FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2022

NGĀTI WHĀTUA ŌRĀKEI

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Trust Directory

For the Year Ended 30 June 2022

Trustee	Ngāti Whātua Ōrākei Trustee Limited
Directors	Marama Jacquiline Royal Ngarimu Alan Huiroa Blair Brenda Rangimarie Christiansen (Ceased 21 December 2021) Renata Tuhirangi Geoffrey Blair Sharon Aroha Hawke Dwayne Ashley Maihi Julia Anne Steenson William Tamakehu Davis Graham Sonny Anthony Tipene (Appointed 21 December 2021) Joann Precious Kowhai Clark
Chair	Marama Jacquiline Royal
Registered office	13 Dockside Lane Auckland 1010 New Zealand
Auditor	Ernst & Young Auckland New Zealand
Solicitors	Chapman Tripp 23 Albert Street Auckland

Tena koutou nga uri Tuperiri

These statutory financial statements of Ngāti Whātua Ōrākei Trust include all entities that make up the Ngāti Whātua Ōrākei Group (the **Group**). The financial statements provide a single consolidated view of the whole Group[1].

The Financial Statements are required to be prepared for the Group by law, following accounting reporting standards, to show how the Group has performed during the year, its financial strength and what its cashflow has been. The four Statements are;

Consolidated Statement of Comprehensive Income	this is how the group has traded during the year, separating revenue from expenses.
Consolidated Statement of Financial Position	the financial strength of the group showing its assets (what we own) and liabilities (what we owe).
Statement of Changes in Equity	Shows the net movement in the equity (the net worth of the Group) held by the shareholders (hapū members).
Consolidated Statement of Cashflows	shows where the cash has come from and what it has been spent on.

The statements also show a year-on-year comparison and are accompanied by the "Notes to The Financial Statements" on Pages 20 – 35. The notes provide background, underlying assumptions, detail and estimates used in preparing the Statements.

We are required to have an independent auditor who for the Group is Ernst & Young (**EY**) to ensure the financial statements have been prepared correctly[2].

To help with understanding the following summarises the key elements of the financial statements.

Consolidated Statement of Comprehensive Income - Page 7

Reports our financial activity for the 12 months ended to 30 June 2022 by revenue generated from our various business activities (eg property rental), what our expenses were (e.g. employee costs) and the change in the value of the investment property portfolio. For the year 1 July 2021 to 30 June 2022 our total comprehensive income was $88.8m (2021 it was $251.2m).

Consolidated Statement of Financial Position - Page 8

Reports the financial assets and liabilities as at 30 June 2022. The net position (assets minus liabilities are called Net Assets) is the equity of our Group at $1,362m. Assets and liabilities are split between current and non-current depending on how easily they can be turned into cash and whether they will be realized within the next 12 months (current) or later (non-current). Our biggest asset as 30 June 2022 is our investment in property of $1.45bn and our biggest liability is our borrowing / debt of $238million.

Consolidated Statement of Changes in Equity - Page 9

The statement reflects changes in our equity or shareholders' funds as at 30 June 2022. It shows the value of the shareholders ownership in Ngāti Whātua Ōrākei. Net equity has increased by $251,191,531, but has been reduced by distributions to hapū members' and KMOT of $2,457,500.

Consolidated Statement of Cashflows - Page 10

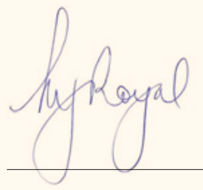
This statement reflects where our cash has come from and where it has been applied to – i.e. how much cash has flowed through the Group, reported by operating (normal activity), investing (investing in assets that will generate future returns) and financing (amounts received from borrowings or distributed outside the Group – e.g. to whānau or KMOT).

[1] *A list of the entities can be found on Page 13 & 14.*
[2] *Their audit opinion can be found on page 36 & 37.*

Annual Report

The Trustee hereby presents its Report including Financial Statements of the Group for the year ended 30 June 2022.

For and on behalf of the Board of Directors



Director

Director

Dated this 7th day of October 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2022

	Notes	2022 $	2021 $
Revenue			
Property rental revenue	4	43,361,949	44,935,224
Retirement village revenue		4,389,434	4,361,679
Interest and dividend revenue		429,577	440,365
Government revenue	4	13,383,757	5,511,998
Property sales	4	-	14,261,304
Consulting revenue	4	2,541,758	3,291,235
Other income	5	756,456	608,332
Total revenue		**64,862,931**	**73,410,137**
Expenses			
Employee benefits expense	6	15,886,649	12,108,819
Governance	6	1,242,896	1,166,930
Grants and programmes	6	10,612,360	9,199,780
Depreciation and amortisation expense		1,107,593	1,043,706
Professional fees	6	7,070,194	7,541,415
Rental property expense		5,874,293	6,798,800
Other expenses	6	11,294,002	5,847,024
Retirement village service expense		2,134,836	2,207,657
Cost of sales - property	4	-	14,794,689
Investment property - work in progress write-off	10	5,587,412	-
Finance expenses	7	8,588,795	7,270,847
Total expenses		**69,399,030**	**67,979,667**
Net profit/(loss) before taxation, fair value adjustments and investments in associates		**(4,536,099)**	**5,430,470**
Share of profit of associates		284,759	2,394,593
Fair value adjustment to investment property	10	89,252,299	243,725,160
Unrealised gain on financial instruments		6,296,488	3,023,137
		95,833,546	**249,142,890**
Net Profit before taxation		**91,297,447**	**254,573,360**
Income tax	11	2,525,962	3,381,829
Total comprehensive income for the year attributable to the owners of Ngāti Whātua Ōrākei Trust		**88,771,485**	**251,191,531**

The notes and accounting policies on pages 11-35 form part of, and are to be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	Notes	2022 $	2021 $
ASSETS			
Current Assets			
Cash and cash equivalents	12	6,624,810	4,920,825
Trade and other receivables	13	6,915,782	4,813,623
Loans to Eastcliffe residents		4,694,550	3,536,477
Housing loans	2(e)	480,777	495,366
Inventories	9	22,902,624	2,171,787
Fair value of derivative financial instruments	18	530,473	-
Non-current assets classified as held for sale	19	42,500,000	-
Total current assets		**84,649,016**	**15,938,078**
Non-current assets			
Property, plant and equipment	8	38,773,592	29,271,892
Intangible assets		19,993	28,661
Fair value of derivative financial instruments	18	3,668,277	-
Investment in joint venture		17,000	17,000
Investment in associates		186,249	1,126,490
Investment properties	10	1,447,939,441	1,410,507,740
Inventories	9	69,528,710	76,781,404
Loans to Eastcliffe residents		2,451,668	3,624,613
Housing loans	2(e)	11,162,607	11,535,758
Right-of-use asset		1,257,403	1,618,838
Total non-current assets		**1,575,004,940**	**1,534,512,396**
Total assets		**1,659,653,956**	**1,550,450,474**
LIABILITIES			
Current liabilities			
Trade and other payables	**14**	**7,122,987**	**4,192,132**
Tax payable		**1,082,877**	**1,366,367**
Toi Tupu deposits		**2,741,425**	**1,957,203**
Income in advance		**6,832,426**	**1,920,546**
Lease liabilities		**227,789**	**400,415**
Employee benefits	**15**	**2,204,862**	**1,985,358**
Fair value of derivative financial instruments	**18**	**-**	**319,366**
Refundable occupation right agreements	**16**	**29,755,795**	**29,631,323**
Total current liabilities		**49,968,161**	**41,772,710**
Non-current liabilities			
Interest bearing loans and borrowings	17	237,865,947	222,299,897
Toi Tupu deposits		4,546,117	3,413,318
Income in advance		1,740,482	1,407,708
Fair value of derivative financial instruments	18	-	1,778,372
Deferred tax liabilities	20	2,545,687	2,090,863
Lease liabilities		1,171,833	1,337,862
Total non-current liabilities		**247,870,066**	**232,328,020**
Total liabilities		**297,838,227**	**274,100,730**
NET ASSETS		**1,361,815,729**	**1,276,349,744**
EQUITY		**1,361,815,729**	**1,276,349,744**

The notes and accounting policies on pages 11-35 form part of, and are to be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2022

	Notes	Total Equity $
Balance as at 1 July 2020		1,027,615,713
Profit for the year		251,191,531
Distributions	25	(2,457,500)
Balance as at 30 June 2021		**1,276,349,744**
Balance as at 1 July 2021		1,276,349,744
Profit for the year		88,771,485
Distributions	25	(3,305,500)
Balance as at 30 June 2022		**1,361,815,729**

The notes and accounting policies on pages 11-35 form part of, and are to be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CASHFLOW

For the year ended 30 June 2022

	Notes	2022 $	2021 $
Cash flows from operating activities			
Cash was provided from			
Interest and dividend revenue		429,578	438,134
Funding from customers		20,668,759	10,784,815
Property rental revenue		44,088,471	49,291,177
Retirement village revenue and occupation right agreement proceeds		10,943,177	10,713,371
Property sales		-	16,400,499
Other		2,324,964	1,068,924
Housing loans repaid		387,741	346,285
Cash was disbursed to			
Payments to suppliers		46,594,578	39,364,325
Payments to employees		15,461,319	11,544,783
Payments for inventory		11,998,952	2,271,659
Interest paid		8,264,258	7,378,732
Income taxes paid		2,358,239	4,520,907
Net cash inflow / (outflow) from operating activities		**(5,834,656)**	**23,962,799**
Cash flows from investing activities			
Cash was provided from			
Distribution from associates		1,225,000	20,638,719
Cash was disbursed to			
Purchase of property, plant and equipment		985,513	1,314,388
Purchase of investment property		3,590,395	53,738
Development of investment property		2,382,050	3,826,126
Net cash inflow / (outflow) from investing activities		**(5,732,958)**	**15,444,467**
Cash flows from financing activities			
Cash was provided from			
Proceeds from borrowings		15,500,000	-
Cash was disbursed to			
Repayment of borrowings		-	35,900,000
Payment of lease liabilities		243,875	229,650
Loan to Eastcliffe residents		425,000	3,631,385
Distributions		980,000	535,000
Toi Tupu withdrawals		579,526	276,695
Net cash inflow / (outflow) from financing activities		**13,271,599**	**(40,572,730)**
Net increase / (decrease) in cash and cash equivalents		**1,703,985**	**(1,165,464)**
Cash and cash equivalents at the beginning of the financial year		4,920,825	6,086,289
Cash and cash equivalents at end of year	12	**6,624,810**	**4,920,825**

The notes and accounting policies on pages 11-35 form part of, and are to be read in conjunction with, these financial statements.

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 Māori 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 ("Whai Rawa") and Ngāti Whātua Ōrākei Whai Māia Limited ("Whai Māia").

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 Tāmaki Limited Partnership on 25 January 2013.

The Trust's strategic plan has 8 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 mātauranga 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.

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.

Going Concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future and that it remains appropriate that the financial statements be prepared under the going concern convention. Refundable occupation right agreements are classified as 'current liabilities' for accounting purposes, they are, however, not likely to be repaid within one year.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 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.

(i) Compliance with NZ IFRS

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.

(ii) Historical cost convention

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

There are no new or amended standards that are issued but not yet effective that are expected to have a material impact on the Group.

Principles of consolidation and equity accounting

(i) Changes in accounting policy

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

(ii) 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 2022 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 Ōrākei 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 consist 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 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/Te Tōangaroa 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/Te Tōangaroa 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Ngāti Whātua Ōrākei Tourism Limited Partnership	To undertake tourism projects.
Ngāti Whātua o Ōrākei Health Limited	Provide general health services and facilities for the people of Tāmaki Makaurau.
Ngāti Whātua Ōrākei Education Limited	To manage the Puna Reo.
Ngāti Whātua Ōrākei Whai Māia Limited	To act as the corporate trustee for Whai Māia Charitable Trust 1, Whai Māia Charitable Trust 2 and other charitable trusts as required.
Whai Māia Charitable Trust 1	To manage the cultural and social development of Ngāti Whātua Ōrākei iwi.
Whai Māia Charitable Trust 2	To manage the cultural and social development of Ngāti Whātua Ōrākei iwi.

(iii) 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. Subsidiaries are fully consolidated 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.

(iv) 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 in the Group's 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 at each reporting date or whenever there is an indication that the asset may be impaired.

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.

Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Company applies the NZ IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowances for all trade receivables. In addition, the collectability of individual debtors is reviewed on an ongoing basis and a specific provision for expected credit losses is made when there is evidence that the Group will not be able to collect the receivable. Debtors are written off when recovery is no longer anticipated.

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 amortised cost less impairment for any uncollectible amounts.

Loans to Eastcliffe residents

Loans to Eastcliffe residents are secured non-interest bearing loans. 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. 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.

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:

Item of property	Expected useful life
Heritage assets	200 years
Infrastructure	200 years
Buildings	0 - 50 years
Vehicles, plant & equipment	2 - 15 years
Leasehold improvements	5 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 (GST)

The Consolidated Statement of Comprehensive Income has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST as invoiced.

NOTES TO THE ACCOUNTS

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 Consolidated Statement of Comprehensive Income when they accrue to employees. Liabilities for wages and salaries, including non monetary benefits and annual leave 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 property

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. 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, design and development. Feasibility costs incurred before the purchase of an asset are expensed as incurred, as are holding costs, holding income, marketing and advertising costs.

Non-current assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value.

Leases

Group as a lessee

The Group recognises a right-of-use asset and a lease liability at the present value of future lease payments for existing lease terms and all lease renewal options that are reasonably certain to be exercised. Certain low value and short term leases are excluded. Lease payments are recorded as a repayment of the lease obligation and interest expense instead of as an operating expense in the income statement. Right-of-use assets are depreciated on a straight-line basis over the current lease term. Lease payments are discounted at the rate implicit in the lease, or if not readily determinable, the Group's incremental borrowing rate.

NOTES TO THE ACCOUNTS

The costs of low value and short term leases continue to be recognised as an expense in the Consolidated Statement of Comprehensive Income.

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.

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 amortised 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 hedge its risk associated with interest rates. Derivative financial instruments are recognised 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 remeasurement to fair value is recognised directly in profit or loss. The interest rate swaps 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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 is 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 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.

The Group enters into property leases with tenants on its investment properties. The Group has determined that it retains all significant risks and rewards of ownership of these properties and has therefore classified the leases as operating leases.

Rental income, from these leases, including fixed rental increases, is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives offered to tenants as an inducement to enter into leases, are capitalised to investment properties and then amortised over the term of the lease as a reduction of rental income. Certain rental abatements provided to tenants are also capitalised to investment properties and amortised over the lease term as a reduction of rental income.

(v) Retirement village income

The residents pay a weekly fee which covers a proportion of the village outgoings and the cost of service 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 8.2 years (2021: 8.6 years) for the independent units/apartments and 4.5 years (2021: 4.3 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.

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.

Comparative balances

Certain prior year amounts have been reclassified for consistency with current year presentation.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In producing the financial statements, the Group makes judgements, estimates and assumptions based on known facts at a point in time. These accounting judgements, estimates and assumptions will rarely exactly match the actual outcome. The judgements that have the most significant effect on the amounts recognised and the estimates and assumptions that have a significant risk of causing a material adjustment to the carrying values of assets and liabilities within the next financial year are as follows:

(i) Investment property

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

(ii) 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.

(iii) 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.

(iv) 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 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 holdings on the North Shore.

Retirement village income

Retirement village income includes village outgoings, services fees and village contribution fees.

Property sales and cost of sales

Property sales in the prior year reflect the settlement of 13 homes from our Oneoneroa development on the North Shore. 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. It also includes patient fees earned at the health clinic and te reo corporate consulting fees.

Government revenue

Government revenue is received from contracts with Government agencies to deliver services for whānau and the community. Revenue includes funding received for:

- Health services - funding was received for the Medical Clinic at Eastridge, Tamariki Ora, Māori mobile unit, the Tāmaki vaccination centre, Tāmaki Covid-19 testing services and other activities supporting Māori Covid-19 response.
- Education - funding was received to support the operation of the Puna and to encourage rangatahi back into education after the Covid-19 lockdowns.
- Whānau Ora - funding was received to improve Māori outcomes through social, education and employment support.
- Covid-19 response - funding was received to support SMEs, whānau in isolation as a result of Covid-19, and community connections and promotion of the vaccine uptake.

	2022 $	2021 $
Government revenue		
Health services	8,636,921	2,705,341
Whānau Ora	1,847,293	1,977,181
Covid-19 response	1,274,875	-
Education	992,155	368,331
Other	632,513	461,145
	13,383,757	**5,511,998**

5. OTHER INCOME

	2022 $	2021 $
Sundry income	639,990	420,835
Puna Reo income	102,191	161,978
Koha	14,275	25,519
	756,456	**608,332**

6. EXPENSES

	2022 $	2021 $
Employee benefits expense		
Wages and salaries	15,200,277	11,673,972
KiwiSaver contribution	418,087	268,217
Staff training	98,354	75,341
Staff uniforms	4,373	5,566
Other staff costs	165,558	85,723
	15,886,649	**12,108,819**

	2022 $	2021 $
Governance		
Directors fees	1,121,015	1,009,714
Directors expenses	98,881	141,883
Audit and risk committee	23,000	15,333
	1,242,896	**1,166,930**

	2022 $	2021 $
Grants and programmes		
Health & wellbeing	4,511,382	3,835,819
Environmental programmes	2,270,015	1,978,093
Education	1,246,424	1,236,634
Te Reo/cultural programmes	713,734	496,353
Digital transformation	345,486	408,839
Kaumatua	251,911	289,622
Other grants and programme costs	1,273,408	954,420
	10,612,360	**9,199,780**

Health & wellbeing grants reflect the utilisation of the Toi Ora health insurance programme. During the year membership of the programme rose from 3,805 to 4,878.

Environmental programmes largely relate to development work on the Whenua Rangatira and Pourewa.

Education grants and programmes include the National Certificate of Education Achievement (NCEA) rewards, tutoring grants, tertiary grants and early childhood (ECE) subsidiaries.

6. EXPENSES (CONTINUED)

	2022 $	2021 $
Professional Fees		
Legal fees	2,355,927	4,261,301
Feasibility	737,437	238,231
Doctors fees	352,032	255,737
Accounting fees	350,132	234,367
Toi Tupu	227,801	165,861
Valuations	190,680	233,062
Other professional fees (including masterplanning, tax, and treasury compliance)	2,856,185	2,152,856
	7,070,194	**7,541,415**

	2022 $	2021 $
Other expenses		
Covid-19 expenses	4,537,654	600,429
Security - vaccination and testing centres	1,326,587	-
Communication expense	1,307,589	1,442,126
Office expenses	1,257,217	831,240
Education contracts	460,000	-
Recruitment expense	428,793	81,197
Ōkahu Rākau expenses	385,035	472,157
Motor Vehicle/Travel expense	341,327	270,867
Event expenses	209,669	118,578
Operating leases	49,112	49,417
Bad debts and doubtful debts	(132,860)	620,511
Other	1,123,879	1,360,502
	11,294,002	**5,847,024**

Covid-19 expenses relate to support provided to the whānau during the pandemic. Support included distribution of food and grocery vouchers, education products and programmes and health and wellbeing programmes. Covid-19 expenses also include costs associated with the promotion campaign to encourage rangatahi Māori to get vaccinated. Government revenue of $4.2 million has been received towards funding the Covid-19 costs.

Education contracts costs were in relation to the drive to encourage rangatahi back into education after the Covid-19 lockdowns. Ōkahu Rākau expenses relate to the maintenance of the whenua. Costs are fully funded by Auckland Council.

Security for the vaccination and testing centres relate to 24 hour manned security at the centres. This was a requirement of the government funding contract. Costs were fully recovered from the District Health Board.

7. FINANCE COSTS

	2022 $	2021 $
Finance costs		
Interest expense on bank facilities	5,008,207	3,114,125
Bank and line fees	1,934,081	1,938,994
Interest expense on interest rate swaps	1,345,541	2,054,479
Interest expense on Toi Tupu deposits	203,981	94,763
Other finance costs	96,985	68,486
	8,588,795	**7,270,847**

8. PROPERTY, PLANT AND EQUIPMENT

	Vehicles, Plant & Equipment $	Heritage Assets $	Land $	Buildings $	Leasehold Improvements $	Infrastructure $	Total $
At 1 July 2021	1,373,121	81,475	21,513,305	5,949,206	60,147	294,638	29,271,892
Reclass from investment property *(note 10)*	-	-	-	3,960,000	-	-	3,960,000
Additions	1,051,141	-	-	5,267,598	50,324	-	6,369,063
Disposals	(85,461)	-	-	-	(60,145)	-	(145,606)
Depreciation charge	(470,927)	-	-	(203,942)	(5,374)	(1,514)	(681,757)
At 30 June 2022	**1,867,874**	**81,475**	**21,513,305**	**14,972,862**	**44,952**	**293,124**	**38,773,592**
Cost	4,526,120	81,475	21,513,305	16,613,378	50,326	302,840	43,087,444
Accumulated depreciation	(2,658,246)	-	-	(1,640,516)	(5,374)	(9,716)	(4,313,852)
Net Book Value 30 June 2022	**1,867,874**	**81,475**	**21,513,305**	**14,972,862**	**44,952**	**293,124**	**38,773,592**
Cost	3,723,117	81,475	21,513,305	7,395,599	75,059	302,840	33,091,395
Accumulated depreciation	(2,349,996)	-	-	(1,446,393)	(14,912)	(8,202)	(3,819,503)
Net Book Value 30 June 2021	**1,373,121**	**81,475**	**21,513,305**	**5,949,206**	**60,147**	**294,638**	**29,271,892**

9. INVENTORIES

	2022 $	2021 $
Classification of Inventories		
Current Assets		
Work in progress - residential developments	22,678,011	1,894,272
Finished goods - nursery and medical supply	224,613	277,515
	22,902,624	**2,171,787**
Non Current Assets		
Work in progress - residential developments	69,528,710	76,781,404
	69,528,710	**76,781,404**
Total inventories at the lower of cost and net realisable value	**92,431,334**	**78,953,191**

Work in progress inventory is pledged as security for Group borrowing facilities.

10. INVESTMENT PROPERTY

	2022 $	2021 $
At beginning of year	1,410,507,740	1,160,826,717
Net gain from fair value adjustment	89,252,299	243,725,160
Temporary accommodation to residents	37,564	38,150
Capital expenditure	219,528	53,738
Acquisition of investment property	4,256,014	-
Investment property - work in progress	(2,743,490)	3,832,738
Investment property - work in progress - write-off	(5,587,412)	-
Easement rights granted over investment property	(1,000,000)	-
Movement in rent accrued on fixed uplift leases and lease incentives	(542,802)	2,031,237
Classified as held for sale	(42,500,000)	-
reclass to property, plant and equipment	(3,960,000)	-
Closing balance as at 30 June	**1,447,939,441**	**1,410,507,740**

Investment property work in progress of $5,587,412 was written off during the year (2021: Nil).

Investment properties are carried at fair value, which has been determined based on valuations performed by Jones Lang LaSalle Limited, CBRE Limited and Seagars of Auckland as at 30 June 2022.

The net gain from fair value adjustment is a non-cash gain and has not resulted in an increase to our cash reserves. This value will fluctuate over time. When an investment property is sold the 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 30% limit set by the Trust Deed. As at 30 June 2022 the loan to value ratio was 15.51%. Refer Note 17.

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:

	2022 $	2021 $
Independent valuation of investment properties	1,416,771,373	1,371,422,477
Investment property work in progress	-	8,330,838
Refundable occupation right agreements	29,755,795	29,631,323
Termination fees in advance	1,412,273	1,123,102
Total Investment Property	**1,447,939,441**	**1,410,507,740**

Investment property includes investment property work in progress of $Nil (2021: $8,330,838), 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

10. INVESTMENT PROPERTY (CONTINUED)

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	Decease 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 Rate
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 2022	Market capitalisation rate	Discount Rate	Price per square metre
Investment Property	3.32% to 6.75%	6.38% - 14.5%	$25 to $13,000

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

NOTES TO THE FINANCIAL STATEMENTS

11. INCOME TAX

	2022 $	2021 $
Reconciliation of tax expense and accounting profit:		
Accounting profit before taxation	91,297,447	254,573,360
Non-taxable revaluation of investment properties	(89,252,299)	(243,725,160)
Non-deductible expenses	6,467,754	8,736,131
Tax losses - kāinga developments	-	10,589
Taxable income	**8,512,902**	**19,594,920**
Income tax	4,016,012	4,389,167
Māori authority credits received	(1,225,000)	(945,000)
Prior period recognition of losses	(171,726)	(280,218)
Prior period deferred tax asset adjustment	(93,324)	220,234
Tax effect of total temporary differences	-	(2,354)
Income tax expense	**2,525,962**	**3,381,829**

	2022 $	2021 $
Māori authority credits		
At beginning of year	20,499,433	17,342,316
Net tax payments	3,727,301	4,520,907
Resident withholding tax	2,084	698
Imputation credits on dividends received	973	-
Imputation credits on dividends paid	(1,807,376)	(1,352,801)
Other debits	(15,000)	(11,687)
Prior period adjustment	290,101	-
Closing balance as at 30 June	**22,697,516**	**20,499,433**

12. CASH AND CASH EQUIVALENTS

	2022 $	2021 $
Cash at bank and in hand	6,624,810	4,905,843
Term deposits	-	14,982
	6,624,810	**4,920,825**

13. TRADE AND OTHER RECEIVABLES

	2022 $	2021 $
Trade receivables	4,741,208	3,264,721
Provision for doubtful debt	(1,109,195)	(1,247,867)
Prepayments	2,152,121	1,537,534
Accrued revenue and other receivables	750,102	975,259
GST receivable	381,546	283,976
	6,915,782	4,813,623

Foreign exchange and interest rate risk

The Group is not exposed to foreign exchange risk. Interest rate risk exposure is disclosed in Note 21(a).

Fair value and credit risk

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

14. TRADE AND OTHER PAYABLES

	2022 $	2021 $
Trade payables	2,866,925	1,621,757
Accrued expenses	2,827,916	1,249,266
Termination fees in advance	1,412,273	1,123,102
GST payable	11,850	187,779
Other payables	4,023	10,228
	7,122,987	**4,192,132**

15. EMPLOYEE BENEFITS

	2022 $	2021 $
Holiday pay accrued	1,440,072	1,036,193
Wages and salaries accrued	362,906	209,865
KiwiSaver, PAYE and withholding tax	88,504	370,215
Other	313,380	369,085
	2,204,862	**1,985,358**

16. REFUNDABLE OCCUPATION RIGHT AGREEMENTS

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 $29,755,795 (2021: $29,631,323) 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.

17. INTEREST BEARING LOANS AND BORROWINGS

	Maturity	2022 Total Facility $	2021 Total Facility $	2022 Undrawn Facility $	2021 Undrawn Facility $	2022 Drawn Amount $	2021 Drawn Amount $
BNZ							
Bank Facility	26/02/24	-	37,500,000	-	-	-	37,500,000
Bank Facility	15/03/24	37,500,000	-	-	-	37,500,000	-
Bank Facility	26/02/25	-	62,500,000	-	-	-	62,500,000
Bank Facility	15/03/25	62,500,000	-	-	-	62,500,000	-
Bank Facility	15/03/26	50,000,000	-	-	-	50,000,000	-
Bank Facility	15/03/27	10,000,000	-	10,000,000	-	-	-
		160,000,000	100,000,000	10,000,000	-	150,000,000	100,000,000
ANZ							
Bank Facility	01/07/22	-	17,500,000	-	-	-	17,500,000
Bank Facility	30/07/24	-	52,500,000	-	52,500,000	-	-
Bank Facility	15/03/25	30,000,000	-	30,000,000	-	-	-
Bank Facility	15/03/26	22,500,000	-	22,500,000	-	-	-
		52,500,000	70,000,000	52,500,000	52,500,000	-	17,500,000
Westpac							
Bank Facility	26/02/23	-	62,500,000	-	62,500,000	-	-
Bank Facility	22/05/23	-	37,500,000	-	-	-	37,500,000
Bank Facility	15/03/24	37,500,000	-	-	-	37,500,000	-
Bank Facility	15/03/25	30,000,000	-	14,500,000	-	15,500,000	-
		67,500,000	100,000,000	14,500,000	62,500,000	53,000,000	37,500,000
ASB							
Bank Facility	31/07/22	-	50,000,000	-	7,500,000	-	42,500,000
Bank Facility	26/02/24	-	25,000,000	-	-	-	25,000,000
Bank Facility	15/03/25	40,000,000	-	30,000,000	-	10,000,000	-
Bank Facility	15/03/25	25,000,000	-	-	-	25,000,000	-
		65,000,000	75,000,000	30,000,000	7,500,000	35,000,000	67,500,000
		345,000,000	**345,000,000**	**107,000,000**	**122,500,000**	**238,000,000**	**222,500,000**

	2022 $	2021 $
Interest accruals	42,758	39,279
Bank facility	238,000,000	222,500,000
Establishment fees	(191,817)	(260,104)
Other loans	15,006	20,722
Total net book value	**237,865,947**	**222,299,897**
Current portion	-	-
Non-current portion	237,865,947	222,299,897
Total net book value	**237,865,947**	**222,299,897**

NOTES TO THE FINANCIAL STATEMENTS

17. INTEREST BEARING LOANS AND BORROWINGS (CONTINUED)

	2022 $	2021 $
Bank facility expiry profile:		
1–2 years	75,000,000	167,500,000
2-3 years	187,500,000	177,500,000
3-4 years	72,500,000	-
4-5 years	10,000,000	-
	345,000,000	**345,000,000**

Interest bearing loans and borrowings are initially recognised at fair value, net of transaction costs incurred and are subsequently measured at amortised cost.

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 30 May 2022, letters of amendment were executed with ANZ Bank New Zealand Limited, Bank of New Zealand Limited, Westpac New Zealand Limited and ASB Bank Limited. The letters:

› extended the BNZ facility of $37,500,000 and the Westpac facility of $37,500,000 to 15 March 2024

› extended the BNZ facility of $62,500,000 and the ASB facility of $25,000,000 to 15 March 2025

› incorporated the following new facilities

  › BNZ facility of $50,000,000 with a maturity date of 15 March 2026; and

  › BNZ facility of $10,000,000 with a maturity date of 15 March 2027

› increased the ANZ facility of $17,500,000 to $22,500,000 while extending the facility to 15 March 2026

› decreased the ANZ facility of $52,500,000 to $30,000,000 while extending the facility to 15 March 2025

› decreased the Westpac facility of $62,500,000 to $30,000,000 while extending the facility to 15 March 2025

› decreased the ASB facility of $50,000,000 to $40,000,000 while extending the facility to 15 March 2025

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.

18. DERIVATIVE FINANCIAL INSTRUMENTS

At 30 June 2022, 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 2022 is $105 million (2021: $60 million) with the weighted average term to maturity being 2.64 years (2021: 2.15 years). Fair value of these interest rate swaps as at 30 June 2022 was an asset of $4,198,750 (2021: Liability of $2,097,738).The interest payment frequency on these borrowings is quarterly.

19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

	2022 $	2021 $
Non-current assets classified as held for sale	42,500,000	-
	42,500,000	**-**

The Group has entered into an agreement to sell a parcel of vacant land. The land classified as held for sale during the reporting period was measured at its fair value as determined by JLL. The fair value of the land was determined using the sales comparison approach. This is a Level 3 measurement as per fair value hierarchy set out in Note 10.

NOTES TO THE FINANCIAL STATEMENTS

20. DEFERRED TAX

	2022 $	2021 $
Deferred tax liability at beginning of year	2,090,863	2,603,397
Current period movement on deferred tax	626,550	(232,316)
Prior period deferred tax adjustment	(171,727)	(280,218)
Total taxable temporary differences as at 30 June	**2,545,686**	**2,090,863**

	2022 $	2021 $
The balance comprises temporary differences attributable to:		
Long term leases	2,870,988	2,878,352
Accrued revenue	575,929	686,431
Provisions and accruals	(613,284)	(264,641)
Tax losses	(283,445)	(283,442)
Deferred management fees	(357,304)	(260,686)
Income in advance - NZDF	(305,233)	(296,344)
Derivatives	734,781	(367,104)
Other	(76,745)	(1,703)
Balance at end of the year	**2,545,687**	**2,090,863**

21. FINANCIAL RISK MANAGEMENT

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 no 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 17.

The Group's policy is to manage its finance costs and interest rate risk in accordance with the Group Treasury Policy.

NOTES TO THE FINANCIAL STATEMENTS

21. FINANCIAL RISK MANAGEMENT (CONTINUED)

At balance date, the Group had the following mix of financial assets and liabilities exposed to New Zealand variable interest rate risk:

	2022 $	2021 $
Financial assets		
Cash and cash equivalents	6,624,810	4,920,825
Derivative financial instruments	4,198,750	-
Housing loans	11,643,384	12,031,124
	22,466,944	**16,951,949**
Financial liabilities		
Toi Tupu deposits	7,287,542	5,370,521
Interest bearing loans and borrowings	238,015,006	222,520,722
Derivative financial instruments	-	2,097,738
	245,302,548	**229,988,981**
Net liability	**222,835,604**	**213,037,032**

(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 10 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 2022. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2022.

(d) Capital Management

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

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

30 June 2022:	**Within 1 year $**	**1–5 years $**	**> 5 years $**
Financial assets			
Cash and cash equivalents	6,624,810	-	-
Trade and other receivables	4,763,661	-	-
Loan to residents	4,694,550	2,451,668	-
Derivative financial instruments	530,473	3,668,277	-
Housing Loans	480,777	1,923,108	9,239,499
	17,094,271	**8,043,053**	**9,239,499**
Financial liabilities			
Trade and other payables	9,327,849	-	-
Refundable occupation right agreements	29,755,795	-	-
Toi Tupu deposits	2,741,425	4,546,117	-
Interest bearing loans and borrowings	-	238,015,006	-
	41,825,069	**242,561,123**	**-**
Net liability/(net assets)	**24,730,798**	**234,518,070**	**(9,239,499)**

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

30 June 2021:	**Within 1 year $**	**1–5 years $**	**> 5 years $**
Financial assets			
Cash and cash equivalents	4,920,825	-	-
Trade and other receivables	3,276,089	-	-
Loan to residents	3,536,477	3,624,613	-
Housing loans	495,366	1,981,464	9,554,294
	12,228,757	**5,606,077**	**9,554,294**
Financial liabilities			
Trade and other payables	6,177,490	-	-
Refundable occupation right agreements	29,631,323	-	-
Toi Tupu deposits	1,957,203	3,413,318	-
Interest bearing loans and borrowings	-	222,520,722	-
Derivative financial instruments	319,366	1,778,372	-
	38,085,382	**227,712,412**	**-**
Net liability/(net assets)	**25,856,625**	**222,106,335**	**(9,554,294)**

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.

22. 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/Te Tōangaroa 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.

	2022 $	2021 $
Leases		
Within one year	40,486,433	40,735,916
Between one and five years	135,772,872	134,189,064
After more than five years	3,807,263,344	3,799,106,345
	3,983,522,649	**3,974,031,325**

23. COMMITMENTS

	2022 $	2021 $
Capital expenditure contracted for at the end of the reporting period but not yet incurred is as follows:		
Investment property - refurbishment programme	-	753,912
Inventory - residential developments	3,615,767	16,406,593
	3,615,767	**17,160,505**

24. GUARANTEES

Ngāti Whātua Ōrākei Trust has undertaken to provide guarantees to six (2021: six) mortgages with an unrelated third party. The maximum liability to the Trust is approximately $625,586 (2021: $692,988). As at 30 June 2022 no liability has arisen from this guarantee.

25. 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 made to to Komiti Marae Ōrākei Trust (KMOT) to support the functioning and maintenance of Ōrākei marae.

	2022 $	2021 $
	2,325,500	1,922,500
Toi Tupu	980,000	535,000
Komiti Marae Ōrākei Trust	**3,305,500**	**2,457,500**

26. CONTINGENCIES

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.

27. EVENTS OCCURRING AFTER THE REPORTING PERIOD

The vacant land classified as held for sale settled on 12 August 2022.

There were no other events subsequent to balance date that would affect the financial statements.

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Independent Auditor’s Report to the Trustee of Ngāti Whātua Ōrākei 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 2022, 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 Trust as at 30 June 2022 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 services to the Trust. Partners and employees of our firm may deal with the Trust on normal terms within the ordinary course of trading activities of the business of the Trust. 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.

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When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor’s report was prepared.

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 report

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
12 October 2022

Glossary of Terms

Shareholders	Members of Ngāti Whātua Ōrākei (hapū)
Financial Statements	The annual record of business activities, financial performance and financial position of the Group. Prepared in accordance with financial reporting standards.
Trustee	Ngāti Whātua Ōrākei Trustee Limited is the Trustee of Ngāti Whātua Ōrākei Trust. Responsible for administering the Trust solely for the purposes identified in the Trust Deed.
Trust Deed	Legal document that creates and administers the trust. Outlines the roles and responsibilities of all parties and who administers the Trust.
Group	Means Ngāti Whātua Ōrākei Trust including the companies (entities) that make up the Group. Includes Whai Rawa and Whai Maia and their subsidiaries.
Entities / Subsidiary	Individual companies that make up the Ngāti Whātua Ōrākei Group e.g Whai Rawa group of companies and Whai Māia group of companies.
Revenue	Income (money) received by the Group. The Statement of Comprehensive Income of Page 7 shows under Revenue the various sources of the money received. Further detail is provided in Note 4 and 5.
Expenses	What the Group spends money on by type and further explained in Note 6 and 7.
Financial Strength	The Group's ability to generate revenue and have sufficient cash flow.
Assets	Items owned by the Group (or to the group by others) at the value given.
Liabilities	Items that the Group owes to others.
Equity (Shareholders Funds)	The difference between Assets and Liabilities and represents what Shareholders own. The Group at 30 June 2022 had equity of $1.36bn which was represented by Assets $1.66bn less Total Liabilities of $0.30bn.

NGĀTI WHĀTUA ŌRĀKEI