of five years commencing 1 September 2015. The annual lease payable is $19,000 (2017: $13,950).
2. Land lease for a period of 25 years commencing 1 August 2002. The annual lease payable is $36,500 (2017: $36,500).

	Notes	2018	2017
Payments recognised as an expense			
Total lease expense		64,204	50,450
Non-cancellable operating lease commitments			
Not later than 1 year		55,500	50,450
Later than 1 year and not later than 5 years		201,500	210,400
Later than 5 years		146,000	182,500
		403,000	**443,350**

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27 Operating lease arrangements - continued

The Group as a lessor

Leasing arrangements

Operating leases relate to:

1. Land sub-lease for a period of 25 years commencing 1 August 2002. The annual sub-lease payable is $36,500 (2017: $36,500).
2. Other operating leases with terms between 1 and 5 years.

Lease income earned by the Group is set out in Note 9.

	2018	2017
	$	$
Non-cancellable operating lease commitments		
Not later than 1 year	36,500	36,500
Later than 1 year and not later than 5 years	182,500	182,500
Later than 5 years	146,000	182,500
	365,000	**401,500**

28 Capital

	2018	2017
Number of shares on amalgamation of titles per Court Order	1,565,994	1,565,994
Shares purchased by the Incorporation to 30 June 1978 at par	(42,703)	(42,703)
Total Capital	**1,523,291**	**1,523,291**

29 Reserves

	2018	2017
Land & buildings revaluation reserve	25,333,538	25,451,099
Available-for-sale revaluation reserve	185,400	185,400
Intangible assets revaluation reserve	-	235,980
Other reserves	6,077,793	6,077,793
	31,596,731	**31,950,272**
Land & buildings revaluation reserve		
Balance at beginning of the year	25,451,099	25,451,099
Decrease from revaluation	(117,561)	-
Balance at end of the year	**25,333,538**	**25,451,099**
Available-for-sale revaluation reserve		
Balance at beginning of the year	185,400	185,400
Increase from revaluation	-	-
Balance at end of the year	**185,400**	**185,400**
Intangible assets revaluation reserve		
Balance at beginning of the year	235,980	247,020
Increase from revaluation	-	(11,040)
Transfer to Retained earnings on derecognition of asset	(235,980)	-
Balance at end of the year	**-**	**235,980**
Capital gains reserve		
Balance at beginning of the year	6,077,793	6,077,793
Balance at end of the year	**6,077,793**	**6,077,793**

30 Related parties

Transactions with related parties:	2018		2017	
	Revenue/ (Expense)	Receivables/ (Payables)	Revenue/ (Expense)	Receivables/ (Payables)
(a) Group entities	$	$	$	$
Ngati Whakaue Tribal Lands Educational Trust				
Related party advance	-	(92,305)	-	(119,135)

The amounts outstanding are unsecured and interest free. The directors have reviewed the balances owed at year end. No related party transactions have been forgiven or written off during the year (2017: $Nil).

	2018		2017	
	Revenue/ (Expense)	Receivables/ (Payables)	Revenue/ (Expense)	Receivables/ (Payables)
(b) Governance	$	$	$	$
Director and Committee of Management fees	(66,000)	-	(56,500)	(4,500)
Grants committee fees	(1,500)	-	(1,250)	-

	2018	2018	2017	2017
	Attendance	$	Attendance	$
J Aratema	-	-	1	500
M Heke	12	3,000	13	4,000
T Kingi	18	9,000	19	9,500
T Lloyd	20	10,000	5	2,500
K Rei	10	5,000	8	4,000
G Rolleston	22	11,000	21	10,500
D Thomas	19	9,500	21	10,500
T Tapsell	13	6,500	6	3,000
J Scott - grants committee	6	1,500	5	1,250
D Thomas - honorarium	-	6,000	-	6,000
T Kingi - honorarium	-	6,000	-	6,000
		67,500		**57,750**

T Lloyd is a partner at Deloitte Rotorua. During the year Deloitte Rotorua provided consultancy services to the Parent for the total value of $17,000.

T Tapsell and J Rolleston are trustees of Te Arawa Lakes Trust. During the year the Group leased a vehicle from Te Arawa Lakes Trust. Total lease paid was $8,400.

31 Contingent liabilities

Registered First Security Agreement

The subsidiaries of the Incorporation have entered into a $4,850,000 (2017: $4,850,000) debt facility with Rabobank New Zealand. Security arrangements are outlined in Note 26.

New Zealand Units

The Group has a future obligation to return the NZUs (refer to Note 22) if there is a change in land use and/or if the area is not replanted within four years of harvest. The financial effect of this obligation is not able to be quantified.

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32 Rotorua Lakes Incentive Scheme

During the year the Incorporation entered into an agreement with Bay of Plenty Regional Council (BOPRC) in respect of conversion of the land and consequent reduction in discharge of nitrogen resulting in the permanent reduction in the value of the land.

A total compensation of $3,372,000 is payable by BOPRC to the Incorporation. 80% or $2,697,600 was due prior to balance date. The remaining 20% ($674,400) is due upon additional obligations being met by the Incorporation, including full compliance with Nutrient Management Plan.

The agreement sets out the maximum Nitrogen Discharge Allocation (NDA) permitted to leach from the land. If the maximum NDA levels are exceeded, the Incorporation may be liable to pay a financial penalty to BOPRC.

The Committee of Management has a high level of confidence in meeting all requirements of the NDA through its current and future land use regime.

33 Commitments for expenditure

At the balance date there were no capital commitments (2017: at balance date there was a commitment to pay further $69,000 towards stockyard upgrade)

34 Events after the balance date

There have been no events subsequent to balance date that would have material impact on these financial statements.

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COMMITTEE OF MANAGEMENT


David Thomas
NWTL Chairman


Tanira Kingi
WFL Chairman


Terry Tapsell


Kiriwaitingi Rei


Matthew Heke


Tamarapa Lloyd


Geoffrey Rolleston

CORPORATE OFFICE:

Ray Morrison
General Manager

Kayla Christiansen
Executive Assistant

Audrey Herewini
Administrator

Accountant:
Glenn Hawkins & Associates

Auditor:
BDO

Bank:
Rabobank, Rotorua

Farm Consultants:
Perrin Ag

Forestry Manager:
Prime Forestry Management

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