NGĀTI WHĀTUA ŌRĀKEI
WHAI RAWA LIMITED

Ngāti Whātua Ōrākei
Whai Rawa Limited
and Subsidiaries

Financial Statements

For the Year Ended 30 June 2020

Contents

Company Directory

For the Year Ended 30 June 2020

Registered Office	29 Dockside Lane Auckland 1010
Directors	Joann Precious Kowhai Clark Julia Anne Steenson Michael Peter Stiassny Ngarimu Alan Huiroa Blair Robert Lindsay Hutchison (until 29 June 2020) Sir Robert George Mappin Fenwick (until 11 March 2020)
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 2020.

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 iwi.

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

› Robert Lindsay Hutchison (Until 29 June 2020)

› Sir Robert George Mappin Fenwick (Until 11 March 2020)

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 14th day of September 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2020

	Note	2020	2019
		$	$
Revenue			
Property Rental Revenue		44,695,120	42,167,928
Retirement Village Revenue		4,689,332	4,630,841
Interest and Dividend Revenue		535,736	543,231
Other		114,009	106,948
Total Revenue		**50,034,197**	**47,448,948**
Expenses			
Employee Benefits Expense	4	5,432,567	5,083,974
Governance	4	328,428	341,776
Finance Costs	4	10,670,835	12,072,399
Rental Property Expense		6,945,650	4,113,764
Retirement Village Service Expense		1,709,039	1,871,422
Cost of Sales		-	55,370
Professional Fees	4	3,094,542	2,487,450
Depreciation and Amortisation Expense		316,793	115,351
Investment Property - Work in Progress Write Off		27,441	1,743,446
Provision for Doubtful Debts		44,796	52,000
Other Expenses	4	1,538,156	1,434,917
Total Expenses		**30,108,247**	**29,371,869**
Net Profit before taxation, fair value adjustments and investments in associates		19,925,950	18,077,079
Share of Profit in Associates	8	5,090,845	3,931,051
Gain on Revaluation of Investment Property	6	42,071,767	28,189,513
Unrealised Net Loss on Financial Instruments		(1,121,716)	(2,706,977)
Net Profit before taxation		**65,966,846**	**47,490,666**
Income Tax Expense	7	4,074,568	3,149,925
Total Comprehensive Income for the year		**61,892,278**	**44,340,741**

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

For the Year Ended 30 June 2020

	Note	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**

		Contributed Capital	Retained Earnings	Total
At 1 July 2018		222,645,446	608,965,933	831,611,379
Total Comprehensive Income for the year		-	44,340,741	44,340,741
Dividends paid	23	-	(3,787,731)	(3,787,731)
At 30 June 2019		**222,645,446**	**649,518,943**	**872,164,389**

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 2020	Note	2020 $	2019 $
Equity		**926,023,744**	**872,164,389**
Current Assets			
Cash and Cash Equivalents	9	1,055,673	3,987,734
Trade and Other Receivables	10	10,132,179	7,422,131
Loan to Eastcliffe Residents		1,267,351	-
Income Tax Receivable		-	1,390,592
Related Party Receivables	11	334,224	3,951,169
Housing Loans	11	333,554	325,714
Inventories	5	13,663,982	5,469,161
Total Current Assets		**26,786,963**	**22,546,501**
Non-Current Assets			
Investment Property	6	1,151,417,601	1,090,568,350
Inventories	5	77,532,548	76,953,776
Investment in Associates	8	19,370,616	14,279,771
Investment in Joint Venture		17,000	17,000
Lease Asset		278,399	-
Housing Loans	11	12,043,855	12,358,880
Loan to Residents		3,781,859	-
Property, Plant and Equipment		1,066,582	837,019
Intangible Assets		24,600	-
Total Non-Current Assets		**1,265,533,060**	**1,195,014,796**
Total Assets		**1,292,320,023**	**1,217,561,297**
Current Liabilities			
Tax payable		1,011,748	-
RWT Payable – Toi Tupu		3,275	22,840
Lease Liability		155,307	-
Trade and Other Payables	12	2,803,958	4,087,758
Employee Benefits	13	880,083	822,824
Related Party Loans	11	784,169	7,899,943
Toi Tupu Deposits	11	1,270,218	646,048
Refundable Occupation Right Agreements	14	29,072,542	36,093,843
Interest Bearing Loans and Borrowings	15	-	92,500,605
Income in Advance		1,644,072	2,974,948
Total Current Liabilities		**37,625,372**	**145,048,809**
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	15	258,365,401	132,104,645
Fair value of Derivative Financial Instruments	16	5,120,875	3,999,159
Related Party Loans	11	60,000,000	60,000,000
Toi Tupu Deposits	11	2,450,919	1,682,907
Deferred Tax Liability	17	2,603,397	2,561,388
Lease Liability		130,315	-
Total Non-Current Liabilities		**328,670,907**	**200,348,099**
Total Liabilities		**366,296,279**	**345,396,908**
TOTAL NET ASSETS		**926,023,744**	**872,164,389**

Director ____________________ Director _____________________

Date ______________________ 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 2020

	Note	2020	2019
Cash Flows from Operating Activities		$	$
Cash was provided from:			
Interest and Dividend Revenue		532,083	543,231
Property Rental Revenue		43,938,593	35,565,903
Retirement Village Revenue and Occupation Right Agreements Proceeds		10,361,359	5,815,057
Other		112,960	140,079
Housing Loans Repaid		307,184	343,529
Total cash provided from operating activities		**55,252,179**	**42,407,799**
Cash was disbursed to:			
Payments to Suppliers		27,676,152	15,926,823
Payments to Employees		5,373,242	5,142,441
Payments for Inventory		11,547,134	8,199,920
Interest Paid		11,209,155	11,435,690
Income Tax Paid		1,647,684	4,350,730
Total cash disbursed to operating activities		**57,453,367**	**45,055,604**
Net Cash Outflow from Operating Activities	**18**	**(2,201,188)**	**(2,647,805)**
Cash Flows from Investing Activities			
Cash was disbursed to:			
Purchase of Property, Plant and Equipment		395,503	378,485
Investment Property		14,518,495	471,663
Development of Investment Property		4,088,752	2,001,752
Investment in Associates	8	-	10,348,720
Total cash disbursed to investing activities		**19,002,750**	**13,200,620**
Net Cash Outflow from Investing Activities		**(19,002,750)**	**(13,200,620)**
Cash Flows from Financing Activities			
Cash was provided from:			
Proceeds from Borrowings		33,700,000	24,800,000
Total cash provided from financing activities		**33,700,000**	**24,800,000**
Cash was disbursed to:			
Related Party Loans		2,234,394	6,265,457
Toi Tupu Withdrawals		188,783	-
Payment of lease liabilities		144,631	-
Loan to Eastcliffe Residents		5,049,161	-
Dividends Paid		7,811,154	1,250,000
Total cash disbursed to financing activities		**15,428,123**	**7,515,457**
Net Cash Inflow from Financing Activities		**18,271,877**	**17,284,543**
Net Increase/(Decrease) in Cash Held		(2,932,061)	1,436,118
Cash at Beginning of the Year		3,987,734	2,551,616
Total Cash at End of the Year	**9**	**1,055,673**	**3,987,734**

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 RDR"), 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, they continue to adopt the going concern basis in preparing the accounts.

2. Accounting Policies

Changes in Accounting Policy

The Group has adopted IFRS 16 Leases which replaces IAS 17 Leases. The Group has initially applied NZ IFRS 16 from 1 July 2019. The Group applied NZ IFRS16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2019 is not restated – i.e. it is presented, as previously reported under NZ IAS 17 and related interpretations.

As a lessee

As a lessee, the Group leases property and equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under NZ IFRS 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.
The Group used a number of practical expedients when applying NZ IFRS 16 to leases previously classified as operating leases under NZ IAS 17. In particular, the Group:

› did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

› did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. equipment);

› excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

As a lessor

The Group leases out its investment property. The Group has classified these leases as operating leases.

Occupation right agreements confer the right to occupy a retirement unit and are considered leases under NZ IFRS 16. There is no change to the recognition or measurement of occupation right agreements and the associated deferred management fee revenue. Deferred management fee revenue will continue to be recognised over the period of service, being the greater of the expected period of tenure or the contractual right to revenue.

The Group is not required to make any adjustments on transition to NZ IFRS 16 for leases in which it acts as a lessor except as outlined below.

Previously, where the period of the prepayment exceeded 90 years, the Group treated the transaction as an effective sale of asset. The Group now considers that since land has an indefinite useful life, the lease is deemed to be an operating lease.

Impact on transition

On transition to NZ IFRS 16, the Group recognised additional right-of-use assets and additional lease liabilities of $430,252.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted- average rate applied is 3.95%.

The Group also recognised additional investment property, on land previously treated as disposed, of $1,050,000.

2. Accounting Policies (Continued)

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 2020 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.

2. Accounting Policies (Continued)

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 uncollectable are written off when identified.

2. Accounting Policies (Continued)

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.

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

2. Accounting Policies (Continued)

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 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, 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.

2. Accounting Policies (Continued)

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.

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.

2. Accounting Policies (Continued)

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:

2. Accounting Policies (Continued)

(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 8.9 years (2019: 8.6 years) for the independent units/apartments and 4.2 years (2019: 4.2 years) for the serviced apartments and care studios.

(v) Land development and resale

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

2. Accounting Policies (Continued)

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.

Notes to the Financial Statements

4. Operating Expenses

	2020	2019
	$	$
Employee Benefits Expense		
Wages and Salaries	5,341,070	4,966,134
Kiwisaver Contribution	58,085	58,985
ACC Levies	21,821	41,556
Other Staff Costs	11,591	17,299
	5,432,567	**5,083,974**
Governance		
Directors Fees	327,500	340,000
Directors Expenses	928	1,776
	328,428	**341,776**
Finance Costs		
Interest Expense on Bank Facilities	4,195,792	6,719,737
Interest on Related Party Convertible Loan	3,000,000	3,000,000
Bank and Line Fees	1,653,664	1,546,868
Interest Expense on Interest Rate Swaps	1,712,203	745,613
Interest Expense on Toi Tupu Deposits	94,763	41,056
Interest on Lease Liabilities	14,413	-
Use of Money Interest – IRD	-	19,125
	10,670,835	**12,072,399**
Professional Fees		
Accounting Fees	114,751	116,510
Legal Fees	1,397,819	738,284
Valuations	325,921	485,712
Other Professional Fees (including Masterplanning, Rent Review, Toi Tupu, Feasibility, Tax and Treasury compliance)	1,256,051	1,146,944
	3,094,542	**2,487,450**
Other Expenses		
Office Expenses	368,163	465,825
Leases – operating	8,933	5,622
Communication Expense	922,025	630,650
Motor Vehicle/Travel Expenses	16,625	21,421
Recruitment Expense	107,500	171,160
Non-Recoverable GST	114,910	140,239
	1,538,156	**1,434,917**

5. Inventories

	2020	2019
	$	$
Classification of Inventories		
Current Assets		
Work in Progress – Hillary Development	13,663,982	3,411,565
Work in Progress – Roberts Avenue	–	2,057,596
	13,663,982	**5,469,161**
Non Current Assets		
Work in Progress – Hillary Development	59,341,496	60,522,471
Work in Progress – Laurel Street Development	11,653,389	11,653,389
Work in Progress – Roberts Avenue	6,537,663	4,777,916
	77,532,548	**76,953,776**
Total Inventories at the lower of cost and net realisable value	**91,196,530**	**82,422,937**

The Work in Progress Inventory of $91,196,530 (2019: $82,422,937) is pledged as security for Group borrowing facilities.

6. Investment Property

	2020	2019
	$	$
At beginning of year	**1,090,568,350**	**1,063,067,231**
Net Gain from Fair Value Adjustment	42,071,767	28,189,513
Temporary accommodation to residents	476,357	692,501
Acquisition of Investment Property	14,356,167	–
Capital Expenditure	165,316	471,663
Investment Property work in progress	4,055,748	257,386
Transfer of Investment Property to Inventories	–	(2,020,000)
Movement in rent accrued on Fixed Uplift Leases and Lease Incentives	(276,104)	(89,944)
Closing balance as at 30 June	**1,151,417,601**	**1,090,568,350**

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, Seagers and Darroch Limited of Auckland as at 30 June 2020.

The valuers have highlighted that the World Health Organisation declared a Global Pandemic on 11 March 2020 due to the outbreak of the novel coronavirus ("Covid-19").
They have noted that it is difficult, at the current time, to determine the effect Covid-19 will have on the property sector in New Zealand. The impact will largely depend on both the scale and longevity of the outbreak and the consequential ongoing impact on the economy. Since the outbreak, comparable transactions and market evidence has been limited.
Consequently at the valuation date, the valuers have placed less reliance on previous market evidence for comparison purposes to inform their current opinions of value and have reported on the basis of 'material valuation uncertainty.' As such, less certainty and a higher degree of caution is attached to the valuation than would normally be the case.

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:

	2020	2019
	$	$
Independent valuation of investment properties	1,116,748,685	1,052,273,425
Investment Property work in progress	4,498,128	439,426
Prepaid lease value	-	27,392
Refundable occupation right agreements	29,072,542	36,093,843
Termination Fees in Advance	1,098,246	1,734,264
Total Investment Property	**1,151,417,601**	**1,090,568,350**

Investment property includes investment property work in progress of $4,498,128 (2019: $439,426), 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.

6. Investment Property (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 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
As at 30 June 2019	**Market capitalisation rate**	**Discount Rate**	**Price per square metre**
Investment Property	5.00% to 8.00%	6.00% -14.5%	$25 to $10,500

7. Income Tax

	Note	2020 $	2019 $
Reconciliation of tax expense and accounting profit:			
Accounting Profit before Taxation		65,966,846	47,490,666
Adjusted for:			
Non-Taxable Revaluation of Investment Properties		(41,921,396)	(28,783,648)
Non-Deductible Expenses		(368,495)	1,195,099
Other		(331,857)	938,078
Tax Losses – Kāinga Developments		(29,194)	80,166
Taxable Income		**23,315,904**	**20,920,361**
Income Tax using Maori Authority Tax Rate (17.5%)		4,080,283	3,661,063
Adjustments in respect of current income tax of prior years		(31,407)	50,248
Prior period deferred tax adjustment		20,583	(276,711)
Prior period recognition of losses		5,109	(284,675)
Income Tax Expense		**4,074,568**	**3,149,925**

	Note	2020 $	2019 $
Maori Authority Credits			
At beginning of year		17,410,198	13,960,654
Net tax payments		1,647,684	4,350,730
Resident Withholding Tax		-	381
Imputation Credits on dividends paid	23	(1,703,953)	(803,458)
Other debits		(11,613)	(13,768)
Prior period adjustment		-	(84,341)
Closing balance as at 30 June		**17,342,316**	**17,410,198**

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 2020. The financial information for equity accounting purposes has been extracted from audited accounts for the period to 30 June 2020.

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.

STATEMENT OF FINANCIAL POSITION – MOIRE ROAD LIMITED PARTNERSHIP	2020 $	2019 $
Current assets	50,430,006	49,268,991
Total assets	50,430,006	49,268,991
Current liabilities	10,898,136	20,126,602
Shareholders' equity	39,531,870	29,142,389
Total equity and liabilities	50,430,006	49,268,991
The Group's ownership	49%	49%
The Group's share of shareholders' equity	19,370,616	14,279,771
Carrying value of investment	19,370,616	14,279,771

STATEMENT OF COMPREHENSIVE INCOME – MOIRE ROAD LIMITED PARTNERSHIP	2020 $	2019 $
Sales	55,753,480	48,401,454
Cost of goods sold	(43,541,027)	(37,647,600)
Gross Margin	12,212,453	10,753,854
Management fees	(541,135)	(1,917,865)
Selling Expenses	(562,500)	(547,500)
Other Expenses	(719,337)	(265,937)
Total expenses	(1,822,972)	(2,731,302)
Profit for the year (continuing operations)	**10,389,481**	**8,022,552**
Total comprehensive income for the year (continuing operations)	**10,389,481**	**8,022,552**
Group's share of profit for the year	5,090,845	3,931,051

The associate had no contingent liabilities or capital commitments as at 30 June 2020 (2019: Nil)

	2020	2019
Movement in the group's carrying amount of investment in associate	$	$
Investment in associate at beginning of year	14,279,771	-
Capital Contributions	-	10,348,720
Share of profit of associate	5,090,845	3,931,051
Investment in associate at end of the year	19,370,616	14,279,771

9. Cash and Cash Equivalents

	2020	2019
	$	$
Cash at Bank	1,055,673	3,987,734
	1,055,673	**3,987,734**

10. Trade and other Receivables

	2020	2019
	$	$
GST Receivable	2,862,663	-
Trade Receivables	663,988	2,751,012
Provision for Doubtful Debts	(169,435)	(222,000)
Prepayments	1,097,654	831,710
Accrued Revenue and other receivables	5,677,309	4,061,409
	10,132,179	**7,422,131**

(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

		2020	2019
		$	$
Amounts outstanding at year end:			
Current Assets			
Related Party Receivables			
Ultimate Parent			
Ngāti Whātua Ōrākei Trust	Trade Receivable	670	1,251,125
Associated Trust			
Whai Maia Charitable Trust 1	Advance	316,957	106,850
Whai Maia Charitable Trust 1	Trade Receivable	16,597	2,593,194
		334,224	3,951,169
Members of Ngāti Whātua Ōrākei	Housing Loans	333,554	325,714
Non Current Assets			
Members of Ngāti Whātua Ōrākei	Housing Loans	12,043,855	12,358,880
Current Liabilities			
Related Party Payables			
Ultimate Parent			
Ngāti Whātua Ōrākei Trust	Advance	784,169	7,899,943
Members of Ngāti Whātua Ōrākei	Toi Tupu Deposits	1,270,218	646,048
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	2,450,919	1,682,907

	2020	2019
	$	$
Transactions with Related Parties:		
Advances Received from/(Repaid to):		
Ngāti Whātua Ōrākei Trust (net of repayments)	(7,115,774)	(1,620,329)
Toi Tupu Deposits Received from:		
Members of Ngāti Whātua Ōrākei	1,392,182	1,736,752
Housing Loans (Repaid by)/Advanced to:		
Members of Ngāti Whātua Ōrākei (net of repayments)	(307,185)	(350,124)
Property Rental Income Charged to:		
Whai Maia Charitable Trust 1	1,534,560	1,444,167
Interest Charged by:		
Whai Maia Charitable Trust 2	3,000,000	3,000,000
Housing Loan Interest Received from:		
Members of Ngāti Whātua Ōrākei	508,120	495,861

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

	2020	2019
	$	$
Trade Payables	619,341	789,289
Accrued Expenses	1,078,171	1,436,066
Other Payables	8,200	10,788
GST Payable	-	117,351
Termination Fees in Advance	1,098,246	1,734,264
	2,803,958	**4,087,758**

13. Employee Benefits

	2020	2019
	$	$
Wages and Salaries Accrued	134,691	98,028
Holiday Pay Accrued	459,578	362,096
Kiwisaver, PAYE and Withholding tax	47,414	79,874
Other	238,400	282,826
	880,083	**822,824**

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 $29,072,542 (30 June 2019 : $36,093,843) 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 2020 Total Facility $	30 June 2019 Total Facility $	30 June 2020 Undrawn Facility $	30 June 2019 Undrawn Facility $	30 June 2020 Net Book Value $	30 June 2019 Net Book Value $
BNZ							
Bank Facility	01/07/2021	37,500,000	37,500,000	-	-	37,500,000	37,500,000
Bank Facility	23/02/2021	25,000,000	25,000,000	25,000,000	2,300,000	-	22,700,000
Bank Facility	14/12/2021	37,500,000	37,500,000	-	37,500,000	37,500,000	-
		100,000,000	100,000,000	25,000,000	39,800,000	75,000,000	60,200,000
ANZ							
Bank Facility	30/07/2021	17,500,000	17,500,000	-	-	17,500,000	17,500,000
Bank Facility	21/12/2021	30,000,000	30,000,000	-	30,000,000	30,000,000	-
Bank Facility	24/05/2022	17,500,000	17,500,000	-	17,500,000	17,500,000	-
		65,000,000	65,000,000	-	47,500,000	65,000,000	17,500,000
Westpac							
Bank Facility	26/07/2021	37,500,000	37,500,000	-	-	37,500,000	37,500,000
Bank Facility	23/05/2023	37,500,000	37,500,000	-	-	37,500,000	37,500,000
Bank Facility	21/02/2021	25,000,000	25,000,000	25,000,000	3,000,000	-	22,000,000
Bank Facility	10/12/2021	30,000,000	30,000,000	-	30,000,000	30,000,000	-
		130,000,000	130,000,000	25,000,000	33,000,000	105,000,000	97,000,000
ASB							
Bank Facility	30/04/2022	50,000,000	50,000,000	36,600,000	-	13,400,000	50,000,000
		345,000,000	345,000,000	86,600,000	120,300,000	258,400,000	224,700,000
Accrued Interest						117,878	91,759
Establishment fees						(152,477)	(186,509)
Total Net Book Value						**258,365,401**	**224,605,250**
Current Portion						-	92,500,605
Non-Current Portion						258,365,401	132,104,645
Total Net Book Value						**258,365,401**	**224,605,250**

	2020 $	2019 $
Bank facility expiry profile:		
Less than 1 year	50,000,000	92,500,000
1–2 years	257,500,000	137,500,000
2–3 years	37,500,000	115,000,000
Total	**345,000,000**	**345,000,000**

Secured borrowings are via cash advance facility agreements with Bank of New Zealand, Westpac New Zealand Limited, ANZ Bank New Zealand Limited and ASB Bank Limited. Further funding for expiring Westpac facility tranche of $37,500,000 dated 22 November 2019 was secured; the new facility is effective from 22 November 2019 to 22 May 2023. BNZ facility tranche for $37,500,000 was extended from 25 May 2020 to 01 July 2021. ANZ facility tranche for $17,500,000 was extended from 25 May 2020 to 30 July 2021 and Westpac facility tranche for $37,500,000 was extended from 22 November 2020 to 26 July 2021. ASB facility tranche of $50,000,000 was extended from 30 April 2021 to 30 April 2022.

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 2020, 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 2020 is $100 million (2019: $100 million) with the weighted average term to maturity being 2.11 years (2019: 3.11 years). Fair Value of these interest rate swaps as at 30 June 2020 was a liability of $5,120,875 (2019: $3,999,159). The interest payment frequency on these borrowings is quarterly.

17. Deferred Tax

	2020	**2019**
	$	$
Deferred Tax Liability:		
At beginning of year	**2,561,388**	**2,844,431**
Current period movement on deferred tax	21,423	278,343
Prior period deferred tax adjustment	20,586	(561,386)
Total Taxable Temporary Differences as at 30 June	**2,603,397**	**2,561,388**

	2020	2019
	$	$
Deferred Tax Liabilities are attributable to the following:		
Long Term Leases	2,885,718	2,891,789
Accrued Revenue	346,476	394,798
Employee Benefits	(122,508)	(108,531)
Provision for Doubtful Debts	(29,651)	(38,850)
Deferred Management Fees	(256,433)	(303,488)
Derivatives	(896,153)	(699,853)
Accrued rent income	959,287	710,198
Right-of-Use Asset	48,720	-
Lease Liabilities	(49,984)	-
ACC Accrual	(484)	-
Kāinga Tax Losses	(281,591)	(284,675)
	2,603,397	**2,561,388**

18. Cash Flow Statement Reconciliation

	2020	2019
	$	$
Total Comprehensive Income for the year	**61,892,278**	**44,340,741**
Adjustments for:		
Depreciation of Property, Plant and Equipment	163,439	114,142
Amortisation right of use asset	151,854	-
Amortisation of Intangible Assets	1,500	1,210
Investment Property – Work in Progress Write Off	27,441	1,744,365
Bad Debts and Doubtful Debts	44,796	52,000
Amortisation of Termination Fee Income	(1,216,419)	(1,367,059)
Amortisation of Borrowing Costs	34,034	(43,032)
Rent accrued on Fixed Uplift Leases and Lease Incentives	276,105	89,944
Rent recognised on Prepaid Leases	(27,393)	(166,668)
Share in profit of associates	(5,090,845)	(3,931,051)
Unrealised Net Loss on Financial Instruments	1,121,716	2,706,977
Gain on Revaluation of Investment Property	(42,548,124)	(28,882,015)
	14,830,382	14,659,554
Changes in assets and liabilities		
Decrease/(Increase) in Trade and Other Receivables	(96,194)	(5,295,341)
Increase/(Decrease) in Employee Benefit Payable	59,325	85,866
Increase/(Decrease) in Trade and Other Payables	(4,129,294)	(312,029)
Increase/(Decrease) in Tax Payables	2,382,711	(913,367)
Increase/(Decrease) in Deferred Tax	42,009	(283,043)
Increase/(Decrease) in Refundable Occupation Rights	(6,944,600)	(3,016,374)
Decrease/(Increase) in Inventory	(8,773,593)	(7,937,714)
Increase/(Decrease) in Interest Accruals	120,882	14,518
Decrease/(Increase) in Housing Loans Advanced	307,184	350,125
	(17,031,570)	(17,307,359)
Net Cash Outflow From Operating Activities	**(2,201,188)**	**(2,647,805)**

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 2020 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 2020.

Total Remuneration	2020 Number Of Employees	2019 Number Of Employees
430,001–440,000	1	1
310,001–320,000	1	-
230,001–240,000	1	1
200,001–210,000	1	-
190,001–200,000	1	1
180,001–190,000	-	1
170,001–180,000	1	3
160,001–170,000	3	1
140,001–150,000	1	1
130,001–140,000	-	1
110,001–120,000	-	1
100,000–110,000	3	2
	13	13

Directors Remuneration	2020 $	2019 $
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	50,000
Sir Robert George Mappin Fenwick (Ceased 11 March 2020)	37,500	50,000
	327,500	340,000

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:

	2020	2019
	$	$
Financial Assets		
Cash and Cash Equivalents	1,055,673	3,987,734
Housing Loans	12,377,409	12,684,594
Total Financial Assets	13,433,082	16,672,328
Financial Liabilities		
Toi Tupu Deposits	3,721,137	2,328,955
Interest Bearing Loans and Borrowings	258,400,000	224,700,000
Derivative Financial Instruments	5,120,875	3,999,159
Total Financial Liabilities	267,242,012	231,028,114
Net Liability	**253,808,930**	**214,355,786**

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 2020. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2020.

(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.

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 and 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)**

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

30 June 2019:	Within 1 year	1-5 years	> 5 years
	$	$	$
Financial Assets			
Cash and Cash Equivalents	3,987,734	-	-
Trade and Other Receivables	6,590,421	-	-
Housing Loans	325,714	1,302,856	11,056,024
	10,903,869	1,302,856	11,056,024
Financial Liabilities			
Trade and Other Payables	4,910,582	-	-
Refundable Occupation Right Agreements	36,093,843	-	-
Toi Tupu Deposits	646,048	1,682,907	-
Interest Bearing Loans & Borrowings	92,500,000	132,200,000	-
Derivative Financial Instruments	-	3,999,159	-
	134,150,473	137,882,066	-
Net Liability/(Net Assets)	**123,246,604**	**136,579,210**	**(11,056,024)**

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

	2020	2019
	$	$
Contracted capital commitments at the end of the year in respect of:		
Investment Property – Refurbishment Programme	-	279,673
Investment Property – Development Programme	1,180,781	-
Inventory – Hillary Development	-	9,413,438
Total capital commitments	**1,180,781**	**9,693,111**

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.

	2020	2019
Leases	$	$
Within one year	41,185,995	37,367,595
Between one and five years	142,424,782	123,031,927
After more than five years	3,803,734,026	3,113,975,306
	3,987,344,803	**3,274,374,828**

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 $9,736,875 (30 June 2019: $4,591,188). This is inclusive of $1,703,953 (30 June 2019: $803,458) of Maori Authority Credits. Total net dividends distributed to the Trust was $8,032,923 for the year ending 30 June 2020 (2019: $3,787,731).

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.

Eastcliffe Retirement Village Legal Claim

In June 2019, twelve residents from Eastcliffe Retirement Village initiated legal proceedings against Ngāti Whātua Orākei Group entities; Ngāti Whātua Orākei Whai Rawa Limited, Ngāti Whātua Ōrākei Trustee Limited, Eastcliffe Ōrākei Retirement Care LP and Whai Rawa GP Limited. The notice of proceeding and statement of claim were under the Fair Trading Act 1986, the Retirement Villages Act 2003 and the Contracts and Commercial Law Act 2017 in respect of Eastcliffe Retirement Village. The proceedings are in relation to apartments and townhouses at Eastcliffe Retirement Village that required remedial work and were subsequently demolished due to the seriousness of the defects. The Group has reached settlement with the twelve residents.

25. Subsequent Events

Coronavirus Pandemic

On 12 August 2020, a further lockdown was required where Auckland entered Level 3 and the rest of New Zealand entered Level 2. The Alert Level in Auckland was moved back down to Level 2 in line with the rest of New Zealand at 11:59 pm on 30 August. The impact of this lockdown is uncertain and will depend on the length and level of the lockdown.

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 Shareholder of Ngāti Whātua Ōrākei Whai Rawa Limited
Report on the audit of the financial statements

Opinion

We have audited the financial statements of Ngāti Whātua Orakei Whai Rawa Limited ("the Company") and its subsidiaries (together "the Group") on pages 5 to 36, which comprise the consolidated statement of financial position of the Group as at 30 June 2020, 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 on pages 5 to 36 present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2020 and its consolidated 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 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 GST and remuneration advisory services to the group. We also provide other assurance services in relation to the Kainga OPEX fund and the Toi Tupu register. 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.

Emphasis of Matter: Material Valuation Uncertainty – Impact of the Coronavirus (COVID-19) outbreak

We draw attention to note 6 in the financial statements, which explains that the 30 June 2020 external valuations of the Group's investment properties have been reported on the basis of the existence of 'material valuation uncertainty', noting that less certainty, and a higher degree of caution, should be attached to the valuations than would normally be the case. It also explains that this is due to the fact that, at the valuation date, it was difficult to determine the effect COVID-19 would have on the property sector in New Zealand and this impact would largely depend on both the scale and longevity of the outbreak. Our opinion is not modified in respect of this matter.

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Information other than the financial statements and auditor's report

The directors of the Company are responsible for the Annual Report, which includes information other than the consolidated financial statements and 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 Company, 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 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.

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
18 September 2020

A member firm of Ernst & Young Global Limited

NGĀTI WHĀTUA ŌRĀKEI
WHAI RAWA LIMITED