Ngāti Whātua Ōrākei Trust

Financial Statements

For the Year Ended 30 June 2021

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TRUST DIRECTORY

For the Year Ended 30 June 2021

Trustee	Ngāti Whātua Ōrākei Trustee Limited
Directors and Shareholders of Trustee	Brenda Christiansen Joann Precious Clark Marama Royal Matthew Rua (Ceased 19 December 2020) Ngarimu Blair Renata Blair Sharon Hawke Dwayne Maihi Julia Steenson William Davis (Appointed 26 February 2021)
Chair	Marama Royal
Registered Office	13 Dockside Lane Auckland 1010 New Zealand
Solicitors	Chapman Tripp 23 Albert Street Auckland
Auditors	Ernst & Young Auckland New Zealand

ANNUAL REPORT

The Trustee hereby presents its Report including Financial Statements of the Group for the year ended 30 June 2021.

For and on behalf of Trustee:

Director: ______________________

Director: ______________________

Date: 29 October 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Notes	2021 $	2020 $
Revenue			
Interest and Dividend Revenue		431,324	553,684
Property Rental Revenue	4	44,935,224	44,920,603
Retirement Village Revenue		4,361,679	4,689,332
Property Sales	4	14,261,304	-
Consulting Revenue	4	3,147,210	3,545,144
Government Revenue	4	5,511,997	3,247,659
Events Revenue		40,884	76,686
Other	4	720,516	830,164
Total Revenue		**73,410,138**	**57,863,272**
Expenses			
Employee Benefits Expense	5	12,094,849	9,658,140
Governance	5	1,163,498	1,170,738
Finance Costs	5	7,270,848	7,751,323
Grants and Programmes	5	9,231,567	7,181,206
Retirement Village Service Expense		2,207,657	1,709,039
Professional Fees	5	7,621,051	5,471,417
Rental Property Expense		6,798,800	6,945,650
Other Expenses	5	5,634,426	5,387,953
Depreciation and Amortisation Expense		1,043,706	948,720
Cost of Sales - Property		14,794,689	-
Event Expenses		118,578	193,205
Investment Property - Work in Progress Write Off		-	27,441
Total Expenses		**67,979,669**	**46,444,832**
Net Profit before taxation and fair value adjustments		**5,430,469**	**11,418,440**
Share of Profit in Associates	8	2,394,593	5,090,845
Gain on Revaluation of Investment Property	9	243,725,160	43,053,132
Unrealised Net Gain/(Loss) on Financial Instruments		3,023,137	(1,121,716)
Net Profit before taxation		**254,573,359**	**58,440,701**
Income Tax Expense	10	3,381,829	3,173,024
Total Comprehensive Income for the year		**251,191,530**	**55,267,677**

This statement is to be read in conjunction with notes to the financial statements on page 9 to page 34.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2021

	Notes	2021 $	2020 $
Opening Equity		1,027,615,713	974,635,536
Total Comprehensive Income for the Year		251,191,530	55,267,677
Distributions	23	(2,457,500)	(2,287,500)
Closing Equity		**1,276,349,743**	**1,027,615,713**

This statement is to be read in conjunction with notes to the financial statements on page 9 to page 34.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021	Notes	2021 $	2020 $
Equity		**1,276,349,743**	**1,027,615,713**
Current Assets			
Cash and Cash Equivalents	11	4,920,825	6,086,289
Trade and Other Receivables	12	4,591,605	11,779,029
Loan to Residents		3,536,477	1,267,351
Housing Loans		495,366	333,554
Inventories	7	2,171,787	13,739,364
Total Current Assets		**15,716,060**	**33,205,587**
Non-Current Assets			
Investment in Associates	8	1,126,490	19,370,616
Investment in Joint Venture		17,000	17,000
Inventories	7	76,781,404	77,532,548
Investment Property	9	1,410,507,740	1,160,826,717
Property, Plant and Equipment	6	29,271,892	28,571,353
Lease Asset		1,618,837	2,076,391
Housing Loans		11,535,758	12,043,855
Loan to Residents		3,624,613	3,781,859
Intangible Assets		28,663	24,600
Total Non Current Assets		**1,534,512,397**	**1,304,244,939**
Total Assets		**1,550,228,457**	**1,337,450,526**
Current Liabilities			
Tax Payable		1,366,367	1,034,397
Witholding Tax		3,579	3,275
Trade and Other Payables	13	3,970,113	4,557,612
Lease Liability		400,416	384,475
Employee Benefits	14	1,985,359	1,535,767
Refundable Occupation Right Agreements	15	29,631,323	29,072,542
Toi Tupu Deposits		1,953,624	1,270,218
Fair Value of Derivative Financial Instruments		319,366	-
Income in Advance		1,920,547	1,644,072
Total Current Liabilities		**41,550,694**	**39,502,358**
Non-Current Liabilities			
Deferred Tax Liability	18	2,090,863	2,603,397
Lease Liability		1,337,862	1,765,476
Interest Bearing Loans and Borrowings	16	222,299,897	258,391,788
Fair Value of Derivative Financial Instruments	17	1,778,372	5,120,875
Income in Advance		1,407,708	-
Toi Tupu Deposits		3,413,318	2,450,919
Total Non-Current Liabilities		**232,328,020**	**270,332,455**
Total Liabilities		**273,878,714**	**309,834,813**
TOTAL NET ASSETS		**1,276,349,743**	**1,027,615,713**

This statement is to be read in conjunction with notes to the financial statements on page 9 to page 34.

CONSOLIDATED STATEMENT OF CASHFLOW

For the year ended 30 June 2021

	Note	2021	2020
Cash flows from Operating Activities		**$**	**$**
Cash was provided from:			
Interest and Dividend Revenue		438,134	550,894
Funding from Customers		10,784,815	6,866,544
Property Rental Revenue	4	49,291,177	42,402,969
Retirement Village Revenue and Occupation Right Agreements Proceeds		10,713,371	10,361,359
Property Sales	4	16,400,499	-
Grant income		820,000	-
Other		248,924	280,853
Housing Loans Repaid		346,285	307,184
Total cash inflows		89,043,205	60,769,803
Cash was disbursed to:			
Payments to Suppliers		39,364,325	35,020,425
Payments to Employees		11,544,783	11,593,275
Payments for Inventory		2,271,659	11,547,134
Interest Paid		7,378,732	8,214,279
Income Tax Paid		4,520,907	1,647,333
Total cash outflows		65,080,406	68,022,446
Net Cash Inflow/(Outflow) from Operating Activities		**23,962,799**	**(7,252,643)**
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of Property, Plant and Equipment		-	5,000
Distribution from Associate		20,638,719	-
Total cash inflows		20,638,719	5,000
Cash was disbursed to:			
Purchase of Property, Plant and Equipment		1,314,388	651,439
Investment Property Capital Expenditure		53,738	14,518,495
Development of Investment Property		3,826,126	4,088,752
Total cash outflows		5,194,252	19,258,686
Net Cash Inflow/(Outflow) from Investing Activities		**15,444,467**	**(19,253,686)**
Cash Flows from Financing Activities (Net)			
Cash was provided from:			
Proceeds from borrowings		-	33,726,270
Total cash inflows		-	33,726,270
Cash was disbursed to:			
Repayment of Borrowings		35,900,000	-
Payment of lease liabilities		229,650	186,885
Loan to Residents		3,631,385	5,049,161
Distributions		535,000	779,000
Toi Tupu Withdrawals		276,695	188,783
Total cash outflows		40,572,730	6,203,829
Net Cash Inflow/(Outflow) from Financing Activities		**(40,572,730)**	**27,522,441**
Net (Decrease)/Increase in Cash Held		**(1,165,464)**	**1,016,112**
Cash at Beginning of the Year		**6,086,289**	**5,070,177**
Total Cash at End of the Year	11	**4,920,825**	**6,086,289**

This statement is to be read in conjunction with notes to the financial statements on page 9 to page 34.

NOTES TO THE ACCOUNTS

1. GENERAL INFORMATION

Reporting Entity
As part of the Treaty Settlement process Ngāti Whātua Ōrākei was required to establish a new post settlement governance entity per legislation, and as such established the Ngāti Whātua Ōrākei Trust ("Trust"). The Trustee for the Trust is Ngāti Whātua Ōrākei Trustee Limited.

For accounting purposes the Trust is treated as the continuing entity of the previous Ngāti Whātua o Ōrākei Maori Trust Board.

The requirement for a new post settlement governance entity has provided an opportunity for the Trust Board to restructure its current asset base into a more efficient group structure.

Accordingly, Ngāti Whātua Ōrākei Trust transferred on 25 January 2013 commercial and community interests to Ngāti Whātua Ōrākei Whai Rawa Limited and Ngāti Whātua Ōrākei Whai Maia Limited.

Limited Partnerships have been established under Whai Rawa to receive the various commercial interests. The business known as "Eastcliffe on Ōrākei", formerly administered by Ōrākei Retirement Care Limited and Ōrākei Management Services Limited, has been transferred to Eastcliffe Ōrākei Retirement Care Limited Partnership and Eastcliffe Ōrākei Management Services Limited Partnership.

Other commercial assets and liabilities have been transferred to Whai Rawa Railway Lands Limited Partnership, Whai Rawa Property Holdings Limited Partnership, Whai Rawa Residential Properties Limited Partnership and Whai Rawa Tamaki Limited Partnership on 25 January 2013.

The Trust's strategic plan has 8 strategic priorities:

1) Cultural Identity
Every Ngāti Whātua Ōrākei member has access to and embraces their whakapapa, culture and history. Ko au ko Ngāti Whātua Ōrākei, ko Ngāti Whātua Ōrākei ko au. All hapū members speak te reo Māori at a conversational level. Our marae is alive with whānau and celebrates our Ngāti Whātua Ōrākeitanga. As leaders in mātauranga Māori, our thriving arts and culture are highly respected across the motu.

2) Rangatiratanga
Ngāti Whātua Ōrākei will be strong leaders and influencers. Hapū members confidently demonstrate strength based leadership qualities in their everyday lives. The relationship between hapū members and Ngāti Whātua Ōrākei leaders is built on aroha, respect and transparency. Ngāti Whātua Ōrākei is recognised as ahi kā in central Tāmaki Makaurau. Our tikanga and kawa reflects the unique history and people of Ōrākei, and is recognised and respected throughout our rohe. Ngāti Whātua Ōrākei has a seat in central and local government.

3) Health

Our whānau exceed national standards of health and wellbeing. We are leading Aotearoa in all health and wellbeing indicators underpinned by Te Whare Tapa Whā. We have health services that are grounded in rongoā and tikanga Māori that focus on prevention of sickness and disease. Access to health care, including physical health, mental health and aged care support, is available to all whānau through innovative platforms that support the wellbeing of our people.

4) Environment
Ngāti Whātua Ōrākei is a role model of sustainable living and regenerative practices. We are world leaders in healing the mauri of te taiao through all our activities. Taiao initiatives for the hapū are underpinned by matauranga māori and customary practices which include the maramataka and relevant atua Māori. We are leaders in sustainable development and investment. Our tamariki swim carefree and our whānau collect kaimoana. Our whenua is alive with native trees, birdlife and insects. Whānau role model our practices, being grounded and connected to te taiao.

NOTES TO THE ACCOUNTS

1. GENERAL INFORMATION (Continued)

5) Whānau Wellbeing
All Ngāti Whātua Ōrākei members are healthy, wealthy and happy. They are connected to each other through whanaungatanga and feel a strong sense of belonging. Whānau are leading diverse and fulfilling lives. They are fully engaged with hapū activities around the promotion of whānau wellbeing. They are interconnected which gives our whānau a greater sense of belonging to the hapū, irrespective of where they live.

6) Mana Motuhake
All Ngāti Whātua Ōrākei members can achieve anything. Hapū members are fulfilling their needs and aspirations. Hapū members have healthy, safe, and stable environments that nurture and support their aspirations. Hapū members feel confident and empowered to pursue their life and career ambitions.

7) Knowledge And Skills
All Ngāti Whātua Ōrākei members are lifelong learners with access to quality education, knowledge and skills. Hapū members are supported and have options to pursue any learning or training opportunity. Learning development starts with a strong foundation in the early years and continues throughout the lives of our whānau.

8) Economic Prosperity

A diverse commercial portfolio that delivers robust performance outcomes and reflects the strengths and capabilities of Ngāti Whātua Ōrākei. We have an investment model that delivers long term intergenerational wealth for our people. Our economic prosperity is reflected in our peoples' households and living standards. Our whānau are achieving financial independence.

Statement of Compliance
These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The group is eligible for and has elected to report in accordance with NZ International Financial Reporting Standards Reduced Disclosure Regime ("NZ IFRS RDR"). The group is eligible, as it is not publicly accountable and is a profit orientated entity, to report in accordance with NZ IFRS RDR.

Basis of Preparation

The financial statements comprise of: Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cashflow, and the notes to these statements.

The measurement base is historical cost except for the revaluation of certain assets and liabilities as identified in this statement of accounting policies.

The accrual basis of accounting has been used unless otherwise stated.

These financial statements are presented in New Zealand dollars ($), which is the functional currency of the Group. All figures are rounded to the nearest whole dollar.

Going Concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Although Refundable Occupation Right Agreements and facilities expiring within a year are classified as 'current liabilities' for accounting purposes, Refundable Occupation Right Agreements are not likely to be repaid within one year and facilities expiring within a year are expected to be funded by the undrawn facilities available to the Group. For this reason, the Directors continue to adopt the going concern basis in preparing the accounts.

Changes in Accounting Policy
There have been no changes in accounting policies during the financial year.

NOTES TO THE ACCOUNTS

2. ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements of the Trust comprise all controlled entities including the Trustee and its wholly owned subsidiaries (collectively referred to as the "Group"). The Trust entity is a profit-oriented entity for financial reporting purposes.

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Trust as at 30 June 2021 and the results of those entities for that period. The Trust and its controlled entities are referred to in these financial statements as the Group or the consolidated entity.

All wholly owned subsidiaries have the same balance date as the Trustee (Ngāti Whātua Orakei Trustee Limited) and apply consistent accounting policies.

In preparing the consolidated Group financial statements, all inter-entity balances and transactions, income and expenses and profit and loss resulting from intra-group transactions have been eliminated.

The Group consists of the following controlled entities:

Ngāti Whātua Ōrākei Whai Rawa Limited	Manage Whai Rawa entities strategy and operations.
Eastcliffe Ōrākei Retirement Care Limited Partnership	To manage development of the Eastcliffe Ōrākei retirement village and aged care facility at Ōrākei.
Eastcliffe Ōrākei Management Services Limited Partnership	To manage operations of the Eastcliffe Ōrākei retirement village and aged care facility at Ōrākei.
Whai Rawa Railway Lands Limited Partnership	To manage the commercial assets known as the Railway Lands and Quay Park in the Auckland CBD.
Whai Rawa Commercial Office Limited Partnership	To manage commercial office assets.
Whai Rawa Railway Leasing Limited Partnership	To manage commercial assets incidental to ownership of assets known as Railways Lands and Quay Park in the Auckland CBD.
Whai Rawa Property Holdings Limited Partnership	To manage the other various commercial assets including those received in settlement.
Whai Rawa Residential Properties Limited Partnership	To manage the residential property assets.
Whai Rawa Housing Limited Partnership	To manage the development of the Kāinga Tuatahi project and manage Housing Loans.
Whai Rawa Kāinga Development Limited	To construct Kāinga Tuatahi.
Ngāti Whātua Ōrākei Housing Trust	A discretionary trust settled by Ngāti Whātua Ōrākei Whai Rawa Limited.
Ngāti Whātua Ōrākei Housing Trustee Limited	Trustee of Ngāti Whātua Ōrākei Housing Trust.
Whai Rawa Collective Holdings Limited Partnership	To manage any assets acquired or development undertaken in connection with Whenua Haumi Roroa o Tāmaki Makaurau.
Whai Rawa Development Limited Partnership	To undertake property development projects and hold the Group's investment in Moire Road Limited Partnership.
Ngāti Whātua Ōrākei Tourism Limited Partnership	To undertake tourism projects.
Ngāti Whātua o Ōrākei Health Clinic Limited	Provide general health services and facilities for the people of Tamaki Makaurau.
Ōrākei Health Services Limited	Provide general health services and facilities for the people of Tamaki Makaurau.
Ngāti Whātua Ōrākei Education Limited	To manage the Puna Reo.
Ngāti Whātua Ōrākei Whai Maia Limited	To act as the corporate trustee for Whai Maia Charitable Trust 1, Whai Maia Charitable Trust 2 and other charitable trusts as required.
Whai Maia Charitable Trust 1	To manage the cultural and social development of Ngāti Whātua Ōrākei iwi.
Whai Maia Charitable Trust 2	To manage the cultural and social development of Ngāti Whātua Ōrākei iwi.

NOTES TO THE ACCOUNTS

2. ACCOUNTING POLICIES (Continued)

Subsidiaries

Subsidiaries are entities controlled by the Trust. Control exists when the Trust has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Associates

Associates are all entities over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decision of the investee, but not control or joint control. Investments in associates are accounted for using equity method of accounting.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the associate in profit or loss and the group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. The carrying amount of equity-accounted investments is tested for impairment.

Cash and Cash Equivalents

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less plus bank overdrafts. Bank overdrafts are shown in the Consolidated Statement of Financial Position as current liabilities within short-term borrowings.

Trade and Other Receivables

Trade receivables, which generally have terms payable on the 20th of the month following, are recognised and carried at original invoice amount (fair value) less any impairment losses for any uncollectible amounts. Trade receivables, have terms payable on the 20th of the month following, are not significant on an individual basis and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate, less an allowance for impairment.

The allowance for doubtful debts is made up of expected credit losses based on assessment of trade receivables debt at the individual level for impairment. Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised based on credit risk characteristics and days past due when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

Housing Loans

Secured housing loans have been provided to Ngāti Whātua Ōrākei members to assist with the purchase of homes in Kāinga Tuatahi. The mortgages are carried at cost less impairment for any uncollectible amounts.

Loans to Residents

Loans to Residents are secured non-interest -bearing loans reflecting the commitments made to former residents of the Eastcliffe Retirement Village under settlement agreements made with former residents due to historical issues with their purchased units. The loans are carried at amortised cost less impairment for any uncollectible amounts.

Property, Plant and Equipment

Property, plant and equipment includes non-commercial assets; land, buildings, leasehold improvements, office furniture and fittings, motor vehicles and heritage assets. This property, plant and equipment is held mainly for social and/or cultural purposes.

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where an item of property, plant or equipment is disposed of, the gain or loss recognised in the Consolidated Statement of Comprehensive Income is calculated as the difference between the sale price and the carrying amount of the asset.

NOTES TO THE ACCOUNTS

2. ACCOUNTING POLICIES (Continued)

Realised gains and losses arising from the disposal of property, plant and equipment are recognised in the Consolidated Statement of Comprehensive Income in the period in which the transaction occurs.

Subsequent additions are recorded at cost. The Kaumatua Units, Puna Reo Early Childhood School and Health Clinic buildings are recorded at cost less accumulated depreciation and impairment losses.

Heritage Assets

Heritage assets arise from previous gifts to the Board and were initially valued in accordance with NZ IAS 16, at estimated replacement cost at the time of gifting less accumulated depreciation, which is an approximation of deemed historical cost.

Depreciation

Depreciation is recognised in the Consolidated Statement of Comprehensive Income on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful life. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

	Expected useful life
Heritage assets	200 years
Infrastructure	200 years
Buildings	0-50 years
Plant & Equipment	5 - 10 years
Leasehold Improvements	5 years
Motor Vehicles	5 years
Office Equipment	2-15 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

Intangible Assets

Intangible assets are measured on initial recognition at cost. Following initial recognition intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation method and the useful lives are reviewed at least at the end of each reporting period.

The estimated useful lives and the amortisation method for the current period are as follows:

	Expected useful life	Amortisation method
Software	2.5 years	Straight-line

Social Assets

Social Assets, included within property, plant and equipment are assets which are of cultural significance or are used for the benefit of the hapū. Social Assets are measured at cost less accumulated depreciation and impairment losses.

Goods and Services Tax

These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are shown inclusive of GST.

Trade and Other Payables

Trade and Other Payables are carried at cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of these goods and services. These amounts are unsecured and are usually paid within 30 days of recognition.

Toi Tupu Deposits

Toi Tupu Deposits are a savings and investment scheme implemented by the Group to allow registered Ngāti Whātua Ōrākei members to save amounts distributed to them by Ngāti Whātua Ōrākei Trust.

Toi Tupu deposits are classified as both current and non-current liabilities. Members have the right to withdraw their deposits after 12 months in the scheme, if they are over the age of 18 and have completed a financial literacy course.

NOTES TO THE ACCOUNTS

2. ACCOUNTING POLICIES (Continued)

Provisions
Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Employee Entitlements
The employee entitlements to salaries and wages and annual leave are recognised in the Statement of Financial Position when they accrue to employees. Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Investment Properties
Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which is determined by an independent registered valuer and adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the balance date, including the impact of prepaid rental streams recognised as a liability at balance date. Gains or losses arising from changes in the fair values of investment properties are recognised in the Consolidated Statement of Comprehensive Income in the year in which they arise.

Inventories
Inventories are stated at the lower of cost and net realisable value (NRV). NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimate costs necessary to make the sale. Estimates of NRV are based on the most recent evidence available at the time the estimates are made. Cost includes the costs of acquisition, planning and design, development and capitalised borrowing costs. Feasibility costs incurred before the purchase of an asset are expensed as incurred, as are holding costs, holding income, marketing and advertising costs. Interest charges on deferred settlement are recognised in expenses in the period of the deferred settlement.

NOTES TO THE ACCOUNTS

2. ACCOUNTING POLICIES (Continued)

Leases

Group as a lessee

The Group recognises a right of use asset and a lease liability at the lease commencement date. The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right of use asset is subsequently depreciated using the straight line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right of use asset reflects that the Group will exercise a purchase option. In that case the right of use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group’s incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are recognised as an expense over the lease term.

The Group has significant prepaid lease arrangements whereby revenue is recognised on a straight-line basis over the term of the prepaid lease. The rental in advance is shown on the Consolidated Statement of Financial Position under current and non-current liabilities.

Impairment of Non-Financial Assets

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Capital Management

The Trust's capital is its equity, which comprise retained surpluses/(losses) and other reserves. Equity is represented by net assets. The Trust manages its revenues, expenses, assets, liabilities, investments and general financial dealings prudently. The objective of managing the Trust's equity is to ensure that the Trust effectively achieves its objectives and purpose, whilst remaining a going concern.

NOTES TO THE ACCOUNTS

2. ACCOUNTING POLICIES (Continued)

Interest-Bearing Loans and Borrowings
All loans and borrowing are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at cost as these loans and borrowings are from registered banks, the interest rates are deemed to be at fair value. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

Derivative financial instruments
The Group uses derivative financial instruments (interest rate swaps) to mange its exposure to interest rate risks arising from operational, financing and investment activities.

Derivative financial instruments are recognised initially at fair value and subsequently re-measured and carried at fair value. They are carried as assets when the fair value is positive and liabilities when the fair value is negative. The gain or loss on re-measurement to fair value is recognised directly in profit or loss. The interest rate swaps are transacted as hedges but do not qualify for hedge accounting.

The fair value is the estimated amount that the Group would receive or pay to terminate the swap at the balance date, taking into account current rate and creditworthiness of the swap counterparties.

Refundable Occupation Right Agreements
Occupation right agreements utilised by the Group in connection with the Eastcliffe Ōrākei Retirement Village confer the right of occupancy of the independent unit/apartment, serviced apartment and studios until such time as the occupancy rights are repurchased. Settlement of the refundable occupational right agreement generally occurs when a new occupational right agreement is issued to an incoming resident of the village.

Revenue Recognition
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of services
Rendering of services (consulting, tourism and patient fees) are recognised in the accounting period in which the services are rendered.

(ii) Interest revenue
Interest revenue is recognised as interest accrues using the effective interest method.

(iii) Government grants
Revenue from government grants is recognised when the Group obtains control of the transferred asset and the transfer is free from conditions that require the asset to be refunded or returned if the conditions are not fulfilled. A deferred revenue liability is recognised instead of revenue when a condition attached that requires the Group to perform, or return the grant. Revenue is then recognised once the Group has satisfied these conditions.

(iv) Rental revenue
Rental revenue is recognised on a straight-line basis over the lease term. Rental income from prepaid leases are amortised on a straight line basis over the lease term. Any sale of leasehold interests with a prepayment term exceeding 90 years, where the Group has in substance no further ownership rights (via contractual terms post the initial lease period), will be recognised as a sale in the year that it is settled.

Rental income, including fixed rental uplifts, from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives being offered to occupiers to enter into a lease, such as an initial rent-free period or a cash contribution to fit-out or similar costs are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Income accrued under this policy is recognised as an asset within 'Investment Property'; any movement during the year being disclosed as 'Movement in Fixed Uplift Leases and Lease Incentives'.

NOTES TO THE ACCOUNTS

2. ACCOUNTING POLICIES (Continued)

(v) Retirement village income
Rendering of services fee include retirement village outgoings and service fees. The residents pay a weekly fee which covers the cost of a proportion of the village outgoings and service provided incurred by the operator in the operation of the village. The village outgoings and services charges recovered is recognised as revenue on a monthly basis.

Village Contribution fee is a fee payable by all the residents living in independent units/apartments, serviced apartments and studios for the right to use the common facilities. The Village Contribution fee is recognised in the Consolidated Statement of Comprehensive Income over the average expected length of stay of residents, which is 8.6 years (2020: 8.9 years) for the independent units/apartments and 4.3 years (2020: 4.2 years) for the serviced apartments and care studios.

(vi) Land development and property sales
The group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

Income Tax
Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group and parent became a tax paying entity on the 1 February 2013. Any income or expenses prior to this period are non taxable. Group tax is paid by the Trust and Ngāti Whātua Ōrākei Whai Rawa Limited.

Comparatives
Certain amounts included in the financial statements and accompanying notes have been reclassified to conform with current year accounting policies. The reclassifications do not affect profit or loss.

NOTES TO THE ACCOUNTS

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.
Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Investment Property
Investment properties are carried at fair value, which has been determined based on valuations performed by external valuers.

Inventories
Inventories are held at the lower of cost and net realisable value (NRV). The NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling costs. Where there is an agreement as to the future selling price this is used to estimate the NRV. Where this is not the case NRV is estimated by senior management based on market knowledge.

Retirement Village Income
Village contribution is recognised as revenue on a straight-line basis over the estimated period of service. This requires Management to estimate the period of occupancy for retirement village units. Management's estimate is based on actuarial and related probability information provided by the independent valuer in estimating occupancy periods.

Social Assets
These assets are utilised to fulfil cultural and social objectives of the Group. The maximisation of profit is not an objective. Significant social assets comprise papakainga housing at Ōrākei on Kitemoana and Kupe Streets. These land and building assets are used largely by the Group’s beneficiaries and rents are received largely to meet or defray administration costs. The Group's intention is not to develop these assets further and that they remain only for the continued purpose of beneficiary papakainga housing. As it is not the Group’s intention to maximise financial profits on these assets it considers that market value would not be appropriate as the carrying value, therefore these assets are recorded at cost less accumulated depreciation.

NOTES TO THE FINANCIAL STATEMENTS

4. REVENUE

Property Rental Revenue
Rental income relates to income from our properties that are leased or rented to whānau or other external parties. The largest component of this income is derived from ground rental on our land holding at Te Tōangaroa. Other significant sources of rental income come from our commercial office building AECOM house and our land holding on the North Shore.

Property Sales / Cost of Sales
Property sales reflect the setlement of 13 homes from our Oneoneroa development on the North Shore during the year. The cost of sales reflects the costs that have been attributed to the development and sale of these properties.

Consulting Revenue
Consulting revenue largely relates to income associated with activity and services provided for whenua maintenance and protection. This also includes income received from Auckland Council in support of our community kaitiaki service and nursery development at Pourewa.

Government Revenue	**2021**	**2020**
	$	**$**
Health Services	2,705,341	1,553,628
Education	368,331	370,853
Whānau Ora	1,977,181	966,458
Other	431,144	356,720
	5,511,997	**3,247,659**

Government revenue is received from contracts with Government agencies to deliver services for whānau and the community. The significant increase on prior year reflects an increase in our whānau ora contract and also additional Ministry of Health funding for the vaccination centre and other community support services.

Other Revenue	**2021**	**2020**
	$	**$**
Patient Fees	140,325	161,307
Puna Reo Income	161,978	125,147
Sundry Income	392,695	522,128
Koha	25,518	21,582
	720,516	**830,164**

NOTES TO THE FINANCIAL STATEMENTS

5. OPERATING EXPENSES	**2021**	**2020**
	$	**$**
Employee Benefits Expense		
Wages and Salaries	11,385,492	9,336,916
KiwiSaver Contribution	285,594	208,044
Staff Uniforms	15,707	11,795
Staff Training	58,911	16,636
Other staff costs	349,145	84,749
	12,094,849	9,658,140
Employee Benefits Expense		
Whai Māia	4,640,799	3,189,848
Whai Rawa	5,377,016	5,432,567
Trust Office	2,077,034	1,035,725
	12,094,849	9,658,140

The increase in employment benefits expenses relates to staffing increases at both Whai Māia and the Trust office. The Trust completed the recruitment for the core team during the financial year and this figure also includes a full year of costs for the kaitiaki services team which was set up as a response to the Covid-19 pandemic in 2020. Whai Māia has seen a significant growth in programmes which has increased employment and includes recruitment associated with the Tāmaki Vaccination Centre.

Governance		
Directors Fees	1,006,282	1,051,313
Audit and Risk Committee	15,333	23,000
Directors Expenses	141,883	96,425
	1,163,498	1,170,738
Finance costs		
Interest Expense on Bank Facilities	3,114,125	4,195,792
Interest Expense on Interest Rate Swaps	2,054,479	1,712,203
Bank and Line Fees	1,938,995	1,659,799
Interest on Lease Liability	68,486	88,766
Interest Expense on Toi Tupu Deposits	94,763	94,763
	7,270,848	7,751,323
Grants and Programmes		
Education	1,269,621	1,041,807
Health & Wellbeing	3,835,819	1,931,823
Environmental Programmes	1,978,093	2,671,591
Kaumatua	281,222	226,051
Te Reo/Cultural Programmes	496,353	403,750
Digital Transformation	408,839	252,099
Other Grants and Programme Costs	961,620	654,085
	9,231,567	7,181,206

The significant increase in Health & Wellbeing grants reflects an increase in the enrollment and utilisation of the Toi Ora health insurance programme. During the year membership of the programme rose from 3,805 to 4,401. Environmental programmes largely relate to our development work on the Whenua Rangatira and Pourewa.

Professional Fees		
Accounting Fees	234,369	180,944
Legal Fees	4,262,126	3,298,541
Valuations	226,895	327,366
Other Professional Fees (including Masterplanning, Rent Review, Toi Tupu, Feasibility, Tax and Treasury compliance)	2,897,661	1,664,566
	7,621,051	5,471,417

The increase in legal costs reflects the High Court case which was completed during the financial year. This case challenges the Crown’s proposed settlement with Marutuahu including the proposed transfer of lands in our heartland. Other professional fees reflect a range of activity across the Group.

Other expenses		
Bad Debts and Doubtful Debts	511,680	319,256
Covid-19 Expenses	568,642	456,566
Office Expenses	831,961	929,119
Operating Leases	58,935	58,714
Communication Expense	1,371,823	1,539,971
Motor Vehicle/Travel Expenses	211,499	171,821
Recruitment Expenses	95,169	235,802
Property Expenses	53,766	28,060
Other	1,930,951	1,648,644
	5,634,426	5,387,953

NOTES TO THE FINANCIAL STATEMENTS

6. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture	Plant & Equipment	Motor Vehicles	Heritage Assets	Land	Buildings	Leasehold Improvements	Infrastructure	Total
At 1 July 2020	898,750	203,446	124,799	81,475	21,513,305	5,431,678	19,247	298,653	28,571,353
Disposals	(5,983)	-	-	-	-	-	-	-	(5,983)
Additions	344,231	99,413	31,341	76,779	-	696,566	35,905	-	1,284,235
Depreciation Charge	(266,542)	(59,961)	(44,163)	(2,200)	-	(203,333)	-	(1,514)	(577,713)
At 30 June 2021	**970,456**	**242,898**	**111,977**	**156,054**	**21,513,305**	**5,924,911**	**55,152**	**297,139**	**29,271,892**
Cost	2,819,529	2,360,053	596,173	164,957	21,513,305	9,884,011	240,461	305,340	37,883,828
Accumulated Depreciation	(1,849,073)	(2,117,155)	(484,196)	(8,903)	-	(3,959,100)	(185,309)	(8,201)	(8,611,937)
Net Book Value 30 June 2021	970,456	242,898	111,977	156,054	21,513,305	5,924,911	55,152	297,139	29,271,892
Cost	2,610,792	2,279,022	564,832	88,178	21,513,305	9,187,445	685,331	305,340	37,234,245
Accumulated Depreciation	(1,712,042)	(2,075,576)	(440,033)	(6,703)	-	(3,755,767)	(666,084)	(6,687)	(8,662,892)
Net Book Value 30 June 2020	898,750	203,446	124,799	81,475	21,513,305	5,431,678	19,247	298,653	28,571,353

7. INVENTORIES	**2021**	**2020**
Classification of Inventories	**$**	**$**
Current Assets		
Work in Progress - Hillary Development	1,894,272	13,663,982
Finished Goods - nursery and medical supply	277,515	75,382
	2,171,787	**13,739,364**
Non Current Assets		
Work in Progress - Hillary Development	58,592,040	59,341,496
Work in Progress - Laurel Street Development	11,653,389	11,653,389
Work in Progress - Roberts Avenue	6,535,975	6,537,663
	76,781,404	77,532,548
Total Inventories at the lower of cost and net realisable value	**78,953,191**	**91,271,912**

Work in Progress Inventory of $78,675,676 is pledged as security for Group borrowing facilities (2020: $91,196,530).

NOTES TO THE FINANCIAL STATEMENTS

8. Investment in Associates

The Group has formed a partnership, Moire Road Limited Partnership, with Fletcher Residential Limited to acquire and develop property located at 73-89 Moire Road and once developed, sell the individual houses or saleable units.

The Group holds a 49% stake in the partnership.
A senior management staff of the Group is a director on the board of Moire Road Limited Partnership. No directors fees are paid in relation to this appointment, but the skills and experience of the director are being utilised to protect and grow the Group's investment.
The partnership has a balance date of 30 June 2021. The financial information for equity accounting purposes has been extracted from audited accounts for the period to 30 June 2021.

Summary Financial Information

The information below reflects the full amounts in the financial statements of Moire Road Limited Partnership (and not the group's share of those amounts) before adjustments to align the accounting policies with those of the group.

	30 June 2021	30 June 2020
Statement of Financial Position - Moire Road Limited Partnership	**$**	**$**
Current assets	2,774,741	50,430,006
Total assets	2,774,741	50,430,006
Current liabilities	475,782	10,898,136
Shareholders' equity	2,298,959	39,531,870
Total equity and liabilities	2,774,741	50,430,006
The Group's ownership	49%	49%
The Group's share of shareholders' equity	1,126,490	19,370,616
Carrying value of investment	1,126,490	19,370,616

	30 June 2021	30 June 2020
Statement of Comprehensive Income - Moire Road Limited Partnership	**$**	**$**
Sales	29,691,527	55,753,480
Cost of goods sold	(23,918,462)	(43,541,027)
Gross Margin	5,773,065	12,212,453
Management fees	-	(541,135)
Selling Expenses	(360,000)	(562,500)
Other Expenses	(526,140)	(719,337)
	(886,141)	(1,822,972)
Profit for the year (continuing operations)	**4,886,924**	**10,389,481**
Total comprehensive income for the year (continuing operations)	**4,886,924**	**10,389,481**
Group's share of profit for the year	2,394,593	5,090,845

The associate had no contingent liabilities or capital commitments as at 30 June 2021 (2020: Nil).

	2021	2020
Movement in the group's carrying amount of investment in associate	**$**	**$**
Investment in associate at beginning of year	19,370,616	14,279,771
Distribution	(20,638,719)	-
Share of profit of associate	2,394,593	5,090,845
Investment in associate at end of the year	1,126,490	19,370,616

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENT PROPERTY	**2021**	**2020**
	$	**$**
At Beginning of Year	**1,160,826,717**	**1,098,946,525**
Net Gain from Fair Value Adjustment	243,725,160	43,053,132
Temporary accommodation to residents	38,150	476,356
Acquisition of Investment Property	-	14,356,167
Capital Expenditure	53,738	126,256
Investment Property work in progress	3,832,738	4,055,748
Movement in rent accrued on Fixed Uplift Leases and Lease Incentives	2,031,237	(187,467)
Closing Balance as at 30 June	**1,410,507,740**	**1,160,826,717**

Investment properties are carried at fair value, which has been determined based on valuations performed by Jones Lang LaSalle Limited, CBRE Limited, Urban Value Limited and Seagars of Auckland as at 30 June 2021.

The net gain from fair value adjustment is a non-cash gain meaning it has not resulted in an increase to our cash reserves. This value will fluctuate over time. When an investment property is sold any gain will be "realised" and will result in an increase to our cash position.

The value of our investment properties is important to the calculation of our loan to value ratio. We maintain a ratio of our external bank borrowings as a percentage of our investment properties within the required limit set by the Trust Deed. This limit is 30%. As at 30 June 2021 the loan to value ratio was 16.10%. Refer note 16 for more details of our bank borrowings.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with New Zealand Valuation Standards. In determining fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk adjusted discount rate applicable to the respective asset. For financial reporting purposes, the independent valuation is adjusted to include the impact of prepaid rental streams and the refundable occupation right agreements that are recognised as liabilities at balance date.

The valuation of the investment property is grossed up for prepaid leases and cash flows relating to resident refundable occupation right agreements. Reconciliation between the independent valuation and the amount recognised on the balance sheet as investment property is as follows:

	2021	**2020**
	$	**$**
Independent valuation of investment properties	1,371,422,477	1,126,157,802
Investment Property work in progress	8,330,838	4,498,127
Refundable occupation right agreements	29,631,323	29,072,542
Termination Fees in Advance	1,123,102	1,098,246
Total Investment Property	**1,410,507,740**	**1,160,826,717**

Investment property includes investment property work in progress of $8,330,838 (2020: $4,498,127), which has been valued at cost. There were no finance costs capitalised to the investment property during the year.

A Memorandum of Encumbrance in favour of the statutory supervisor, Covenant Trustee Company Limited, is registered against the leasehold land to secure the obligations of the company to the residents of the retirement village.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Consolidated Statement of Comprehensive Income in the year of retirement or disposal.

NOTES TO THE FINANCIAL STATEMENTS

9. INVESTMENT PROPERTY (Continued)

The Group fair values its investment properties by way of the following fair value measurement hierarchy levels:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
Level 3	Inputs for the asset or liability that are not based on observable market data.

Investment property measurements are categorised as Level 3 in the fair value hierarchy. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the year there were no transfers of investment properties between levels of the fair value hierarchy.

The accepted methods for assessing the current market value of an investment property are the Capitalisation and the Discounted Cash Flow (DCF) approaches. Each approach derives a value based on market inputs, including:

- Recent comparable transactions;
- Forecast future rentals, based on the actual location, type and quality of the investment properties, and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar; properties;
- Vacancy assumptions based on current and expected future market conditions after expiry of any current lease;
- Maintenance and capital requirements including necessary investments to maintain functionality of the property for its expected useful life;
- In the case of the Eastcliffe on Ōrākei Retirement Village, probable future cash out-flows arising from repair works to the independent living units and the village centre as well as from costs associated with providing temporary accommodation to the residents; and
- Appropriate discount rates derived from recent comparable market transactions reflecting the uncertainty in the amount and timing of cashflows.

The key inputs used to measure fair value of investment properties, along with their sensitivity to significant increase or decrease, are as follows:

Significant Input	Description	Fair value measurement sensitivity to significant:		Valuation Method
		Increase in input	Decrease in input	
Market capitalisation rate	The capitalisation rate applied to the market income to assess an investment property's value. The capitalisation rate is derived from detailed analysis of factors such as comparable sales evidence and leasing transactions in the open market taking into account location, tenant covenant – lease term and conditions, size and quality of the investment property.	Decrease in property values	Increase in property values	Capitalisation
Discount rate	The discount rate is applied to future cash flows of an investment property to provide a net present value equivalent. The discount rate adopted takes into account recent comparable market transactions, prospective rates of return for alternative investments and apparent risk.	Decrease in property values	Increase in property values	DCF
Price per square metre	The price applied to site area for comparable sales. This enables comparison with comparable sales in the open market.	Increase in property values	Decrease in property values	Market Comparison

As at 30 June 2021	Market capitalisation rate	Discount Rate	Price per square metre
Investment Property	3.67% to 6.25%	4.50% -14.50%	$25 to $10,250

As at 30 June 2020	Market capitalisation rate	Discount Rate	Price per square metre
Investment Property	4.50% to 8.00%	5.00% -14.63%	$25 to $10,500

NOTES TO THE FINANCIAL STATEMENTS

10. INCOME TAX	**2021**	**2020**
	$	**$**
Reconciliation of Tax Expense and Accounting Profit:		
Accounting Profit before Taxation	254,573,359	58,440,701
Adjusted for:		
Non-Taxable Revaluation of Investment Properties	(243,725,160)	(42,902,761)
Non-Deductible Expenses	8,736,131	2,586,791
Tax Losses - Kāinga Developments	10,589	(29,194)
Taxable Income	**19,464,983**	**18,095,537**
Income Tax	4,389,167	4,080,283
Tax effect of Total Temporary Differences arising during the year	-	(31,407)
Maori Authority Credits Received	(945,000)	(901,544)
Prior period recognition of losses	(280,218)	5,109
Prior period deferred tax asset adjustment	220,234	20,583
Tax effect of Total Temporary Differences	(2,354)	-
Income Tax Expense	**3,381,829**	**3,173,024**

	2021	**2020**
	$	**$**
Maori Authority Credits		
At Beginning of Year	**17,342,316**	**17,410,198**
Net Tax Payments	4,520,907	1,647,684
Resident Withholding Tax	698	-
Imputation Credits on Dividends Paid	(1,352,801)	(1,703,953)
Other debits	(11,687)	(11,613)
Closing Balance as at 30 June	**20,499,433**	**17,342,316**

11. CASH AND CASH EQUIVALENTS	**2021**	**2020**
	$	**$**
Cash at Bank and in Hand	4,905,843	6,071,307
Term Deposits	14,982	14,982
	4,920,825	**6,086,289**

NOTES TO THE FINANCIAL STATEMENTS

12. TRADE AND OTHER RECEIVABLES	**2021**	**2020**
	$	**$**
GST Receivable	61,695	2,862,663
Trade Receivables	3,215,749	2,131,084
Provision for Doubtful Debts	(702,038)	(190,775)
Prepayments	1,539,273	1,200,874
Accrued Revenue and other receivables	476,926	5,775,183
	4,591,605	**11,779,029**

(i) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate to their fair value.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(ii) Foreign exchange and interest rate risk

The Group is not exposed to foreign exchange risk. Interest rate risk exposure is disclosed in note 19 (a).

NOTES TO THE FINANCIAL STATEMENTS

13. TRADE AND OTHER PAYABLES	**2021**	**2020**
	$	**$**
Trade payables	1,399,739	2,112,936
Accrued expenses	1,249,267	1,236,147
GST Payable	187,780	93,479
Other Payables	10,225	16,804
Termination Fees in Advance	1,123,102	1,098,246
	3,970,113	**4,557,612**

14. EMPLOYEE BENEFITS	**2021**	**2020**
	$	**$**
Wages and Salaries Accrued	925,445	783,008
Employee Entitlement	1,059,914	752,759
	1,985,359	**1,535,767**

15. REFUNDABLE OCCUPATION RIGHT AGREEMENT

Residents purchase an Occupation Right Agreement ("ORA") issued under the Retirement Village Act 2003. A portion of the ORA is refundable when residents leave. An amount of $29,631,323 (2020: $29,072,542) is shown as a liability on the balance sheet payable by the village operator. Settlement of the refundable deposit generally occurs when a new ORA is issued to a new resident.

NOTES TO THE FINANCIAL STATEMENTS

16. INTEREST-BEARING LOANS AND BORROWINGS

	Maturity	2021 Total facility $	2020 Total facility $	2021 Undrawn facility $	2020 Undrawn facility $	2021 Drawn Amount $	2020 Drawn Amount $
BNZ							
Bank Facility	26/02/2024	37,500,000	37,500,000	-	-	37,500,000	37,500,000
Bank Facility	1/07/2021	-	37,500,000	-	-	-	37,500,000
Bank Facility	23/02/2021	-	25,000,000	-	25,000,000	-	-
Bank Facility	26/02/2025	62,500,000	-	-	-	62,500,000	-
		100,000,000	100,000,000	-	25,000,000	100,000,000	75,000,000
ANZ							
Bank Facility	1/07/2022	17,500,000	17,500,000	-	-	17,500,000	17,500,000
Bank Facility	30/07/2021	-	17,500,000	-	-	-	17,500,000
Bank Facility	21/12/2021	-	30,000,000	-	-	-	30,000,000
Bank Facility	30/07/2024	52,500,000	-	52,500,000	-	-	-
		70,000,000	65,000,000	52,500,000	-	17,500,000	65,000,000
Westpac							
Bank Facility	26/07/2021	-	37,500,000	-	-	-	37,500,000
Bank Facility	21/02/2021	-	25,000,000	-	25,000,000	-	-
Bank Facility	10/12/2021	-	30,000,000	-	-	-	30,000,000
Bank Facility	22/05/2023	37,500,000	37,500,000	-	-	37,500,000	37,500,000
Bank Facility	26/02/2023	62,500,000	-	62,500,000	-	-	-
		100,000,000	130,000,000	62,500,000	25,000,000	37,500,000	105,000,000
ASB							
Bank Facility	31/07/2022	50,000,000	50,000,000	7,500,000	36,600,000	42,500,000	13,400,000
Bank Facility	26/02/2024	25,000,000	-	-	-	25,000,000	-
		75,000,000	50,000,000	7,500,000	36,600,000	67,500,000	13,400,000
		345,000,000	**345,000,000**	**122,500,000**	**86,600,000**	**222,500,000**	**258,400,000**
John Deere Finance						20,722	26,387
						20,722	**26,387**
Accrued Interest						39,279	117,878
Establishment fees						(260,104)	(152,477)
Total Net Book Value						**222,299,897**	**258,391,788**
Current Portion						-	-
Non-Current Portion						222,299,897	258,391,788
Total Net Book Value						**222,299,897**	**258,391,788**

	2021 $	2020 $
Bank Facility Expiry Profile:		
Less than 1 year	-	50,000,000
1-2 years	167,500,000	257,500,000
2-3 years	177,500,000	37,500,000
	345,000,000	**345,000,000**

Secured borrowings are via cash advance facility agreements with Bank of New Zealand, Westpac New Zealand Limited, ANZ Bank New Zealand Limited and ASB Bank Limited. On 24 February 2021, letters of amendment was executed with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Westpac New Zealand Limited and ASB Bank Limited. The letters:

- extended BNZ facility of $37,500,000 to 26 Feb 2024, ANZ facility of $17,500,000 to 1 July 2022 and ASB facility of $50,000,000 to 31 July 2022.
- extinguished BNZ facilities of $62,500,000, ANZ facilities of $47,500,000 and Westpac facilities of $92,500,000.
- incorporated a new BNZ facility of $62,500,000 with a maturity date of 26 Feb 2025, a new ANZ facility of $52,500,000 with a maturity date of 30 July 2024, a new Westpac facility of $62,500,000 with a maturity date of 26 Feb 2023 and a new ASB facility of $25,000,000 with a maturity date of 26 February 2024.

The key terms of the amended facilities are not substantially different.

The bank security on the facility is managed through a security trustee who holds a first ranking mortgage on substantially all the investment properties owned by the Group, with the exception of Ōrākei residential properties and Eastcliffe on Ōrākei Retirement Village. There is also a registered first ranking security interest under a General Security Deed over substantially all the assets of the Group, with the exception of Ōrākei residential properties and Eastcliffe on Ōrākei Retirement Village.

17. DERIVATIVE FINANCIAL INSTRUMENTS

At 30 June 2021, the group held interest rate swaps where it pays a fixed rate of interest and receives a variable rate on the notional amount. The notional amount of the interest rate swaps at 30 June 2021 is $60 million (2020: $100 million) with the weighted average term to maturity being 2.15 years (2020: 2.11 years). Fair Value of these interest rate swaps as at 30 June 2021 was a liability of $2,097,738 (2020: $5,120,875).The interest payment frequency on these borrowings is quarterly.

NOTES TO THE FINANCIAL STATEMENTS

18. DEFERRED TAX LIABILITY	**2021**	**2020**
	$	**$**
At Beginning of Year	**2,603,397**	**2,561,388**
Current period movement on deferred tax	(232,316)	21,423
Prior period deferred tax adjustment	(280,218)	20,586
Total Taxable Temporary Differences as at 30 June	**2,090,863**	**2,603,397**
Deferred Tax Liabilities are Attributable to the Following:		
Long Term Leases	2,878,352	2,885,718
Accrued Revenue	686,431	346,476
Employee Benefits	(145,387)	(122,508)
Provision for Doubtful Debts	(118,445)	(29,651)
Deferred management fees	(260,686)	(256,433)
Income in advance - NZDF	(296,344)	-
Derivatives	(367,104)	(896,153)
Accrued rent income	-	959,287
Right-of-Use Asset	22,145	48,720
Lease Liabilities	(23,847)	(49,984)
ACC Accrual	(810)	(484)
Kāinga Tax Losses	(283,442)	(281,591)
Balance at end of the year	**2,090,863**	**2,603,397**

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Objectives and Policies

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, cash, short-term deposits, Toi Tupu deposits and refundable occupation rights.

The Group manages its exposure to key financial risks, including interest rate and credit risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security. The Group has currency risk.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed.

Risk Exposures and Responses

(a) Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations, the Toi Tupu Deposits and the Housing Loans. The level of debt and terms are disclosed in Note 16.

The Group's policy is to manage its finance costs and interest rate risk in accordance with the Group Treasury Policy.
At balance date, the Group had the following mix of financial assets and liabilities exposed to New Zealand variable interest rate risk:

	2021	2020
	$	$
Financial Assets		
Cash and Cash Equivalents	4,920,825	6,086,289
Housing Loans	12,031,124	12,377,409
	16,951,949	18,463,698
Financial Liabilities		
Toi Tupu Deposits	5,366,942	3,721,137
Interest Bearing Loans and Borrowings	222,520,722	258,426,387
Derivative financial instruments	2,097,738	5,120,875
	229,985,402	267,268,399
Net Liability	**213,033,453**	**248,804,701**

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables and housing loans. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

For Housing Loans the Group obtains in the form of guarantee, a first ranking mortgage against the leasehold title, which can be called upon if the counterparty is in default under the terms of the agreement.

(c) Liquidity Risk

The Group's objective is to maintain a continuity of funding through the use of bank loans and regular rental income from commercial assets.

The change in freehold property values referred to at Note 9 may impact future cashflows, as rent renewals are generally based on freehold property values. A policy has been adopted of spreading lease renewal dates to mitigate this risk.

The table on the next page reflects all contractually fixed payments and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2021. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2021.

(d) Capital Management

Management considers capital as total equity plus net debt.

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain capital structure that ensures the lowest cost of capital available to the entity.

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

Maturity analysis of financial assets based on management's expectation and financial liabilities based on contractual maturities:

Year Ended 30 June 2021:	Within 1 year	1-5 years	> 5 years
	$	$	$
Financial Assets			
Cash and Cash Equivalents	4,920,825	-	-
Trade and Other Receivables	3,052,332	-	-
Loan to Residents	3,536,477	3,624,613	-
Housing Loans	495,366	1,981,464	9,554,294
	12,005,000	5,606,077	9,554,294
Financial Liabilities			
Trade and Other Payables	5,955,472	-	-
Refundable Occupation Right Agreements	29,631,323	-	-
Toi Tupu Deposits	1,953,624	3,413,318	-
Interest Bearing Loans and Borrowings	-	222,520,722	-
Derivative financial instruments	-	1,778,372	-
	37,540,419	227,712,412	-
Net Liability/(Net Assets)	**25,535,419**	**222,106,335**	**(9,554,294)**

Maturity analysis of financial assets based on management's expectation and financial liabilities based on contractual maturities:

Year Ended 30 June 2020	Within 1 year	1-5 years	> 5 years
	$	$	$
Financial Assets			
Cash and Cash Equivalents	6,086,289	-	-
Trade and Other Receivables	10,578,155	-	-
Loan to Residents	1,267,351	3,781,859	
Housing Loans	333,554	1,334,216	10,709,639
	18,265,349	5,116,075	10,709,639
Financial Liabilities			
Trade and Other Payables	6,093,379	-	-
Refundable Occupation Right Agreements	29,072,542	-	-
Toi Tupu Deposits	1,270,218	2,450,919	-
Interest Bearing Loans and Borrowings	-	258,426,387	-
Derivative financial instruments	-	5,120,875	-
	36,436,139	265,998,181	-
Net Liability/(Net Assets)	**18,170,790**	**260,882,106**	**(10,709,639)**

NOTES TO THE FINANCIAL STATEMENTS

19. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

The contractual maturity of the refundable occupation right agreements may differ from the expected maturity.

The previous tables show the contractual maturity. It is not expected that all residents will exercise their right to vacate their residence under the occupation right agreements within the next 12 months. Settlement of a refundable occupational right agreement generally occurs when a new occupational right agreement is issued to an incoming resident.

20. LEASES

Leases as lessor

The Group leases out its investment property. The Group has classified these leases as operating leases, because they do not transfer substantially all of the risks and rewards incidental to the ownership of the assets.

The following table sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date.

The calculation assumes rents stay at current levels through-out the term, with the exception of fixed increases specified in the lease. The leases in Quay Park form the majority of this rent and they expire on 2 August 2146.

The actual rental received in the future is likely to differ from these amounts due to rent review provisions and other changes to the leases.

	2021	**2020**
Leases	**$**	**$**
Within one year	40,735,916	41,185,995
Between one and five years	134,189,064	142,424,782
After more than five years	3,799,106,345	3,803,734,026
	3,974,031,325	**3,987,344,803**

21. CAPITAL COMMITMENTS	**2021**	**2020**
	$	**$**
Contracted capital commitments at the end of the year in respect of:		
Investment Property - Refurbishment Programme	753,912	-
Investment Property - Development Programme	-	1,180,781
Inventory - Hillary Development	16,406,593	-
Total capital commitments	**17,160,505**	**1,180,781**

22. GUARANTEES

Ngāti Whātua Ōrākei Trust has undertaken to provide guarantees to six (2020: six) mortgages with an unrelated third party. The maximum liability to the Trust is approximately $692,988 (2020: $915,021). As at 30 June 2021 no liability has arisen from this guarantee.

NOTES TO THE FINANCIAL STATEMENTS

23. DISTRIBUTIONS

Distributions reflect payments made during the financial year to members of Ngāti Whātua Ōrākei under the Toi Tupu savings and investment scheme and payments to Komiti Marae Ōrākei Trust (KMOT) to support the functioning and maintenance of Ōrākei Marae. The increase in Toi Tupu distributions reflects the increase in membership during the year.

	2021	2020
	$	$
Toi Tupu	1,922,500	1,508,500
Komiti Marae Ōrākei Trust	535,000	779,000
	2,457,500	2,287,500

24. CONTINGENT LIABILITIES

New Zealand Defence Force
Under the lease to the New Zealand Defence Force ("NZDF") in relation to the Narrowneck Block, NZDF have the ability to bring the lease to an end at any time from 31 January 2028 (the 15th anniversary of the commencement date). If NZDF exercises this right Whai Rawa Property Holdings Limited Partnership is obliged to pay to NZDF an amount calculated in accordance with a pre-arranged formulae that reflects the rent that NZDF has prepaid for the unexpired portion of the lease term.

If the lease is terminated between the 15th and 21st anniversary of the commencement date the amount payable to NZDF will be between $1.0 million and $7.4 million; if the lease is terminated after the 21st anniversary of commencement no payment will be required.

25. SUBSEQUENT EVENTS

Coronavirus Pandemic
The Covid-19 pandemic continues to cause disruption and uncertainty for many businesses and individuals. Our response to the Covid-19 pandemic continues to prioritise the wellbeing of whānau with additional services provided and costs incurred for the provision of kai, hygiene, educational and other supports to whānau members. There has been an increase in hardship withdrawals of the Toi Tupu savings scheme as a result of additional whānau being negatively impacted.

Although causing disruption to our development works and staff working arrangements, the Trust does not consider that the pandemic has resulted in any impairment of our assets or material impact to our operations.

There was Covid-19 Delta outbreak: On 18 August 2021, a lockdown was required where Auckland and the rest of New Zealand entered Level 4. The Alert Level in Auckland will remain in level 4 until 11.59pm 21 September 2021. The impact of this lockdown is uncertain and will depend on the length and level of the lockdown.

Building a better
working world

Independent auditor's report to the Trustee of Ngāti Whātua Orakei Trust

Opinion

We have audited the consolidated financial statements of Ngāti Whātua Orakei Trust and its subsidiaries (the "Trust"), which comprise the consolidated statement of financial position of the Trust as at 30 June 2021, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Trust, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

This report is made solely to the Trustee. Our audit has been undertaken so that we might state to the Trustee those matters 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 Trust and Trustee, for our audit work, for this report, or for the opinions we have formed.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand). 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 Trust in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* 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.

Ernst & Young provides other assurance and advisory related services to the Trust. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Trust.

Information other than the financial statements and auditor's report

Those charged with governance are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor's report which is expected to be made available to us after the date of the auditor's report.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If, based upon the work we have performed on the other information obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Those charged with governance responsibilities for the financial statements

Those charged with governance are responsible, on behalf of the entity, for the preparation and fair presentation of the consolidated financial statements in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime, and for such internal control as those charged with governance determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, those charged with governance are responsible for assessing on behalf of the entity the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless those charged with governance either intend to liquidate the Trust or 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 consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (New Zealand) 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 economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/. This description forms part of our auditor's report.

Ernst + Young

Chartered Accountants
Auckland
29 October 2021