

***Te Karaka 2E & Adjoining Blocks
Incorporated***

Annual Reports

&

Financial Statements

For the Year Ended 30 June 2018

Te Karaka 2E & Adjoining Blocks Incorporation

AGM 2020

INDEX

FOR THE YEAR ENDED 30 JUNE 2018

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Te Karaka 2E&Adjoining Blocks Incorporated.

Notice is hereby given that the annual general meeting of shareholders of the Te Karaka 2E & Adjoining Blocks Incorporated will be held at 739A State Highway 33, Okere Falls, RD4 Rotorua on Saturday 7th March 2020 commencing at 10.00am (registrations from 9.30am)

Business:

1. To receive the Annual Reports of the Committee, the Forestry Report and Financial Statements for the years ended 30 June 2006 - 2018.
2. The election of three (3) persons to fill vacancies in the Committee of Management. Fred Whata Jnr, Hakopa Paul and Sir Toby Curtis retire by rotation but Fred Whata Jnr, Hakopa Paul being eligible, offer themselves for re-election.
3. To appoint the Auditor. Messrs Dixon & Co are available for appointment.

Nomination forms are available from the Secretary's office Kusabs Lasike Ltd 1141 Pukaki Street, Rotorua during business hours or email admin@kll.co.nz or visit www.kll.co.nz. Forms must be returned no later than 5.00pm on Tuesday 3rd March 2020.

Notices of meeting will be sent to shareholders whose addresses are known.

Fred Whata
Trustee

MINUTES OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS OF TE KARAKA 2E & ADJOINING BLOCKS INCORPORATION HELD AT ROTORUA CONVENTION CENTRE, FENTON STREET, ROTORUA ON MONDAY 26th JUNE 2006 COMMENCED AT 1.00PM

Present: Mr Whetu Whata, Chairman and shareholders as per list.

Also Present: Mr Andrew M Kusabs (Secretary Accountant)

Prayers: Mr Toby Curtis.

Apology: John Carrol, Victor Whata, Horiata Curtis, Hare Paul, Rongo Te Pere Paul, Jackie Curtis.

Mihi Toby Curtis and Massey Ihaia.

Minutes: The minutes of the meeting of 6th April 1988 were confirmed as a true record of proceedings at that meeting.

Resolved T Curtis/F Whata Carried

“That the minutes of the meeting held on 6th April 1988 are hereby confirmed as a true record of proceedings at that meeting”

Committee of Management Report

The chairman read his report commenting as he went. He apologized for the delay in holding this meeting. The Incorporation receives the rent pays any expenses that arise and distributes the surplus so there is little need to have shareholder meetings.

Hancocks on behalf of the forest grantees Viking Timber Management had provided a written report on the forest.

He also raised the problem faced by the Incorporation’s auditors but stated that he would take advice from the secretary on whether we should seek audit services elsewhere.

It was important that we have an election and four written nominations had been received; those nominations were, Noble Curtis, Hakopa Paul, Fred Lindsay Whata and Fred Whetu Whata.

Matters Arising

Mr Curtis raised several matters

1. Urupa contributions from those families that have a connection to the Te Karaka Urupa.
2. Reappointment of the auditors. Leave this to the accountant
3. Attendances at meetings. Have a Picnic day on the property.

These comments opened up further discussion and the following decisions were made,

1. Only those families with internments should be asked to contribute to the Urupa maintenance.
2. The accountant to give direction on whether a change of auditor should be made.
3. New committee be authorised to look into holding a Picnic Day say November 2006.

Resolved: Fred Whata/T Curtis Carried

“That the Report of the Committee for the year ended 31 March 2005 as presented be received and approved”

It became clear that as the contract is for one rotation only the Incorporation should take steps to see if Viking wish to continue the relationship after the trees are harvested or if they don't to take steps either to,

1. Withhold payment of dividends to accumulate a fund to replant.
2. Find an alternative investor.

Electric Power Lines:

Trees are being removed from under power lines but no compensation is being paid to the landowners. The new committee would look into this.

Resolved H Paul/M Ihaia carried

“That the Hancock report be received”

The meeting closed with prayers at 2.45pm

Chairman:

Te Karaka 2E & Adjoining Blocks Incorporated

Report of the Committee of Management for the period ended 30 June 2018

It is my pleasure to welcome you all to this meeting of the Incorporation to report on what has taken place since we last met.

The committee would like to acknowledge the late Mr Whetu Whata, who was our chairperson for many years. His dedication to this Incorporation was second to none. He tirelessly looked for opportunities and where possible, he gave up his time for the benefit of the owners at no cost to the Incorporation. His dedication, expertise and experience will be sorely missed.

It has been many years since our last annual general meeting and we apologise for that but the committee has provided you with a summarised copy of the annual financial statements for each of the years when meetings have not been held together. The Secretary will speak to the Trust's financial affairs shortly.

Tasman Forestry Ltd Forestry Rights

You may recall that the Incorporation signed an agreement granting a forestry right to Tasman Forestry Ltd over the Incorporation's lands for a 35 year term from 1 August 1987. In return, the Incorporation was receiving an annual rent of \$11,644.00. The rent was reviewed 5 yearly. When the agreement expired in August 2014 the rent was \$22,536.

In May 2012 the Committee was advised by PF Olsen Ltd about their intention to commence harvesting the forest. The owner of the forest right at time was Viking Global NZ Ltd. Newton Logging and H & R Logging Ltd were assigned the harvesting contract. H & R Logging was owned & operated by Mr & Mrs Hubbard who are of Ngati Pikiao decent. A number of the workers were either owners or descendants of owners in the Incorporation.

Mr Shane Perrett of Prime Forest Management Ltd was engaged by the Committee in March 2014 to ensure Viking Global Ltd fulfilled their responsibilities in respect of the agreement prior to the handing back of the land. In August 2014 the Committee was satisfied that the land was left *"in a condition suitable for the planting of trees."* The Committee allowed the agreement to expire on 19 August 2014.

New Investment

In June 2013 the Committee engaged Professor JP Praat of Ground Truth and Mr Perrett to advise the Committee on land use options. Those options include:

1. Replanting Radiata Pine
2. Finishing Pasture
3. Finishing & Breeding Pasture

Both reports suggested replanting was the best option. However, the Incorporation did not have the financial means for this. An investor or investors were required. So in July 2014 a forestry right agreement between the Incorporation and the Mangorewa Kaharoa Te Tautama Trust Whata Limited Partnership was signed. The Incorporation's business partner is responsible for ALL costs. Furthermore, the Incorporation is entitled to 40% of the stumpage return after costs. Consequently, the Incorporation is not getting rental income as per the previous agreement.

The Incorporation's legal advisor in this instance was Helen Nathan of East Brewster (now Morrison Kent).

Election of Committee Members

We are going to elect three (3) persons to fill vacancies in the Committee of Management. Fred Whata Jnr, Hakopa Paul and Sir Toby Curtis retire by rotation but Fred Whata Jnr and Hakopa Paul (being eligible) offer themselves for re-election.

Appointment of Auditor

We have been using BDO Rotorua Ltd as auditors. However, they have had major staff changes that have caused delays in completing audits in a timely manner. So today we are recommending the appointment of Dixon & Co as auditors.

I would like to thank you all for attending this meeting.

Committee

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEARS ENDED 30 June 2006 to 2018

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|--|----------------|----------------|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Income | | | | | | | | | | | | | |
| Rent | - | - | - | 1,878 | 22,536 | 22,351 | 20,314 | 20,314 | 20,332 | 20,530 | 20,404 | 19,023 | 19,023 |
| Interest Received | 4,887 | 4,628 | 5,092 | 5,749 | 5,089 | 5,175 | 5,346 | 5,312 | 3,452 | 4,951 | 3,804 | 2,202 | 2,163 |
| Access Fees | - | - | - | - | - | 0 | 0 | 0 | 15,000 | 0 | 0 | 0 | 0 |
| Total Income | 4,887 | 4,628 | 5,092 | 7,627 | 27,625 | 27,526 | 25,660 | 25,626 | 38,784 | 25,481 | 24,208 | 21,225 | 21,187 |
| Less Expenses: | | | | | | | | | | | | | |
| Accountancy Fees | 1,852 | 2,050 | 4,704 | 12,686 | 5,450 | 4,956 | 3,751 | 2,884 | 2,008 | 1,428 | 3,426 | 2,831 | 2,028 |
| Advert | - | - | - | - | - | - | - | - | - | - | - | 413 | - |
| Audit Fees | 1,265 | 1,438 | 1,265 | 1,265 | 1,265 | 1,265 | 1,265 | 1,150 | 1,013 | 2,081 | 0 | 1,575 | 1,575 |
| AGM Expenses | - | - | - | - | - | - | - | - | - | - | - | - | 132 |
| Bank Fees & Charges | 154 | 160 | 126 | 119 | 114 | 114 | 32 | 127 | 115 | 117 | 90 | 77 | 72 |
| Forestry Expenses | - | - | - | 1,099 | 752 | 4,302 | 788 | - | - | - | - | 422 | - |
| Interest | - | - | - | - | - | 13 | 270 | - | - | - | - | - | - |
| Postage & Stationery | - | 7 | 54 | 44 | 48 | - | 15 | 15 | 20 | 45 | 342 | - | 150 |
| Share Register Maintenance | - | - | 585 | 123 | 818 | - | - | 587 | 259 | 159 | 1,068 | 340 | 1,132 |
| Legal Fees | - | - | 5,000 | 1,779 | - | - | - | - | - | - | - | - | - |
| Trustee Fees | - | - | - | 2,700 | - | - | - | - | - | - | - | - | - |
| Total Expenses | 3,271 | 3,655 | 11,734 | 19,814 | 8,447 | 10,649 | 6,122 | 4,763 | 3,414 | 3,830 | 4,926 | 5,658 | 5,089 |
| Surplus/(Deficit) before tax | 1,616 | 973 | (6,642) | (12,187) | 19,178 | 16,877 | 19,539 | 20,863 | 35,370 | 21,651 | 19,283 | 15,567 | 16,098 |
| Taxation | (1) | - | - | - | 3,356 | 2,953 | 3,419 | 4,068 | 6,897 | 4,222 | 3,760 | 3,036 | 3,139 |
| Non Deductible Expenses | - | - | 500 | 27 | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) after tax & N/D Exp | 1,617 | 973 | (7,142) | (12,214) | 15,822 | 13,924 | 16,119 | 16,795 | 28,473 | 17,429 | 15,523 | 12,531 | 12,959 |
| Equity at the beginning of year | 617,701 | 616,728 | 623,870 | 631,084 | 615,262 | 601,338 | 561,219 | 544,424 | 515,951 | 465,522 | 449,999 | 364,468 | 351,509 |
| Asset Revaluation & Improvements | 89,000 | - | - | 5,000 | - | - | 24,000 | - | - | 33,000 | - | 73,000 | - |
| Tax Adjustments | - | - | - | - | - | - | - | - | - | 1 | - | - | - |
| TRUST EQUITY AT END OF THE YEAR | 708,318 | 617,701 | 616,728 | 623,870 | 631,084 | 615,262 | 601,338 | 561,219 | 544,424 | 515,951 | 465,522 | 449,999 | 364,468 |

Te Karaka 2E Adjoining Blocks Incorporated
PO BOX 441
ROTORUA

STATEMENT OF FINANCIAL POSITION
AS AT YEAR ENDED 30 JUNE 2006 to 2018

| | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 |
|-----------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| CURRENT ASSETS | | | | | | | | | | | | | |
| Cash at bank | 7,957 | 6,854 | 11,896 | 12,877 | 44,210 | 27,759 | 12,632 | 5,210 | 33,239 | 2,138 | 16,428 | 34,996 | 7,919 |
| Receivables | 3,134 | 3,048 | 3,891 | 8,548 | 2,531 | 2,306 | 2,581 | 2,363 | 602 | 3,072 | 3,531 | 2,556 | 1,438 |
| Investments | 154,753 | 151,168 | 147,423 | 143,920 | 139,915 | 136,657 | 133,108 | 129,575 | 87,734 | 85,682 | 52,393 | 22,324 | 39,147 |
| Total Current Assets | 165,844 | 161,070 | 163,210 | 165,345 | 186,657 | 166,721 | 148,321 | 137,149 | 121,576 | 90,892 | 72,352 | 59,876 | 48,504 |
| NON-CURRENT ASSETS | | | | | | | | | | | | | |
| Fixed Assets | | | | | | | | | | | | | |
| Freehold Land | 564,000 | 475,000 | 475,000 | 470,000 | 470,000 | 470,000 | 470,000 | 446,000 | 446,000 | 446,000 | 413,000 | 413,000 | 340,000 |
| Receivables | 3,091 | 3,092 | 3,091 | 3,091 | 3,091 | 3,091 | 3,091 | 3,091 | 1,091 | 1,091 | 1,091 | 1,091 | 91 |
| Total Non Current Assets | 567,091 | 478,092 | 478,091 | 478,091 | 473,091 | 473,091 | 473,091 | 449,091 | 447,091 | 447,091 | 414,091 | 414,091 | 340,091 |
| TOTAL ASSETS | 732,935 | 639,162 | 641,301 | 643,436 | 659,748 | 639,813 | 621,412 | 586,240 | 568,667 | 537,983 | 486,444 | 473,967 | 388,596 |
| CURRENT LIABILITIES | | | | | | | | | | | | | |
| Creditors & Borrowings | | | | | | | | | | | | | |
| Rent Received in Advance | - | - | - | - | 1,878 | 1,878 | 1,693 | 1,693 | 1,693 | 1,711 | 1,711 | 1,585 | 1,585 |
| Accounts Payable | 6,650 | 3,494 | 6,607 | 1,600 | 7,068 | 4,302 | - | 4,075 | - | 1,110 | - | 3,172 | 3,331 |
| Unclaimed Dividends | 17,967 | 17,967 | 17,967 | 17,967 | 17,967 | 18,215 | 18,381 | 18,381 | 19,211 | 19,211 | 19,211 | 19,211 | 19,211 |
| Provision for Taxation | - | - | - | - | 1,751 | 156 | - | 872 | 3,339 | - | - | - | - |
| Total Current Liabilities | 24,617 | 21,461 | 24,574 | 19,567 | 28,664 | 24,551 | 20,074 | 25,021 | 24,243 | 22,032 | 20,922 | 23,968 | 24,128 |
| NET ASSETS | 708,318 | 617,701 | 616,727 | 623,870 | 631,084 | 615,262 | 601,338 | 561,219 | 544,424 | 515,951 | 465,522 | 449,999 | 364,468 |
| TRUST FUNDS | | | | | | | | | | | | | |
| Beneficiaries Equity | 708,318 | 617,701 | 616,727 | 623,870 | 631,084 | 615,262 | 601,338 | 561,219 | 544,424 | 515,951 | 465,522 | 449,999 | 364,468 |
| TOTAL TRUST EQUITY | 708,318 | 617,701 | 616,727 | 623,870 | 631,084 | 615,262 | 601,338 | 561,219 | 544,424 | 515,951 | 465,522 | 449,999 | 364,468 |

Te Karaka 2E Adjoining Blocks Incorporated

PO BOX 441

ROTORUA

STATEMENT OF FINANCIAL POSITION

AS AT YEAR ENDED 31 MARCH 2014 to 2016

| | 2016 | 2015 | 2014 |
|---|---------|---------|---------|
| | \$ | \$ | \$ |
| CURRENT ASSETS | | | |
| Cash | | | |
| BNZ - Cheque Account | 10,345 | 3,272 | 2,005 |
| BNZ - Call Account | 399 | 393 | 9,764 |
| Total Cash on Hand | 10,744 | 3,665 | 11,769 |
| Receivables | | | |
| Accrued Income | 27 | 46 | 26 |
| Tax Refund | 184 | 845 | 435 |
| Goods & Services Tax | 621 | 884 | 818 |
| Total Receivable | 832 | 1,775 | 1,279 |
| Investments | | | |
| BNZ - Term Deposits | 16,982 | 31,223 | 30,394 |
| Total Investments | 16,982 | 31,223 | 30,394 |
| Other | | | |
| Shareholders' Current Accounts | - | - | - |
| Total Current Assets | 28,558 | 36,663 | 43,442 |
| NON-CURRENT ASSETS | | | |
| Fixed Assets | | | |
| Freehold Land | 741,665 | 741,824 | 838,762 |
| Office Equipment | - | - | - |
| Total Fixed Assets | 741,665 | 741,824 | 838,762 |
| TOTAL ASSETS | 770,223 | 778,487 | 882,204 |
| CURRENT LIABILITIES | | | |
| Creditors & Borrowings | | | |
| Rental Received in Advance | - | - | - |
| Grazing in Advance | - | - | - |
| MRP Access Fee in Advance | 0 | 0 | - |
| Accounts Payable | 3,661 | 5,750 | 5,280 |
| Unclaimed Dividends | 46,331 | 46,331 | 46,331 |
| Goods & Services Tax | - | 0 | - |
| Provision for Taxation | - | - | - |
| Total Creditors & Borrowings | 49,992 | 52,081 | 51,611 |
| Total Current Liabilities | 49,992 | 52,081 | 51,611 |
| Total Liabilities | 49,992 | 52,081 | 51,611 |
| NET ASSETS | 720,231 | 726,406 | 830,593 |
| TRUST FUNDS | | | |
| Beneficiaries Equity | 708,318 | 617,701 | 616,728 |
| TOTAL TRUST EQUITY | 708,318 | 617,701 | 616,728 |

Te Karaka 2E & Adjoining Blocks Incorporated

FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Te Karaka 2E & Adjoining Blocks Incorporated

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FOR THE YEAR ENDED 30 JUNE 2018

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KUSABS LASIKE LTD
Chartered Accountants
Rotorua

Te Karaka 2E & Adjoining Blocks Incorporated

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE, 2018

| | Note | 2018 \$ | 2017 \$ |
|--|------|---------------------|-------------------|
| Income | | | |
| Non Trading Income | | | |
| Interest Received | | 4,887 | 4,628 |
| Total Income before Expenses | | 4,887 | 4,628 |
| Administration Expenses | | | |
| Accountancy Fees | | 1,852 | 2,050 |
| Audit Fee | | 1,265 | 1,438 |
| Bank Fees & Charges | | 154 | 160 |
| Postage & Stationery | | - | 7 |
| Total Expenses | | <u>3,271</u> | <u>3,655</u> |
| <u>Taxable Profit/(Loss) for the Year</u> | | 1,616 | 973 |
| Non Assessable Income | | | |
| Overprovision Prior Years Tax | | <u>1</u> | <u>-</u> |
| Total Non Assessable Income | | <u>1</u> | <u>-</u> |
| Net Profit/(Loss) for the year | | <u><u>1,617</u></u> | <u><u>973</u></u> |

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

Te Karaka 2E & Adjoining Blocks Incorporated

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2018

| | 2018 | 2017 |
|--|-----------------------|-----------------------|
| | \$ | \$ |
| EQUITY/(DEFICIT) AT BEGINNING OF THE YEAR | <u>617,701</u> | <u>616,727</u> |
| SURPLUS/DEFICIT AND REVALUATIONS | | |
| Net Surplus/(Deficit) for the period | 1,617 | 973 |
| Asset Revaluation Reserve | <u>89,000</u> | <u>-</u> |
| Total recognised revenues and expenses for the period | <u>90,617</u> | <u>973</u> |
| EQUITY/(DEFICIT) AT END OF THE YEAR | <u><u>708,318</u></u> | <u><u>617,701</u></u> |

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

Te Karaka 2E & Adjoining Blocks Incorporated

BALANCE SHEET

AS AT 30 JUNE 2018

| | Note | 2018 \$ | 2017 \$ |
|--|------|----------------|----------------|
| CURRENT ASSETS | | | |
| Cash | | | |
| ANZ Bank | | 7,957 | 6,854 |
| Receivables | | | |
| Accrued Interest | | 2,208 | 1,833 |
| Tax Refund Due | 3 | 926 | 1,215 |
| | | 3,134 | 3,048 |
| Investments | | | |
| BNZ Term Investment - 01 | | 31,300 | 30,709 |
| ANZ Bank - Term Deposit #1000 | | 31,831 | 30,986 |
| ANZ Bank - Term Deposit #1001 | | 33,496 | 32,749 |
| ANZ Bank - Term Deposit #1002 | | 34,124 | 33,228 |
| ANZ Bank - Term Deposit #1003 | | 24,002 | 23,496 |
| | | 154,753 | 151,168 |
| Total Current Assets | | 165,844 | 161,070 |
| NON-CURRENT ASSETS | | | |
| Property, Plant & Equipment | 2 | | |
| Land & Improvements | | 564,000 | 475,000 |
| Receivables | | | |
| H Paul - Loan | | 91 | 92 |
| V Whata - Loan | | 1,000 | 1,000 |
| F Whata - Loan | | 2,000 | 2,000 |
| | | 3,091 | 3,092 |
| Total Non-Current Assets | | 567,091 | 478,092 |
| Total Assets | | 732,935 | 639,162 |
| CURRENT LIABILITIES | | | |
| Creditors and Borrowings | | | |
| Accounts Payable | | 6,650 | 3,494 |
| Unclaimed Dividends | | 17,967 | 17,967 |
| | | 24,617 | 21,461 |
| Total Current Liabilities | | 24,617 | 21,461 |

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

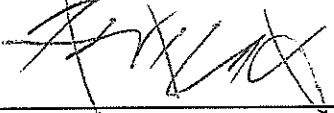
Te Karaka 2E & Adjoining Blocks Incorporated

BALANCE SHEET

AS AT 30 JUNE 2018 (continued)

| | Note | 2018 \$ | 2017 \$ |
|---------------------------------|------|----------------|----------------|
| <u>Total Liabilities</u> | | <u>24,617</u> | <u>21,461</u> |
| <u>Net Assets</u> | | <u>708,318</u> | <u>617,701</u> |
| TRUST FUNDS | | | |
| Beneficiaries Equity | 4 | <u>708,318</u> | <u>617,701</u> |
| <u>Trust Equity</u> | | <u>708,318</u> | <u>617,701</u> |

For and on behalf of the Committee of Management, which authorised the financial statements for issue on:

_____ Date


Committee Member

_____ Committee Member

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

Te Karaka 2E & Adjoining Blocks Incorporated

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2018

1. Statement of Accounting Policies

These are the special purpose financial statements for Te Karaka 2E & Adjoining Blocks Incorporated.

Entity Reporting

The Incorporation is formed pursuant to Section 247 of Te Ture Whenua Maori Land Act 1993.

The principal activity of the Incorporation is Land Owners with a forestry right arrangement.

Measurement Base

These financial statements are special purpose and have been prepared for taxation purposes and for the Shareholders/Owners.

The accounting policies adopted and detailed under the specific accounting policies are not in conformity with generally accepted accounting practice. Accordingly, the financial statements should only be relied on for the expressly stated purpose.

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis have been used, with the exception of certain items for which specific accounting policies have been identified. The special purpose financial statements have been prepared on an accrual basis.

These financial statements have been prepared in New Zealand Dollars.

Changes in Accounting Policies

There have been no changes in Accounting Policies. All policies have been applied on bases consistent with those used in previous years.

Specific Accounting Policies

In preparation of these financial statements, the specific accounting policies are as follows:

(a) Accounts Receivable

Accounts Receivable are stated at their anticipated realisable value. Bad debts are written off during the year as they are identified, with appropriate adjustment being made as at balance date for any doubtful debts that may exist.

(b) Income Tax

Provision has been made for taxation (where appropriate) after taking into consideration all deductions that are available. No provision has been made for deferred taxation.

(c) Investments

Investments are stated at the lower of cost or net realisable value.

Te Karaka 2E & Adjoining Blocks Incorporated

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2018

(d) Property

Property is stated at cost (unless otherwise noted below) less aggregate depreciation. Land is revalued to the latest Rating Valuation dated 01 July 2017. The rating valuation is issued every three years .

(e) Goods and Services Tax (GST)

These financial statements have been prepared on a GST inclusive basis because the entity is not registered for GST purposes.

(f) Cash and Cash Equivalents

Cash and cash equivalents include bank balances, deposits held with banks and bank overdrafts. The carrying amount of cash and cash equivalents represent fair value.

(g) Revenue

Interest income is recognised as income in the period it is earned.

2. Property, Plant & Equipment

| | Cost/ Valn | Current Year Depn | Accum Depn | Net Book Val 2018 |
|---------------------|---------------|----------------------|---------------|----------------------|
| Land & Improvements | 564,000 | - | - | 564,000 |
| | 564,000 | - | - | 564,000 |
| | | | | |
| | Cost/ Valn | Current Year Depn | Accum Depn | Net Book Val 2017 |
| Land & Improvements | 475,000 | - | - | 475,000 |
| | 475,000 | - | - | 475,000 |

The Incorporations land is Maori Freehold and is subject to applicable restrictions on disposal.

Te Karaka 2E & Adjoining Blocks Incorporated

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2018

3. Taxation

| | 2018 | 2017 |
|--|-------------|-------------|
| Surplus (Deficit) for the year | 1,616.32 | 973.43 |
| Plus Add back Timing Difference | (1,437.50) | 1,437.50 |
| | 178.82 | 2,410.93 |
| Less Tax Losses Brought Forward | (16,418.79) | (18,829.72) |
| Tax Loss | (16,239.97) | (16,418.79) |
| Taxation charge @ 17.5% | Nil | Nil |
| | (16,239.97) | (16,418.79) |
| Tax Losses available to be Carried Forward | | |
| <u>Tax Paid/(Refunded)</u> | 926.42 | 1,215.24 |
| Resident Withholding Tax Paid | | |
| | (926.42) | (1,215.24) |

These losses to be carried forward are subject to Inland Revenue approval. The taxation benefits of

The Incorporation complies with conditions for offset imposed by the Income Tax Act 2007 and amendments thereto

No Change in taxation legislation adversely affects the Incorporation in realising the taxation benefits of those losses, and

The Incorporation generates assessable income in the future, against which the losses can be offset.

Maori Authority Credit Account (MACA)

| | 2018 | 2017 |
|-------------------------------|-------------|-------------|
| | \$ | \$ |
| Opening Balance @ 01/07/2017 | 39,184.84 | 39,694.74 |
| RWT Paid on Interest | 832.31 | 1,017.50 |
| Tax Refunds | (1,216.32) | (1,725.18) |
| | 38,800.83 | 38,987.10 |
| Claosing Balance @ 31/03/2018 | 94.11 | 197.74 |
| RWT Paid on interest | | |
| Closing Balance @ 30/06/2018 | 38,894.94 | 39,184.84 |

4. Beneficiaries Equity

| | 2018 | 2017 |
|-----------------------------------|-------------|-------------|
| Original Capital | 20,519.48 | 20,519.48 |
| Retained Earnings (Post 2004) (1) | 143,264.61 | 141,647.21 |
| Unrealised Reserves (2) | | |
| Current Year Revaluation | 544,534.00 | 455,534.00 |
| | 708,318.09 | 617,700.69 |

Te Karaka 2E & Adjoining Blocks Incorporated

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2018

| | | |
|--|------------|------------|
| (1) Retained Earnings (Post 2004) | | |
| Opening Balance | 141,647.21 | 140,673.78 |
| Net Surplus/(Deficit) for Year | 1,617.40 | 973.43 |
| Closing Balance | 143,264.61 | 141,647.21 |
| | | |
| (2) Unrealised Reserves | | |
| Opening Balance | 455,534.00 | 455,534.00 |
| Current Year Revaluation | 89,000.00 | - |
| Closing Balance | 544,534.00 | 455,534.00 |

5. Asset Revaluation Reserve - Land and Buildings

The Net Book Value of Land and Buildings have been revalued to the current Quotable Value NZ rating valuation dated 1 July,2017. The difference has been credited to the Asset Revaluation Reserve - Land and Buildings Accounts.

| | |
|--|---------------------|
| | 2017 |
| | Net Book Val |
| Land @ Cost | 19,466 |
| Asset Revaluation Reserve | 544,534 |
| | 564,000 |
| | |
| This is Represented By: | |
| <u>Ratings Valuation at 1 July, 2017</u> | |
| Land - 06961-322.08 | 526,000 |
| Improvements | 38,000 |
| | 564,000 |

7. Forestry Right

In July 2014 the Incorporation entered into a Memorandum of Transfer and Grant of Forestry Right with MKTT Whata LP. The Grantee will pay rates, insurance, management fees and other outgoings over the crop rotation.

The Grantee will pay the Grantor the greater of:

- A) Net Stumpage value or
- B) 35% of Gross Stumpage Value within 10 days of receiving full wood sale value of the forest produce after clear felling. No harvesting took place in this current year.

Te Karaka 2E & Adjoining Blocks Incorporated

NOTES TO THE SPECIAL PURPOSE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE, 2018

8. Related Party Transactions

Balances receivable from shareholders H Paul, F Whata and V Whata are unsecured and interest free and will be repaid from Trustee Fees and dividends declared.

Fred Whata Jnr is a committee member and also a shareholder in Te Karaka Forests Ltd. Te Karaka Forests Ltd is a partner of MKTT Whata LP.

There were no related party transactions during the year.

9. Contingent Liabilities & Guarantees

There were no contingent liabilities or guarantees as at balance date.

2017
(Nil)

10. Capital & Lease Expenditure Commitments

There were no commitments for expenditure at year end.

2017
(Nil)

11. Events Occurring Subsequent to Balance Date

There have been no events subsequent to balance date that would have materially affected the financial position of the Trust or the figures contained within these financial statements.

2017
(Nil)

**INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF TE KARAKA 2E & ADJOINING BLOCKS INCORPORATED**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Te Karaka 2E & Adjoining Blocks Incorporated ("the Incorporation"), which comprise the balance sheet as at 30 June 2018, and the statement of profit or loss, the statement of changes in equity 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 Incorporation for the year ended 30 June 2018 are prepared, in all material respects, in accordance with the accounting policies specified in Note 1 of 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 Incorporation 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 Incorporation.

Emphasis of Matter - Basis of Accounting and Restriction on Distribution and Use

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared solely for the Incorporation's shareholders, as a body and for taxation purposes. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Incorporation and the Incorporation's shareholders, as a body, and the Inland Revenue, and should not be distributed to or used by parties other than the Incorporation or the Incorporation's shareholders. Our opinion is not modified in respect of this matter.

Committee of Management 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 1 of 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 Incorporation'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 Incorporation 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Incorporation'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 Incorporation'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 Incorporation 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.

Report on Other Legal and Regulatory Requirements

Who we Report to

This report is made solely to the Incorporation'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 Incorporation and the Incorporation's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.



BDO Rotorua Limited
Rotorua
New Zealand
2 July 2019

NOMINATION FORM

MEMBER OF COMMITTEE OF MANAGEMENT

In the matter of the Annual General Meeting of the Shareholders of the Te Karaka 2E & Adjoining Blocks Incorporated to be held on Saturday 7 March 2020 commencing at 10.00 am.

I PAREHUATAHI POLLY WHATA - JONES (Nominator) being a person, whose name is entered on the Share Register as a Shareholder in the said Incorporation, DO HEREBY NOMINATE:

NAME (Nominee) IVOR RICHARD KARAKA ATEREA JONES
ADDRESS: 17^A HANAIA RD, RD1, TIROHANGA OPAKI
OCCUPATION: SELF-EMPLOYED IT CONSULTANT

as a member of the Committee of Management for Te Karaka 2E & Adjoining Blocks Incorporated

Signed: P. Whata-Jones

Address: 741 SH33 RD4 OKERE FALLS ROTORUA

I, IVOR JONES (Nominee) hereby accept the above nomination.

Signed: [Signature]

Dated the 2 day of March 2020

Note: Nominations for the Committee must be lodged no later than 3 clear business days before the date fixed for the meeting, being before 5.00 p.m. Tuesday 3 March 2020.

| | |
|--------------------------|--|
| For Office Use: | |
| RECEIVED BY: <u>LR</u> | |
| Date: <u>02/MAR 2020</u> | |
| Time: <u>3.40 pm</u> | |

NOMINATION FORM

MEMBER OF COMMITTEE OF MANAGEMENT

In the matter of the Annual General Meeting of the Shareholders of the Te Karaka 2E & Adjoining Blocks Incorporated to be held on Saturday 7 March 2020 commencing at 10.00 am.

I PAREHUATAHI POLLY WHATA-JONES (Nominator) being a person, whose name is entered on the Share Register as a Shareholder in the said Incorporation, DO HEREBY NOMINATE:

NAME (Nominee) PETER HAIMONA MANUARIKI JONES

ADDRESS: NO. 4 KIMIORA CLOSE FAIRVIEW DOWNS
HAMILTON

OCCUPATION: IT ENGINEER.

as a member of the Committee of Management for Te Karaka 2E & Adjoining Blocks Incorporated

Signed: P. Whata-Jones

Address: 1741 SH33 RD4 OKERE FALLS ROTOHUA.

I, Peter Haimona Manuariki Jones (Nominee) hereby accept the above nomination.

Signed: Jones

Dated the 1st day of March 2020

Note: Nominations for the Committee must be lodged no later than 3 clear business days before the date fixed for the meeting, being before 5.00 p.m. Tuesday 3 March 2020.

| |
|--------------------------|
| For Office Use: |
| RECEIVED BY: <u>W.L.</u> |
| Date: <u>02 MAR 2020</u> |
| Time: <u>3.40 pm</u> |