NGĀTI WHĀTUA ŌRĀKEI
WHAI RAWA LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

Contents

Company Directory

For the Year Ended 30 June 2021

Registered Office	29 Dockside Lane Auckland 1010
Directors	Joann Precious Kowhai Clark Julia Anne Steenson Michael Peter Stiassny Ngarimu Alan Huiroa Blair Christopher Wayth Gudgeon (appointed 1 February 2021) James Gerard Quinn (appointed 1 February 2021)
Company Number	678327
Auditor	Ernst & Young Auckland New Zealand
Banks	ANZ National Bank Limited Auckland New Zealand Bank Of New Zealand Auckland New Zealand Westpac New Zealand Limited Auckland New Zealand ASB Bank Limited Auckland New Zealand
Commenced Trading under New Structure	1 February 2013
Nature of Business	To actively manage and grow the assets and investments of the Ngāti Whātua Ōrākei Trust
Business Location	29 Dockside Lane Auckland 1010

Annual Report

The Directors hereby present their Report including Financial Statements of the Group for the year ended 30 June 2021.

Section 211 of the Companies Act 1993 requires the following disclosures:

Principal Activities

Ngāti Whātua Ōrākei Whai Rawa Limited and its subsidiaries, is involved in the ownership, development and management of property assets for the benefit of the Ngāti Whātua Ōrākei hapū.

Auditor

The Group's auditor is Ernst & Young.

Directors

The following Directors held office during the period:

› Joann Precious Kowhai Clark

› Julia Anne Steenson

› Michael Peter Stiassny

› Ngarimu Alan Huiroa Blair

› Christopher Wayth Gudgeon (appointed 1 February 2021)

› James Gerard Quinn (appointed 1 February 2021)

Directors' disclosures

› Ngāti Whātua Ōrākei Whai Rawa Limited and its subsidiaries are required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests register for Ngāti Whātua Ōrākei Whai Rawa Limited and its subsidiaries is available for inspection during usual business hours at the Whai Rawa offices, 29 Dockside Lane, Auckland 1010.

› No Director acquired or disposed of any interest in shares in the company.

› The Board of Directors received no notices from Directors wishing to use company information received in their capacity as Directors which would not have ordinarily been available.

Donations (Koha)

No Koha donations were paid to the Group during the period.

For and on behalf of the Board of Directors

Director
Michael Peter Stiassny

Director
Ngarimu Alan Huiroa Blair

Dated this 24th day of September 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2021

	Notes	2021 $	2020 $
Revenue			
Property Rental Revenue		44,719,441	44,695,120
Retirement Village Revenue		4,361,679	4,689,332
Property Sales		14,261,304	-
Interest and Dividend Revenue		431,217	535,736
Other		47,109	114,009
Total Revenue		**63,820,750**	**50,034,197**
Expenses			
Employee Benefits Expense	4	5,377,016	5,432,567
Governance	4	300,107	328,428
Finance Costs	4	10,192,934	10,670,835
Rental Property Expense		6,798,800	6,945,650
Retirement Village Service Expense		2,207,657	1,709,039
Cost of Sales – Property		14,794,689	-
Professional Fees	4	2,474,423	3,094,542
Depreciation and Amortisation Expense		335,981	316,793
Investment Property – Work in Progress Write Off		-	27,441
Provision for Doubtful Debts		516,143	44,796
Other Expenses	4	1,446,623	1,538,156
Total Expenses		**44,444,373**	**30,108,247**
Net Profit before taxation, fair value adjustments and investments in associates		**19,376,377**	**19,925,950**
Share of Profit in Associates	8	2,394,593	5,090,845
Gain on Revaluation of Investment Property	6	236,803,796	42,071,767
Unrealised Net Gain/(Loss) on Financial Instruments		3,023,137	(1,121,716)
Net Profit before taxation		**261,597,903**	**65,966,846**
Income Tax Expense	7	4,326,829	4,074,568
Total Comprehensive Income for the year		**257,271,074**	**61,892,278**

This statement is to be read in conjunction with notes to the financial statements on page 9 to page 36.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year Ended 30 June 2021

	Notes	Contributed Capital	Retained Earnings	Total
At 1 July 2020		222,645,446	703,378,298	926,023,744
Total Comprehensive Income for the year		-	257,271,074	257,271,074
Dividends paid	23	-	(16,440,585)	(16,440,585)
At 30 June 2021		**222,645,446**	**944,208,787**	**1,166,854,233**

	Notes	Contributed Capital	Retained Earnings	Total
At 1 July 2019		222,645,446	649,518,943	872,164,389
Total Comprehensive Income for the year		-	61,892,278	61,892,278
Dividends paid	23	-	(8,032,923)	(8,032,923)
At 30 June 2020		**222,645,446**	**703,378,298**	**926,023,744**

This statement is to be read in conjunction with notes to the financial statements on page 9 to page 36.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

	Notes	2021 $	2020 $
EQUITY		**1,166,854,233**	**926,023,744**
Current Assets			
Cash and Cash Equivalents	9	2,143,435	1,055,673
Trade and Other Receivables	10	2,937,895	10,132,179
Loan to Eastcliffe Residents		3,536,477	1,267,351
Related Party Receivables	11	5,836	334,224
Housing Loans	11	495,366	333,554
Inventories	5	1,894,272	13,663,982
Total Current Assets		**11,013,281**	**26,786,963**
Non-Current Assets			
Investment Property	6	1,394,173,953	1,151,417,601
Inventories	5	76,781,404	77,532,548
Investment in Associates	8	1,126,490	19,370,616
Investment in Joint Venture		17,000	17,000
Lease Asset		126,545	278,399
Housing Loans	11	11,535,758	12,043,855
Loan to Residents		3,624,613	3,781,859
Property, Plant and Equipment		992,526	1,066,582
Intangible Assets		28,663	24,600
Total Non-Current Assets		**1,488,406,952**	**1,265,533,060**
Total Assets		**1,499,420,233**	**1,292,320,023**
Current Liabilities			
Tax payable		1,329,900	1,011,748
RWT Payable – Toi Tupu		3,579	3,275
Lease Liability		136,270	155,307
Trade and Other Payables	12	3,129,660	2,803,958
Employee Benefits	13	1,016,789	880,083
Related Party Loans	11	2,340,368	784,169
Toi Tupu Deposits	11	1,953,624	1,270,218
Fair value of Derivative Financial Instruments		319,366	-
Refundable Occupation Right Agreements	14	29,631,323	29,072,542
Income in Advance		1,735,686	1,644,072
Total Current Liabilities		**41,596,565**	**37,625,372**
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	15	222,279,175	258,365,401
Fair value of Derivative Financial Instruments	16	1,778,372	5,120,875
Related Party Loans	11	60,000,000	60,000,000
Toi Tupu Deposits	11	3,413,318	2,450,919
Deferred Tax Liability	17	2,090,863	2,603,397
Lease Liability		-	130,315
Income in Advance		1,407,708	-
Total Non-Current Liabilities		**290,969,436**	**328,670,907**
Total Liabilities		**332,566,001**	**366,296,279**
TOTAL NET ASSETS		**1,166,854,233**	**926,023,744**

Director Date Director Date

This statement is to be read in conjunction with notes to the financial statements on page 9 to page 36.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 30 June 2021

	Notes	2021 $	2020 $
Cash Flows from Operating Activities			
Cash was provided from:			
Interest and Dividend Revenue		431,014	532,083
Property Rental Revenue		49,291,177	43,938,593
Retirement Village Revenue and Occupation Right Agreements Proceeds		10,713,371	10,361,359
Sales		16,400,499	-
Other		568,770	112,960
Housing Loans Repaid		346,285	307,184
Total cash provided from operating activities		**77,751,116**	**55,252,179**
Cash was disbursed to:			
Payments to Suppliers		18,194,998	27,676,152
Payments to Employees		5,242,376	5,373,242
Payments for Inventory		2,271,659	11,547,134
Interest Paid		10,378,276	11,209,155
Income Tax Paid		4,520,907	1,647,684
Total cash disbursed to operating activities		**40,608,216**	**57,453,367**
Net Cash Inflow/(Outflow) from Operating Activities	**18**	**37,142,900**	**(2,201,188)**
Cash Flows from Investing Activities			
Cash was provided from:			
Investment in Associates	8	20,638,719	-
Cash was disbursed to:			
Purchase of Property, Plant and Equipment		89,177	395,503
Investment Property		187,623	14,518,495
Development of Investment Property		3,826,126	4,088,752
Total cash disbursed to investing activities		**4,102,926**	**19,002,750**
Net Cash Inflow/(Outflow) from Investing Activities		**16,535,793**	**(19,002,750)**
Cash Flows from Financing Activities			
Cash was provided from:			
Proceeds from Borrowings		-	33,700,000
Total cash provided from financing activities		**-**	**33,700,000**
Cash was disbursed to:			
Repayment of Borrowings		35,900,000	-
Related Party Loans		8,178,500	2,234,394
Toi Tupu Withdrawals		276,695	188,783
Payment of Lease Liabilities		149,351	144,631
Loan to Eastcliffe Residents		3,631,385	5,049,161
Dividends Paid		4,455,000	7,811,154
Total cash disbursed to financing activities		**52,590,931**	**15,428,123**
Net Cash Inflow/(Outflow) from Financing Activities		**(52,590,931)**	**18,271,877**
Net Increase/(Decrease) in Cash Held		1,087,762	(2,932,061)
Cash at Beginning of the Year		1,055,673	3,987,734
Total Cash at End of the Year	**9**	**2,143,435**	**1,055,673**

This statement is to be read in conjunction with notes to the financial statements on page 9 to page 36

Notes to the Accounts

1. GENERAL INFORMATION

Reporting Entity

Ngāti Whātua Ōrākei Whai Rawa Limited and Subsidiaries (“the Group”) is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with that Act.

The ultimate parent is Ngāti Whātua Ōrākei Trust.

The financial statements of the Group have been prepared in accordance with generally accepted accounting practice in New Zealand, the requirements of the Companies Act 1993 and the Financial Reporting Act 2013. The financial statements have been prepared on a historical cost basis, except for derivative financial instruments and investment properties, being land and buildings which have been measured at fair value.

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 Cash Flows, as well as 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.

2. ACCOUNTING POLICIES

Changes in Accounting Policy

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

Basis of Consolidation

The consolidated financial statements of the Group are for the legal entity comprising Ngāti Whātua Ōrākei Whai Rawa Limited ("Whai Rawa") and its wholly owned subsidiaries. The group is a profit-oriented entity for financial reporting purposes.

The consolidated financial statements incorporate the assets and liabilities of wholly owned subsidiaries of Whai Rawa as at 30 June 2021 and the results of those entities for that period. Whai Rawa and its wholly owned subsidiaries are referred to in these financial statements as the Group or the consolidated entity.

All wholly owned subsidiaries have the same balance date as Whai Rawa, 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 entities:

Subsidiaries	
Ngāti Whātua Ōrākei Whai Rawa Limited	The parent entity of the Group
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.

Subsidiaries

Subsidiaries are entities controlled by Whai Rawa. Control exists when the Company 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 are presently 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.

Investments in subsidiaries are measured at cost less impairment in the parent company's financial statements. Inter-entity 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.

Convertible Loan

Whai Rawa pays interest to Whai Maia Charitable Trust 2 for the convertible loan on a monthly basis. The interest is recognised in the Consolidated Statement of Comprehensive Income. The convertible loan is initially measured at fair value plus directly attributable transaction costs, and is subsequently measured at amortised cost using the effective interest method (including interest accruals less provision 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. Bank overdrafts are shown on 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 uncollectible 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 amortised cost less impairment for any uncollectible amounts.

NOTES TO THE ACCOUNTS

2. ACCOUNTING POLICIES (CONTINUED)

Loans to Residents

Loans to Residents are secured non-interest -bearing loans. The loans are carried at amortised cost less impairment for any uncollectible amounts.

Plant, Property and Equipment

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.

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 period are as follows:

	Expected useful life
Property Improvements	5 years
Motor Vehicles	5 years
Office Equipment	2–15 years
Plant and Equipment	5–10 years
Infrastructure	200 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 life 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

Impairment

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

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 amortised 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 who were over the age of 18 when they enrolled in Toi Tupu have the right to withdraw deposits after 12 months. Members who were under the age of 18 must also complete our financial literacy requirement to withdraw deposits.

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, 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 sheet 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 estimated 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.

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.

2. ACCOUNTING POLICIES (CONTINUED)

Leases – *Group as a lessee (continued)*

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.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

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

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

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 manage 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) Interest revenue

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

(ii) Dividends

Dividend revenue is recognised when the Group's right to receive the payment is established.

(iii) 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.

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'.

(iv) 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.

(v) 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 differences 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 became a tax paying entity on the 1 February 2013. Any income or expenses prior to this period are non taxable. Tax is paid by Ngāti Whātua Ōrākei Whai Rawa Limited on behalf of the other subsidiaries in the tax group.

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 various other 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. Refer to Note 6 for more information.

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.

4. OPERATING EXPENSES

	2021 $	2020 $
Employee Benefits Expense		
Wages and Salaries	5,252,741	5,341,070
Kiwisaver Contribution	64,377	58,085
ACC Levies	31,626	21,821
Other Staff Costs	28,272	11,591
	5,377,016	**5,432,567**
Governance		
Directors Fees	281,666	327,500
Directors Expenses	18,441	928
	300,107	**328,428**
Finance Costs		
Interest Expense on Bank Facilities	3,114,125	4,195,792
Interest on Related Party Convertible Loan	3,000,000	3,000,000
Bank and Line Fees	1,929,567	1,653,664
Interest Expense on Interest Rate Swaps	2,054,479	1,712,203
Interest Expense on Toi Tupu Deposits	94,763	94,763
Interest on Lease Liabilities	-	14,413
	10,192,934	**10,670,835**
Professional Fees		
Accounting Fees	146,588	114,751
Legal Fees	628,229	1,397,819
Valuations	226,895	325,921
Other Professional Fees (including Masterplanning, Rent Review, Toi Tupu, Feasibility, Tax and Treasury compliance)	1,472,711	1,256,051
	2,474,423	**3,094,542**
Other Expenses		
Office Expenses	329,341	368,163
Leases – operating	6,755	8,933
Communication Expense	891,843	922,025
Motor Vehicle/Travel Expenses	10,059	16,625
Recruitment Expense	51,413	107,500
Non-Recoverable GST	163,824	114,910
Other	(6,612)	-
	1,446,623	**1,538,156**

5. INVENTORIES

	2021 $	2020 $
Classification of Inventories		
Current Assets		
Work in Progress – Hillary Development	1,894,272	13,663,982
	1,894,272	**13,663,982**
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	**78,675,676**	**91,196,530**

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

6. INVESTMENT PROPERTY

	2021 $	2020 $
At beginning of year	1,151,417,601	1,090,568,350
Net Gain from Fair Value Adjustment	236,803,796	42,071,767
Temporary accommodation to residents	38,150	476,357
Acquisition of Investment Property	-	14,356,167
Capital Expenditure	139,067	165,316
Investment Property work in progress	3,832,738	4,055,748
Movement in rent accrued on Fixed Uplift Leases and Lease Incentives	1,942,601	(276,104)
Closing balance as at 30 June	**1,394,173,953**	**1,151,417,601**

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 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	1,355,088,690	1,116,748,685
Investment Property work in progress	8,330,900	4,498,128
Refundable occupation right agreements	29,631,323	29,072,542
Termination Fees in Advance	1,123,040	1,098,246
Total Investment Property	**1,394,173,953**	**1,151,417,601**

Investment property includes investment property work in progress of $8,330,900 (2020: $4,498,128), which has been valued at cost.

There were no finance costs capitalised to 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 considers 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.

NOTES TO THE FINANCIAL STATEMENTS

6. INVESTMENT PROPERTIES (CONTINUED)

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
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 $10,250

7. INCOME TAX

	Note	2021 $	2020 $
Reconciliation of tax expense and accounting profit:			
Accounting Profit before Taxation		261,597,903	65,966,846
Adjusted for:			
Non-Taxable Revaluation of Investment Properties		(236,803,796)	(42,548,123)
Non-Deductible Expenses		(1,067,901)	(368,495)
Other		1,344,159	294,870
Tax Losses – Kāinga Developments		10,589	(29,194)
Taxable Income		**25,080,954**	**23,315,904**
Income Tax using Maori Authority Tax Rate (17.5%)		4,389,167	4,080,283
Adjustments in respect of current income tax of prior years		220,234	(31,407)
Prior period deferred tax adjustment		(280,218)	20,583
Prior period recognition of losses		(2,354)	5,109
Income Tax Expense		**4,326,829**	**4,074,568**

	Note	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	23	(1,352,801)	(1,703,953)
Other debits		(11,687)	(11,613)
Closing balance as at 30 June		**20,499,433**	**17,342,316**

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.

NOTES TO THE FINANCIAL STATEMENTS

8. INVESTMENT IN ASSOCIATES (CONTINUED)

STATEMENT OF FINANCIAL POSITION – MOIRE ROAD LIMITED PARTNERSHIP

	2021 $	2020 $
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

STATEMENT OF COMPREHENSIVE INCOME – MOIRE ROAD LIMITED PARTNERSHIP

	2021 $	2020 $
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)
Total expenses	(886,140)	(1,822,972)
Profit for the year (continuing operations)	**4,886,925**	**10,389,481**
Total comprehensive income for the year (continuing operations)	**4,886,925**	**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

9. CASH AND CASH EQUIVALENTS

	2021 $	2020 $
Cash at Bank	2,143,435	1,055,673
	2,143,435	**1,055,673**

10. TRADE AND OTHER RECEIVABLES

	2021 $	2020 $
GST Receivable	-	2,862,663
Trade Receivables	2,026,482	663,988
Provision for Doubtful Debts	(676,826)	(169,435)
Prepayments	1,405,292	1,097,654
Accrued Revenue and other receivables	182,947	5,677,309
	2,937,895	10,132,179

(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 20 (a).

11. RELATED PARTY TRANSACTIONS

		2021 $	2020 $
Amounts outstanding at year end:			
Current Assets			
Related Party Receivables			
Ultimate Parent			
Ngāti Whātua Ōrākei Trust	Trade Receivable	89	670
Associated Trust			
Whai Maia Charitable Trust 1	Advance	-	316,957
Whai Maia Charitable Trust 1	Trade Receivable	5,747	16,597
		5,836	334,224
Members of Ngāti Whātua Ōrākei	Housing Loans	495,366	333,554
Non Current Assets			
Members of Ngāti Whātua Ōrākei	Housing Loans	11,535,758	12,043,855
Current Liabilities			
Related Party Payables			
Ultimate Parent			
Ngāti Whātua Ōrākei Trust	Advance	2,340,368	784,169
Members of Ngāti Whātua Ōrākei	Toi Tupu Deposits	1,953,624	1,270,218
Non Current Liabilities			
Related Party Payables			
Associated Trust			
Whai Maia Charitable Trust 2	Convertible loan	60,000,000	60,000,000
Members of Ngāti Whātua Ōrākei	Toi Tupu Deposits	3,413,318	2,450,919

	2021 $	2020 $
Transactions with Related Parties:		
Advances Received from/(Repaid to): Ngāti Whātua Ōrākei Trust (net of repayments)	1,556,199	(7,115,774)
Toi Tupu Deposits Received from: Members of Ngāti Whātua Ōrākei	1,645,805	1,392,182
Housing Loans (Repaid by)/Advanced to: Members of Ngāti Whātua Ōrākei (net of repayments)	(346,285)	(307,185)
Property Rental Income Charged to: Whai Maia Charitable Trust 1	1,538,591	1,534,560
Interest Charged by: Whai Maia Charitable Trust 2	3,000,000	3,000,000
Housing Loan Interest Received from: Members of Ngāti Whātua Ōrākei	421,736	508,120

During the period there has been no impairment or write off of related party balances.

All advances are unsecured, repayable on demand and interest free except for the convertible loan.

Convertible Loan

Ngāti Whātua Ōrākei Maori Trust Board (Lender) and Ngāti Whātua Ōrākei Whai Rawa Limited (Borrower) were parties to a convertible loan agreement dated 25 January 2013. The convertible loan is to be repaid by the borrower on a date jointly agreed by the lender, borrower and Ngāti Whātua Ōrākei Trustee Limited (PSGE Trustee).

The Directors of the borrower may elect to issue redeemable preference shares per the agreement in full payment of the loan and in full discharge of all the borrowers obligations.

The Directors of the borrower may only make such elections in the following circumstances:

a) The Borrower (or any subsidiary) has breached, or it is reasonably likely that the Borrower (or any subsidiary) will breach, a financial covenant with a third party lender; or

b) The Borrower no longer satisfies, or it is reasonably likely that the Borrower will no longer satisfy, the solvency test (as defined in the Companies Act 1993).

The convertible loan was transferred to the Whai Maia Charitable Trust 2 from Ngāti Whātua Ōrākei Trust on 1 March 2013.

Ngāti Whātua Ōrākei Whai Rawa Limited pays interest monthly on the convertible loan at 5% per annum.

12. TRADE AND OTHER PAYABLES

	2021 $	2020 $
Trade Payables	679,067	619,341
Accrued Expenses	1,139,625	1,078,171
Other Payables	2,518	8,200
GST Payable	185,348	-
Termination Fees in Advance	1,123,102	1,098,246
	3,129,660	**2,803,958**

13. EMPLOYEE BENEFITS

	2021 $	2020 $
Wages and Salaries Accrued	135,735	134,691
Holiday Pay Accrued	461,697	459,578
Kiwisaver, PAYE and Withholding tax	50,272	47,414
Other	369,085	238,400
	1,016,789	**880,083**

14. 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.

15. INTEREST-BEARING LOANS AND BORROWINGS

	Maturity	30 June 2021 Total Facility $	30 June 2020 Total Facility $	30 June 2021 Undrawn Facility $	30 June 2020 Undrawn Facility $	30 June 2021 Drawn Amount $	30 June 2020 Drawn Amount $
BNZ							
Bank Facility	26/02/24	37,500,000	37,500,000	-	-	37,500,000	37,500,000
Bank Facility	01/07/21	-	37,500,000	-	-	-	37,500,000
Bank Facility	23/02/21	-	25,000,000	-	25,000,000	-	-
Bank Facility	26/02/25	62,500,000	-	-	-	62,500,000	-
		100,000,000	100,000,000	-	25,000,000	100,000,000	75,000,000
ANZ							
Bank Facility	01/07/22	17,500,000	17,500,000	-	-	17,500,000	17,500,000
Bank Facility	30/07/21	-	17,500,000	-	-	-	17,500,000
Bank Facility	21/12/21	-	30,000,000	-	-	-	30,000,000
Bank Facility	30/07/24	52,500,000	-	52,500,000	-	-	-
		70,000,000	65,000,000	52,500,000	-	17,500,000	65,000,000
Westpac							
Bank Facility	26/07/21	-	37,500,000	-	-	-	37,500,000
Bank Facility	21/02/21	-	25,000,000	-	25,000,000	-	-
Bank Facility	10/12/21	-	30,000,000	-	-	-	30,000,000
Bank Facility	22/05/23	37,500,000	37,500,000	-	-	37,500,000	37,500,000
Bank Facility	26/02/23	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	31/07/22	50,000,000	50,000,000	7,500,000	36,600,000	42,500,000	13,400,000
Bank Facility	26/02/24	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
Accrued Interest						39,279	117,878
Establishment fees						(260,104)	(152,477)
Total Net Book Value						**222,279,175**	**258,365,401**
Current Portion						-	-
Non-Current Portion						222,279,175	258,365,401
Total Net Book Value						**222,279,175**	**258,365,401**

	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

15. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

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 the following new facilities:
    - BNZ facility of $62,500,000 with a maturity date of 26 Feb 2025;
    - ANZ facility of $52,500,000 with a maturity date of 30 July 2024;
    - Westpac facility of $62,500,000 with a maturity date of 26 Feb 2023; and
    - 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.

16. 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.

17. DEFERRED TAX

	2021 $	2020 $
Deferred Tax Liability:		
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**

	2021 $	2020 $
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)
	2,090,863	**2,603,397**

NOTES TO THE FINANCIAL STATEMENTS

18. CASH FLOW STATEMENT RECONCILIATION

	2021 $	2020 $
Total Comprehensive Income for the year	**257,271,074**	**61,892,278**
Adjustments for:		
Depreciation of Property, Plant and Equipment	181,717	163,439
Amortisation right of use asset	151,854	151,854
Amortisation of Intangible Assets	2,410	1,500
Investment Property – Work in Progress Write Off	(6,612)	27,441
Impairment of Loans Receivable	1,519,456	-
Bad Debts and Doubtful Debts	507,391	44,796
Amortisation of Termination Fee Income	(778,040)	(1,216,419)
Amortisation of Borrowing Costs	140,113	34,034
Rent accrued on Fixed Uplift Leases and Lease Incentives	(1,942,601)	276,105
Rent recognised on Prepaid Leases	-	(27,393)
Share in profit of associates	(2,394,593)	(5,090,845)
Unrealised Net Loss on Financial Instruments	(3,023,137)	1,121,716
Gain on Revaluation of Investment Property	(236,841,946)	(42,548,124)
	14,787,086	**14,830,382**
Changes in assets and liabilities		
Decrease/(Increase) in Trade and Other Receivables	4,683,585	(96,194)
Increase/(Decrease) in Employee Benefit Payable	134,640	59,325
Increase/(Decrease) in Trade and Other Payables	4,688,661	(4,129,294)
Increase/(Decrease) in Tax Payables	314,877	2,382,711
Increase/(Decrease) in Deferred Tax	(510,681)	42,009
Increase/(Decrease) in Refundable Occupation Rights	256,191	(6,944,600)
Decrease/(Increase) in Inventory	12,520,855	(8,773,593)
Increase/(Decrease) in Interest Accruals	(78,599)	120,882
Decrease/(Increase) in Housing Loans Advanced	346,285	307,184
	22,355,814	(17,031,570)
Net Cash Outflow From Operating Activities	**37,142,900**	**(2,201,188)**

19. KEY MANAGEMENT PERSONNEL COMPENSATION

There are no post employment or other long term employment benefits. There have been no other transactions between key management personnel and the Group.

Remuneration of Employees

The overall remuneration structure is designed to deliver rewards that are competitive in the labour markets in which the Group competes for staff. The number of employees of the Group, who received remuneration and other benefits in their capacity as employees, the value of which was in excess of $100,000 and was paid or accrued to those employees in relation to the financial year ended 30 June 2021 are listed in the table below.

Remuneration includes salary, performance bonuses and other sundry benefits received in their capacity as employees for the year ended 30 June 2021.

Total Remuneration	**2021 Number Of Employees**	**2020 Number Of Employees**
430,001–440,000	-	1
420,001–430,000	1	-
330,001–340,000	1	-
310,001–320,000	-	1
230,001–240,000	-	1
200,001–210,000	1	1
190,001–200,000	2	1
180,001–190,000	-	-
170,001–180,000	1	1
160,001–170,000	-	3
140,001–150,000	-	1
130,001–140,000	1	-
120,001–130,000	2	-
110,001–120,000	2	-
100,000–110,000	1	3
	12	13

	2021 $	**2020 $**
Directors Remuneration		
Joann Precious Kowhai Clark	50,000	50,000
Julia Anne Steenson	50,000	50,000
Michael Peter Stiassny	90,000	90,000
Ngarimu Alan Huiroa Blair	50,000	50,000
Robert Lindsay Hutchison (Ceased 29 June 2020)	-	50,000
Sir Robert George Mappin Fenwick (Ceased 11 March 2020)	-	37,500
Christopher Wayth Gudgeon (appointed 1 February 2021)	20,833	-
James Gerard Quinn (appointed 1 February 2021)	20,833	-
	281,666	327,500

20. 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 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 15).

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	2,143,435	1,055,673
Housing Loans	12,031,124	12,377,409
Total Financial Assets	14,174,559	13,433,082
Financial Liabilities		
Toi Tupu Deposits	5,366,942	3,721,137
Interest Bearing Loans and Borrowings	222,500,000	258,400,000
Derivative Financial Instruments	2,097,738	5,120,875
Total Financial Liabilities	229,964,680	267,242,012
Net Liability	**215,790,121**	**253,808,930**

All financial assets and financial liabilities of the Group are classified at amortised cost except for interest rate swaps which are classified as fair value through profit and loss.

(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 investment property.

The change in freehold property values referred to in Note 6 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 a capital structure that ensures the lowest cost of capital available to the entity.

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	2,143,435	-	-
Trade and Other Receivables	1,532,603	-	-
Loan to Residents	3,536,477	3,624,613	-
Housing Loans	495,366	1,981,464	9,554,294
	7,707,881	**5,606,077**	**9,554,294**
Financial Liabilities			
Trade and Other Payables	4,146,449	-	-
Refundable Occupation Right Agreements	29,631,323	-	-
Toi Tupu Deposits	1,953,624	3,413,318	-
Interest Bearing Loans and Borrowings	-	222,500,000	-
Derivative Financial Instruments	319,366	1,778,372	-
	36,050,762	227,691,690	-
Net Liability/(Net Assets)	**28,342,881**	**222,085,613**	**(9,554,294)**

NOTES TO THE FINANCIAL STATEMENTS

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

30 June 2020:	Within 1 year $	1-5 years $	> 5 years $
Financial Assets			
Cash and Cash Equivalents	1,055,673	-	-
Trade and Other Receivables	9,034,525	-	-
Loan to Residents	1,267,351	3,781,859	-
Housing Loans	333,554	1,334,216	10,709,639
	11,691,103	5,116,075	10,709,639
Financial Liabilities			
Trade and Other Payables	3,684,041	-	-
Refundable Occupation Right Agreements	29,072,542	-	-
Toi Tupu Deposits	1,270,218	2,450,919	-
Interest Bearing Loans & Borrowings	-	258,400,000	-
Derivative Financial Instruments	-	5,120,875	-
	34,026,801	265,971,794	-
Net Liability/(Net Assets)	**22,335,698**	**260,855,719**	**(10,709,639)**

The $60,000,000 convertible loan from a related party has not been disclosed in this note as there is currently no contractual repayment date. Repayment of the loan is to be on a date jointly agreed by the lender (Whai Maia Charitable Trust 2), Ngāti Whātua Ōrākei Whai Rawa Limited and Ngāti Whātua Ōrākei Trustee Limited (PSGE Trustee) (see note 11 for further details).

The contractual maturity of the refundable occupation right agreements and loan to residents may differ from the expected maturity.

The table above shows 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. Nor is it expected that the residents will repay their loans within the next 12 months. Settlement of a refundable occupation right agreement generally occurs when a new occupational right agreement is issued to an incoming resident and loans to residents are repayable in full when the resident receives termination proceeds under the new ORA.

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. 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**

23. EQUITY

Shares issued were fully paid up when the assets were transferred from the Ngāti Whātua o Ōrākei Maori Trust Board as part of the PSGE restructure.

During the year the Group declared to Ngāti Whātua Ōrākei Trustee Limited gross dividends of $17,793,386 (2020: $9,736,876). This is inclusive of $1,352,801 (2020: $1,703,953) of Maori Authority Credits. Total net dividends distributed to the Trust was $16,440,585 for the year ending 30 June 2021 (2020: $8,032,923).

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 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

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 at least 11.59pm 21 September. The impact of this lockdown is uncertain and will depend on the length and level of the lockdown.

Independent auditor’s report to the shareholder of Ngāti Whātua Orakei Whai Rawa Limited

Opinion

We have audited the financial statements of Ngāti Whātua Orakei Whai Rawa Limited (“the Company”) and its subsidiaries (together “the Group), which comprise the consolidated statement of financial position of the Group 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 Group, 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 consolidated financial position of the Group as at 30 June 2021 and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime issued by the New Zealand Accounting Standards Board.

This report is made solely to the Company’s shareholder. Our audit has been undertaken so that we might state to the Company’s shareholder 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 Company and the Company’s shareholder, 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 Group 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 Group. 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 Group.

Information other than the financial statements and auditor’s report

The directors of the Group are responsible for the Annual Report, which includes information other than the consolidated financial statements and auditor’ report which is expected to be made available to us after the date of this 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.

Directors’ responsibilities for the financial statements

The directors are responsible, on behalf of the Group, for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Building a better working world

In preparing the consolidated financial statements, the directors are responsible for assessing on behalf of the entity the Group'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 the directors either intend to liquidate the Group 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
24 September 2021

NGĀTI WHĀTUA ŌRĀKEI
WHAI RAWA LIMITED