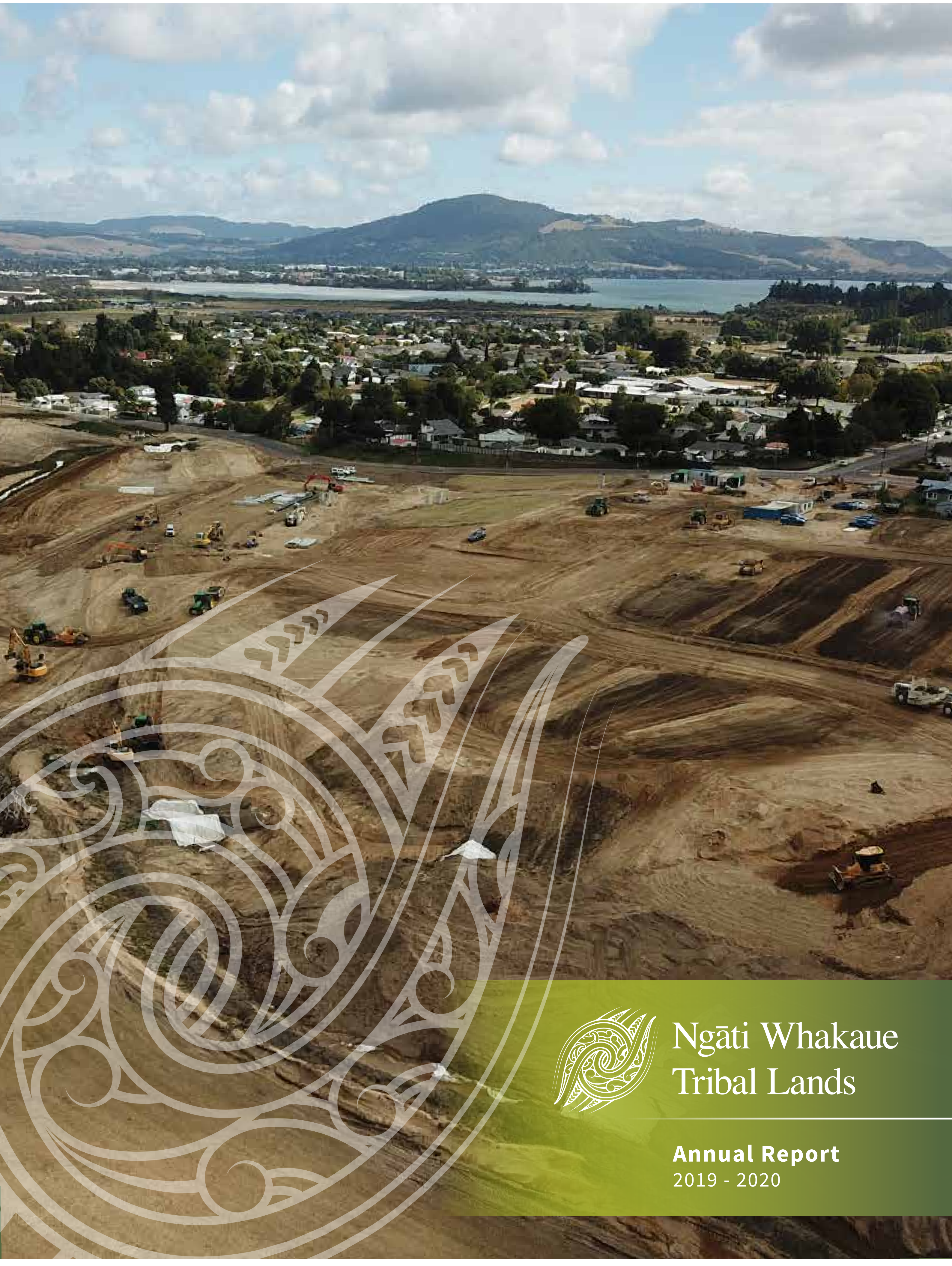
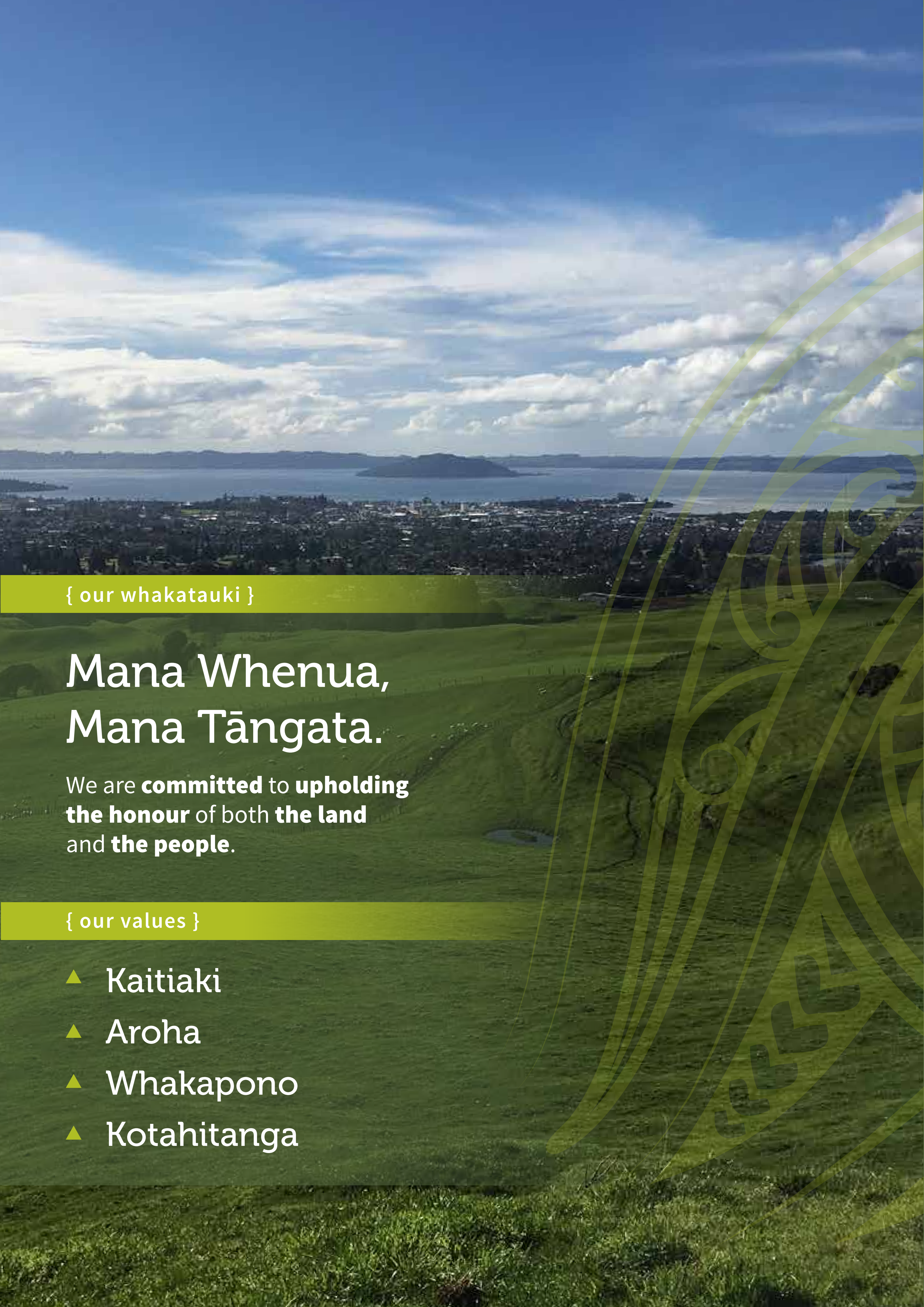


Ngāti Whakaue Tribal Lands

Annual Report
2019 - 2020



{ our whakatauki }

Mana Whenua,
Mana Tāngata.

We are **committed** to **upholding the honour** of both **the land** and **the people**.

{ our values }

- Kaitiaki
- Aroha
- Whakapono
- Kotahitanga

Contents

2020 AGM Agenda

Tamatekapua, Te Papaiouru Marae, Ohinemutu, Rotorua

Saturday, 14 November 2020 at 10.00 am

1. Apologies
2. Call for General Business
3. Elections (Presentations and Voting)
4. Minutes of the Annual General Meeting of 19th October 2019
   - Matters arising
5. Receive NWTL Annual Reports and presentations by respective Chairs and GM
6. Financial Report – Glenn Hawkins
7. Appointment of Auditor
8. Approve Annual Distributions
9. General Business

2019 AGM Minutes

MINUTES OF THE ANNUAL GENERAL MEETING

AT TE PAPAIOURU MARAE, ŌHINEMUTU, ROTORUA

ON SATURDAY 19 OCTOBER 2019 AT 1:00PM.

The meeting was opened by Monty Morrison with mihi and karakia at 1:00pm. David Thomas welcomed all in attendance and chaired the meeting of Shareholders.

Apologies

Apologies were recorded on registers prior to the meeting.

RESOLUTION: That the apologies be received.

(David Thomas/Josie Scott) ***Carried***

Election Of Committee Members

David Thomas and Terry Tapsell retired by rotation and were available for re-election. As there were no other nominations, they were duly elected to the Committee of Management for a further 3 year term.

Minutes

The Chairman summarised each section of the minutes of the previous meeting.

RESOLUTION: That the minutes of the meeting held on Saturday 10 November 2018 are confirmed as being a true and correct record.

(David Thomas/Josie Scott) ***Carried***

Chairman's Report

David Thomas presented his report:

- The Incorporation has made significant progress on several fronts, with a strong Group financial performance this year.
- The results are largely due to record returns from the farms and an increase in the value of the Incorporations land and forestry assets.
- As outlined at the previous meeting, NWTL have been working on land use changes as part of the agreement with the Bay of Plenty Regional Council. This work has included increasing the Incorporations forestry footprint and looking at alternative ways to utilise the land. Tourism at Ngongotahā and the residential development at Wharenui are some of these alternatives, and further details about these will be discussed in the WFL and General Manager's reports.
- Staff have been working on engagement with shareholders, finding missing owners and reducing unclaimed dividends. NWTL also continue to provide health, tangihanga and discretionary grants, as well as firewood for kaumātua.
- David thanked GHA (Accountants), Perrinag (Farm Consultants), Prime Forestry (Forestry Manager), BDO (Auditors) and the farm and office staff for their work throughout the year. He also thanked the owners and beneficiaries for their ongoing support as the Incorporation embarks on new business pathways.

RESOLUTION: That the Chairman's report be accepted.

(David Thomas/Haehaetu Barrett) ***Carried***

Whakaue Farming Limited Report

Tanira Kingi (WFL Chairman) presented the farming report:

- Following the nitrate agreement announced last year, the Incorporation has been working on a diversification program. This has reduced the effective farming area of WFL and instigated changes in the farming systems. Despite this, the farms remain successful and profitable.
- This year WFL made a profit (before tax and after the lease payment to NWTL) of $1.04m. This result is one of the best in the Incorporations history, and results have improved markedly since the 2012 drought. The farms have collectively achieved an average EBIT of $750.00 per hectare and have maintained excellent cost control.
- Tanira congratulated the farm managers, staff and Perrinag farming consultants on their hard work this year to produce these results.
- Farm maps were displayed, showing the additional 700ha forestry planting which was completed this year. 50ha were planted at Tihiotonga, 88ha at Ngongotahā with the remainder at Wharenui. A further 90ha planting will be completed at Ngongotahā which will impact whether or not farming is viable there.
- An overview of the farming environment and market outlook was provided and Tanira advised that NWTL are well-positioned to operate sustainably and to respond to any policy changes.

Maru Tapsell advised that changes could be made to accommodate carbon prices and utilise renewable energy, through riparian plantings and hydroponics. Tanira said that these were good ideas and that the team had been looking at an indigenous planting program. All farm managers are monitoring sediment run-off areas and work is being done with BOPRC in this space.

RESOLUTION: That the Whakaue Farming Limited report be accepted.

(Tanira Kingi/Monty Morrison) ***Carried***

General Manager's Report

Ray Morrison (GM) presented key highlights from his report:

- For the 6th consecutive year, the Incorporation has made a profit. GM thanked the farm staff and consultants for their work to achieve these results.
- Forestry planting has progressed as planned. Milton Hodge has been cutting the wood left on farm and delivering this to kaumātua.
- The overall value of NWTL assets have increased, but the cash position remains largely unchanged. Therefore cashflow is a crucial focus in order to progress the development opportunities before the Committee.
- Whenua planting – NWTL are looking at designating an area at Wharenui where whānau can plant their children's whenua.
- Housing strategy – Rotorua is experiencing several housing issues which is exacerbated by population increase of over 1000 people per year over the past 6 years. There is currently an approx. 1851 dwelling shortage in Rotorua with 948 people on the Housing NZ list waiting to find a home. This puts pressure on many areas of the community thus impacting Ngāti Whakaue Iwi. Therefore, NWTL are leading a joint Whakaue Initiative with Pukeroa Oruawhata Trust and Ngāti Whakaue Assets Trust, with the aim of building a strategy to address the housing needs of Whakaue people across the spectrum. In order to do this, NWTL need to build relationships with government, look at funding pathways (as development is expensive) and ensure the right houses are built to meet the housing needs. This covers social or government assisted housing, affordable homes, papakāinga/kaumātua housing, general housing and retirement villages. To date, NWTL have gained support from Whakaue organisations, reached agreement with Rotorua Lakes Council on a partnership approach to collaboratively address housing issues, and have met with government agencies and banks to look at funding opportunities.
- Brent's Block – As discussed with owners at previous meetings, this block is 106ha of General Title land which was purchased in the 1970's as investment land to utilise in the future for the benefit of owners and the tribe. Maps and an overview of the Wharenui Development was provided which includes a potential 5 stages. This development will provide crucial funding for the Whakaue Housing Strategy.
- Tourism Masterplan – An overview of a staged tourism development was provided which aims to establish food and beverage facilities, accommodation and attractions on 200ha of land at Ngongotahā. Scott Brownrigg Limited has been working with NWTL to develop the masterplan, and an animated recreation of the site, design and development ideas were presented to the meeting.
- Gift bags were provided at the meeting for koeke which included rongoā products made by Iwi members and kāmahi honey from a company who have hives on the farms.

Maru Tapsell raised historical issues with the retention of land and affordable housing. He also queried whether NWTL, through collaboration with partners such as CNI, could provide their own wood to build the houses for the Wharenui Development. GM advised that NWTL are definitely looking at using timber from the whenua for the tourism development and that lease options for affordable housing with government agencies is being explored.

Bryce Morrison said that he was excited to hear about what the Committee is looking to enter into and congratulated them on investigating new areas of business outside of farming. He also added that the Brent's block was bought by Bishop Kingi and fellow Committee members at the time; and he recalled Bishop telling him to use the land as it was ring-fenced for investment. As the Chair of Owhatiura South 5, he confirmed that they are looking to support the Incorporation with their future endeavours.

Harina Rupapera asked if NWTL had a sustainability manager looking over the impact on the environment. GM advised that a sustainable approach has been taken and considered in terms of the building materials and other elements such as water management. GM invited owners to see him for further information on the environmental sustainability of each proposed activity.

Janet Tait asked where the tourism development is located and if the mining at the quarry would affect this. GM advised that it would be across 200ha at Ngongotahā and that engineers have advised that mining should not impact the development. The quarry will also be doing some planting to improve the aesthetics of the site. Janet also asked as if the Committee had been approved to develop the land at Ngongotahā and if mana whenua has a chance to give feedback. GM advised that owners will have an opportunity to provide feedback, and information will be circulated as things progress. He added that Rotorua Lakes Council have zoned this area for Tourism.

Helen Crawford said that last year she didn't support the development. But after seeing the plans today she congratulated the Committee and is pleased with their strategic direction.

RESOLUTION: That the General Manager's report be accepted.

(Terrence Morrison/Bryce Morrison) ***Carried***

Grants Report

Matthew Heke presented the Grants Report:

As approved by the owners at last year's AGM, $120,000 was allocated for grants and a higher amount of $137,458.27 was paid. This was comprised of $64,985 for Marae grants, $30,309.43 for health grants, $4,500 for tangihanga grants and $37,663.84 for discretionary grants.

Janet Tait asked if she could get a health grant for her mokopuna. Matthew confirmed that a whānau trust application can be made if the mokopuna is part of a whānau trust. She asked why NWTL don't have grants open to all Iwi members as Pukeroa Oruawhata Trust do. Matthew said that this can be considered in the future, but the discretionary funding is open to non-owners for any kaupapa that is directly related to the benefit of Ngāti Whakaue.

Maru Tapsell said that the contribution to tangihanga should be regulated for the first day of the tangihanga then whānau can figure out the rest later on.

George Rakoczy thanked Ngāti Whakaue entities and Ike and Kiri Mitchell for putting his daughter's name in for an education grant and for supporting his mokopuna with swimming lessons.

Anthony Wihapi queried which roopu were supported to attend Te Matatini Kapa Haka Nationals. Matthew said that the Ngāti Whakaue and Ōhinemutu roopu were given funding. Anthony recommended that the tangihanga grants be increased to $500.00 as the amount paid toward tangihanga grants does not reflect the numerous amount of tangihanga that are being held throughout the year. He suggested that NWTL liaise with Norma Sturley around confirming Whakaue tangihanga and encouraging whānau to apply. Anthony also queried if there should be a limit on the discretionary grants. Matthew confirmed that $300.00 is currently paid toward each tangihanga and that there is usually a delay in whānau applying for these grants. David Thomas said that the Committee would consider the increased tangihanga grant amount after further assessment. This was accepted by the meeting.

RESOLUTION: That the Grants Report be received and that the Committee of Management be approved to spend up to $120k for grants in the 2019/2020 year.

(Matthew Heke/Anthony Wihapi) ***Carried***

Financial Report

Glenn Hawkins presented the financial statements for the year ended 30 June 2019:

- The Group is comprised of the Ngāti Whakaue Tribal Lands Incorporation (NWTL), Whakaue Holdings Limited, Whakaue Farming Limited and Whakaue Property Trust. The individual accounts for these entities are audited by BDO and consolidated into one report which is what has been provided to the meeting.
- The consolidated results this year show that revenue is down 36% which is largely due to the nitrate payment of $2.7m which was received last year. Expenses are also down 7% to $4.2m which is positive considering the drought conditions. This resulted in a profit for the year of close to $900k.
- This year there has been significant uplift through revaluation of the non-corpus lands which have increased by $5.4m and forestry which is up by $900k. This provided an overall profit for the year of $7.1m.
- Forestry expenses have increased due to the replanting process and administration costs have gone up which reflects higher consultancy fees to progress development options. Some of the consultancy fees have been off-set by various funding such as through Te Puni Kōkiri.
- The statement of financial position shows an increase in the Incorporations total assets to $56.2m and liabilities down to $2.9m. This is a healthy position for NWTL to explore development options.
- The Groups loan position has improved, as most of last year's profit was used to pay down the loan by 71% which reduced interest costs from $400k to $130k.
- The Ngāti Whakaue Educational Trust accounts were presented. The Trust is no longer in use but there were some minor costs related to compliance issues.

George Rakoczy queried how much money remained in unclaimed dividends. Glenn advised that there is $1m outstanding and that this is an ongoing issue for most trusts and incorporations.

Anthony Wihapi raised that the asset revaluation figure is effectively a paper entry, which can distort the perceived financial position. He queried how often the valuations occurred and whether the administration costs were in line with industry standards. Glenn advised that the valuations are an actual growth of the Incorporation and that they are completed every 3 years. Glenn advised that a lot of the consultancy fees had been covered by funding through external parties. Anthony commended the Committee on the way that they have been operating, with low wage costs and a significant reduction in the bank loan from $6m.

RESOLUTION: That the annual accounts for the year ended 30th June 2019 be accepted.

(Bryce Morrison/Iris Thomas) ***Carried***

RESOLUTION: That a dividend of 12 cents per share be declared from capital reserves to 30 June 2019.

(David Thomas/Anaru Te Amo) ***Carried***

Appointment of Auditor & Share Valuer

RESOLUTION: That BDO Rotorua be appointed auditors for the ensuing year.

(Josie Scott/Monty Morrison) ***Carried***

General Business:

Maru Tapsell provided an update on the Ngāti Tunohopū settlement claim for social, cultural and environmental redress.

Harina Rupapera provided an overview of Te Arawa Taiohi Toa which is a program for 14-17 year olds focused on cultural heritage, whakapapa, korero tuku iho, ocean health – te mauri o Tangaroa, mahinga kai, sustainable living and practices, biosecurity practices and other learning pathways for rangatahi. She will be submitting tono to various Trusts requesting support for the initiative.

Associate Directorship Program – Chair said that this program should be in place by 01 July 2020. It is a learning opportunity for a Whakaue member to be part of the work that is before the Committee. Tamarapa Lloyd added that it may add gender diversity to the Committee which is positive for the Incorporation and Iwi.

Chair thanked the shareholders and whānau present, for supporting the plans and opportunities that the Committee presented today.

Closed by Monty Morrison with a mihi and karakia at 3:01pm.

Chairman's Report

E ngā karangamaha o Ngāti Whakaue, tēnā tātau katoa, I extend to you all a very warm welcome to the 59th AGM of Ngāti Whakaue Tribal Lands Incorporation.

We started the year in a very good financial position, fully recognising that the implementation of our plans would require further cash injection, a continuation of our strong existing activities and the courage to commit to investment. Whilst our financial performance for the 2020 financial year shows a slight surplus, the drought and the corona virus pandemic impacted on our plans and operations.

Over the past few years we have experienced continuous improvement in our farming operations, but this year's drought, and to a lesser extent the global economy, saw a marked reduction in prices in the beef and sheep sector. Consequently the farms' strong operating peformance in terms of physical outcomes was turned into a financial loss for the year.

Our forestry activities were restricted to completing the planting programme necessary to meet the land use parameters agreed with the Bay of Plenty Regional Council in respect of Nitrate discharges. At the same time we sold a portion of our carbon credits to increase our ability to fund our plans.

In November, having obtained Council consent to undertake the Wharenui Rise Sub-division and believing there was an urgent need for developed sections in Rotorua, we started site works on Brents block. Unfortunately, Covid-19 brought a temporary halt to the project both from a development perspective and uncertainty surrounding demand. Towards the end of the financial year we began talks with Kāinga Ora, the Crown agency established to provide rental housing for those in need. These discussions led to a Memorandum of Understanding between the two parties to work together to assess development opportunities on Wharenui Rise and Corpus land to address employment and housing issues for Whakaue. We are reviewing a number of options and expect to reach a decision on this matter in the near future.

Last year we discussed with you our longer term plans for the Ngongotahā block, but not surprisingly given their overarching need for a thriving Tourism sector, those plans have been put on hold.

In reflecting on our stakeholder engagement activities we were pleased to maintain our Grants allocation processes and to collaborate with other Whakaue entities to support Whakaue Ora. Delivery of firewood to kaumatua continued as did reaching out to whanau to assist in updating our owners' list.

I would like to thank and acknowledge our hardworking team members, who are all very committed to the success of the organisation in meeting the needs of its stakeholders.
Our General Manager Ray Morrison readily stepped up to the mark across a wide range of activities but particularly in the Wharenui Rise project. Kayla Christiansen and Audrey Herewini continued to give Ray, and indeed the whole organisation, much valuable support. Once again I acknowledge the contribution of the Farming Team.

Thanks also go to our advisory team including Perrin Ag, GHA, Prime Forestry Managers, Morrison Kent and Rabobank. These organisations are an essential part of our process to cost effectively ensure we obtain the appropriate level of advice across a range of activities.

The Committee of Management were kept extremely busy this year prompting the need to establish a number of sub committees and increase the number of meetings to progress matters and for that I would to very much thank them all for their contributions.

This year Tanira Kingi, Geoff Rolleston and Tamarapa Lloyd retire by rotation from the Committee and offer themselves for re-election, as too have Lani Kereopa and Douglas Macredie. Our best wishes go to all five candidates.

This year we will be livestreaming the meeting and for those who attend in person I look forward to catching up with you.

In conclusion, I would like to warmly thank you, our owners, for your continued support. Despite this being one of our most challenging years we did achieve a positive result and the future does look very bright for the Incorporation.

Kia ora mai anō
David Thomas,
Chairman

Whakaue Farming Report

Kia ora tātau Ngāti Whakaue
I am pleased to present the 2020 annual report for WFL

The 2019/20 year was a tough year for Whakaue Farming Ltd. It was drier again than the previous season and the emergence of COVID-19 made trading conditions difficult for the farms, with collapsing store markets, reductions in killing space and falling demand in key markets. The impacts of these factors resulted in lamb carcass weights suffering and lamb and beef prices falling significantly in the second half of the season. Shearing costs continued to increase at the same time as wool values continued to fall.

While cash flows remained strong, the value of livestock on-hand reduced significantly from the previous years. As a result, operating profitably fell considerably, with farming operations essentially only breaking even. Although this is a significantly better result than the last major drought in 2012/13, this was still an extremely disappointing result for the WFL team, who have worked hard since 2013 to improve productivity and profitability. The combined affect of the drought, reduced farming area and COVID 19 has been a reduction in livestock values that has reduced the P&L by approximately **$300,000 ($172/ha)**. The reductions in livestock values are shown in Table 1 below and impacts on profitability is shown in Figure 1. Key performance indictors for WFL are outlined in Table 2

Table 1: Reduction is Livestock Values for 2020

	Value $/Head Year Ending 30 June			
Stock class	**2017**	**2018**	**2019**	**2020**
Breeding				
Ewes	140	180	210	190
Ewe hoggets	120	160	200	160
Breeding				
Cows	1,360	1,450	1,450	1,400
R2 heifers	1,250	1,200	1,250	1,200
R1 heifers	750	750	925	925
R2 bulls	1,085	925	1,300	1,150
R1 bulls	600	630	750	650
R2 steers	1,395	1,400	1,550	1,400
R1 steers	950	950	900	900

Ngongotahā Restructure

The resignation of Clive Carrington, as Farm Manager, Ngongotahā Farm, and the planned land use change programme, including forestry and tourism (now delayed) expansion, has resulted in the merging of Ngongotahā and Tihi-o-tonga farms into a single unit under the management of Steve Hewson and 2IC Kane Frederickson at the end of 2020. Ngongotahā is no longer a viable stand alone economic unit on its own and now forms an important component of the new combined farming entity. Steer weights continued to increase, with a 305 kg cwt average achieved this year, but lamb weights were 1.2 kg below those in 2018/19. Clive Carrington finished as the Ngongotahā Farm Manager in June 2020 after 10 years of service to the Incorporation.

The improvement in operational efficiency through the restructure however, did not counteract the increase in Farm Working Expenses as a result of the drought and the loss of revenue with the conversion of 93 ha of land at Ngongotahā to production forestry. The final tranche of land use change was completed at the start of the 2020/21 season. This change in land use has resulted in additional expenses associated with bringing forward deferred fencing maintenance to ensure stock are kept out of new plantings.

WFL profitability - 2013 to now

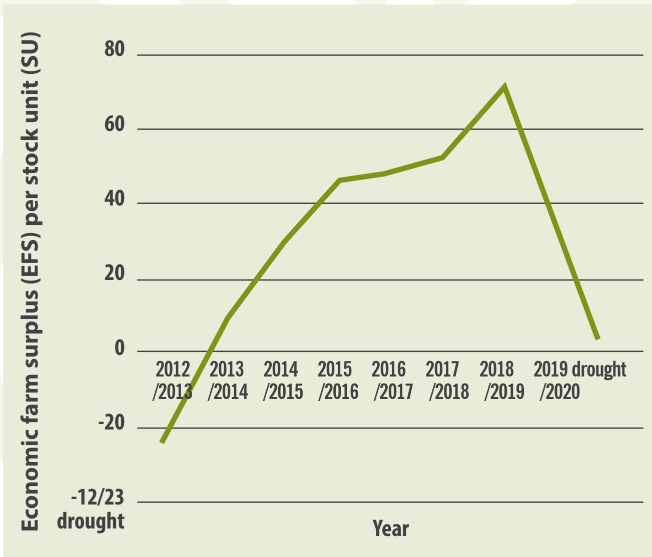


Figure 1: WFL Profitability 2012 -2020

Wharenui Farm Performance Highlights

Wharenui achieved the highest lamb carcass weights in the group at 17 kg but were 1 kg down from last year due to the drought. However, 143% lambing percentage was an excellent result given the dry autumn in 2019 (see Figure 2 for Lambing Percentage Results WFL). The dairy bull sire policy continues to be a success with 350 18-month old bulls sold for an average of $1,610/head, a 14% lift in the price achieved last season.

WFL cost structure - 2013 to now

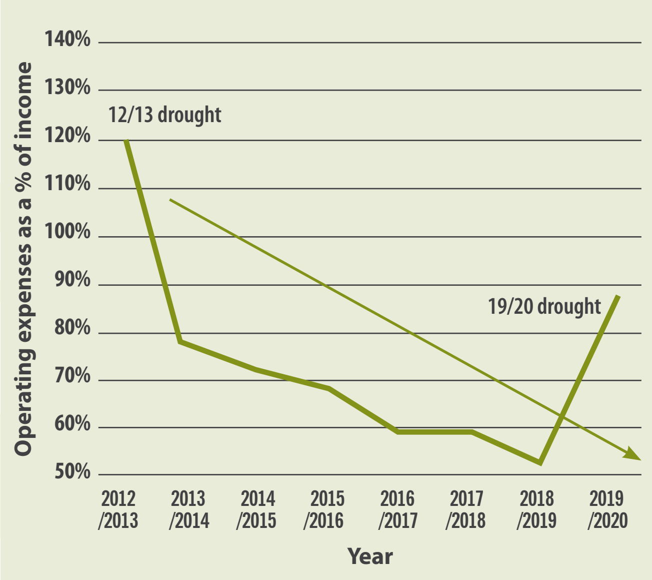


Figure 2: Operating Expenses 2012 - 2020

Tihi-o-tonga Farm Performance Highlights

The sheep reproductive performance at Tihi-o-tonga at 145% was once again the highest in the group. Average lamb carcass weights actually lifted 1.4 kg from 2018/19 to 16.5 kg including the c. 500 store lambs sold. However, the property was once again the hardest hit in the group by drought, with some cattle having to be sold store and autumn cattle purchases again deferred. We have made some changes to the farm's cattle policy moving forward to improve drought resilience.

Table 2: WFL Key Performance Indicators 2012 - 2020

KPI		2011 /2012	2012 /2013	2013 /2014	2014 /2015	2015 /2016	2016 /2017	2017 /2018	2018 /2019	2019 /2020
Lambs cwt	**kg**		16.6	17.8	17.8	17.5	17.9	17.7	16.9	16.8
Steers cwt	**kg**		275	266	281	287	292	303	299	305
Bulls cwt	**kg**		275	283	281	299	300	n/a	323	310
Lambing %	%		127%	137%	119%	129%	132%	133%	141%	140%
EFS/SU	$		-26	8.8	29	46	48	52	70	3
EFS/Ha	$		-216	-219	-287	392	478	513	753	29
FWE % revenue			127%	78%	73%	67%	59%	59%	53%	87%
Income $000		$2,617	$1,582	$2,567	$2,674	$2,797	$3,054	$3,210	$3,411	$2,216
FWE $000		$2,136	$2,013	$1,991	$1,947	$1,885	$1,797	$1,884	$1,791	$1,917

Outlook for WFL

The primary industry sector is going through a number of challenges in addition to the 2020 drought. These include the new National Policy Statement for Freshwater regulations that have recently been introduced as well as the Primary Sector Climate Change Commitment (He Waka Eke Noa). These policy changes introduced by the government will have far reaching implications for the sector. WFL however is relatively well positioned as we are fully compliant with PC10 who many believe is more stringent than the NPS. Our farming systems are also well positioned to adapt and and respond to the climate change legislation.

Last year I commented that these are challenging but very exciting times for NWTL and WFL, and although the 2020 drought has severe, the improved management of our farms since 2012 has positioned WFL to well to recover and move on.

In closing I would like to thank the WFL farm management team – Ben Parsons, Steve Hewson and John Vercoe along with our farm staff, Kane Fredrickson and Paul King. Special mention again to Clive Carrington for his service to WFL and we wish him well in his reriremen. I'd also like to thank Lee Matheson and his team from PerrinAg Ltd for their supervision of the farms, Shane Perret our forestry advisor, and Glenn Hawkins and his team at GHA for their accountancy services.

I'd like to extend my sincere thanks to NWTL team, Ray Morrison, Kayla Christiansen and Audrey Herewini for their support of the WFL board and finally, to my fellow WFL members over the past year.

Tanira Kingi
Chairman, WFL

General Manager's Report

Tēnā tātau, i runga i ngā piki me ngā heke o te ao hurihuri nei
It is with pleasure that I provide a report on the operations of Ngāti Whakaue Tribal Lands for 2019-20.

Group Performance

- After 6 consecutive years of profitability, the 2019-20 year has proved to be more challenging for our farming operations due to a number of factors including weather (drought), reduced land area (due to our continued forestry program), reduction in livestock numbers, values and market prices.

- In summary, our asset base has shown a slight increase to a notch above $60 million for the first time ever however, as our housing project has required borrowings we have only showed a modest increase in our overall equity position.

Tourism Update

- Last year, we presented a Tourism Masterplan which outlined a blueprint for the staged development of the Ngongotahā site. Early in 2020 our PGF Application was looking positive and we had engaged in an investment attraction process and then as we all know, the Covid-19 pandemic unleashed itself on the world, effectively side-lining tourism development aspirations.

- While this is hugely disappointing given the time and effort that has been put into this area, we still see tourism as an important component of our future growth plans.

Forestry Update

- The final stage of our new Forestry Management Programme was implemented this winter at Tihiotonga (60ha), which means that the 3-year programme to increase our forestry footprint to just under 900ha has concluded.

- Not only will our forestry portfolio provide a sustainable logging program and carbon income for our shareholders on a long term basis, it also forms an essential part of our Nitrogen Management Plan which we have also submitted to BOP Regional Council for final sign-off.

Owhata Nursery have established a radiata pine nursery on Wharenui under a new lease agreement and while the 2020 season has produced over 1.1 million trees of very high quality, unfortunately the yield has been poor due to an unforeseen grass grub infestation.

Initiatives with Direct Benefits to Owners and Beneficiaries

- A key initiative that we participated in along with the other Whakaue entities was the Ngāti Whakaue Covid-19 response programme (Whakaue Ora) which resulted in the provision of food vouchers which were delivered to our whānau during those difficult times.

- We have maintained our funding support for health, tangihanga and various education and cultural based initiatives and continued to deliver firewood to Koeke and whānau this winter.

- We have also continued to improve our communication program through a collective quarterly 'Whakaue Panui' and we are about to launch a new Website and refreshed Facebook Page.

Partnership Development

- Manaaki Ora Trust are a key partner who we support through a long term lease of our Kōkōreke site (next to Kauae Cemetery).

- We recently committed to a joint renovation program to bring a second building on line which will be utilised for extended Hauora Service delivery.

- At the time of writing this report, we were also awaiting confirmation of a PGF funding application to undertake the renovation of the third building which is proposed for the delivery of a residential detox facility.

Housing Development

- After 15 months of planning and preparation, in November 2019 we embarked on a Residential Housing Subdivision on a block of general land which was purchased over 40-years ago. Wharenui Rise is a Three-Stage, 179-lot development with Stage One comprising 48-lots.

- The construction program for Stage One involves both Earthworks (over 300,000m3 of material to be cut and filled) and Civil Works (Roads, Water, Power, Fibre etc.) over the 6ha site.

- These works were progressing ahead of schedule up to March 2020, when Covid-19 lockdown occurred which effectively meant we had to shut the site down amid such uncertainty.

Opportunities from the Covid-19 Pandemic

- They say that out of uncertainty comes opportunity and while we were all trying to make sense of Covid-19, an opportunity arose in the form of an approach by Kainga Ora (Department of Homes and Communities) to investigate how we could potentially work together in order to address Rotorua's housing needs.

- We were also asked to support a housing infrastructure project as part of a Post-Covid-19 economic stimulus package which Treasury were considering.

- Both initiatives are fundamental in unlocking future development on Wharenui including housing, schools, retirement villages, commercial and light industrial propositions. These can then be further explored by way of re-introducing the Wharenui Masterplan which was first developed by the Incorporation in 2008.

- Two announcements followed in July with the first confirming funding for the construction of roading and storm water infrastructure to enable housing development and the second, announcing Ngāti Whakaue signing an MOU with Kāinga Ora to address housing.

- The latter simply means that we can effectively work together with Kāinga Ora to find mutually beneficial ways to help whānau into homes and to address housing shortages in Rotorua.

Whakaue Housing Strategy

- We believe that an MOU with Kāinga Ora provides us with an ability to build the required momentum to activate our Whakaue Housing Strategy which was presented at last year's AGM.

- The strategy essentially presents a platform for helping more whānau into homes but also provides a range of other related benefits for our owners, shareholders and wider Iwi including real employment and training opportunities and improved returns from our lands.

- As we look towards 2021, we are making final preparations for the re-start of our civil construction program on Wharenui Rise and we are also in negotiations with Group Home Builders who (upon completion of civil works), will build the houses we will require.

- We are currently assessing how we can best support whānau into housing and seek any interest or feedback from our Whakaue members, owners and shareholders.

Future Focus

- We will also be working with Kāinga Ora to explore our wider parcels of land which may be suitable for public and social housing development and we will provide an update as we progress this kaupapa in 2021 and beyond.

- Retirement village and Papakāinga housing models will also be explored, as will the various commercial development opportunities through a new Wharenui Landuse Plan which is a kaupapa that Rotorua Lakes Council, NZ Transport Agency and Kāinga Ora also support.

Key Challenges

- While we have had a drought to deal with in 2020, we still need to consider Covid-19 impacts in respect of managing our cashflow as required to fund our development aspirations while also meeting the demands of our wider operational requirements.

- To achieve our potential, we must also maintain high quality produce from our lands and re-invest surplus revenues into those projects that will produce positive future cashflow returns.

- Future housing demand, international travel, employment and economic recovery will impact our direction so we need to be continually aware and responsive to change.

Acknowledgements

- The Committee of Management (CoM) have held fast to a strategy aimed at diversifying our asset base and income streams and while our tourism aspirations have been put on hold for now, our property and commercial development opportunities will remain to keep us anchored to this underlying development pathway.

- CoM also plays a significant role in terms of leadership and critical assessment of options and around decision making which in turn supports me in performing my duties and responsibilities so I want to recognise this and thank them for continually performing this function effectively.

- In behind their support are the efforts from everyone else the Incorporation including the farming staff and managers, the consultancy team and of course my direct support staff (Kayla and Audrey) who through their collective roles, are vital to making the entire organisation the success that it has been and will continue to be.

- In closing, I thank you all for your support, and particularly our owners, beneficiaries and whānau who continue to put your faith in all of our team to deliver.

- I wish you all the very best and look forward to continuing the journey in 2021.

Ngā mihi

Ray Morrison,
General Manager

Grants Report

Tēnā tātau katoa, On behalf of the Grants Committee, is my pleasure to provide you with this report for the 2019-2020 Financial Year. Our Grants Committee includes: Josie Scott (Iwi Representative), Matthew Heke (Chair), Terry Tapsell and Geoffrey Rolleston.

As approved by the owners at last year's AGM, we allocated $120,000 for Health, Tangihanga and Discretionary Grants. Due to the number of applications received, we approved an amount of $118,072.30 across each category as to the right:

HEALTH
$33,425.10

TANGIHANGA
$3,900.00

DISCRETIONARY
$80,747.20

Kaumātua Funding

This year we have been able to utilise the discretionary funding to support our kaumātua through a number of important initiatives. Some examples of these are:

- **Waiariki Māori Stroke Conference**
  $1,500 toward the first indigenous stroke hui held which was held over 3 days at Ōhinemutu, Rotorua for stroke survivors and their whānau.
- **Oranga Tinana Kaumātua Olympics**
  $1,000 toward hosting the national event for the first time in Rotorua.
- **National Kaumātua Service Providers Conference**
  $1,480 to Rauawaawa Kaumātua Charitable Trust for Whakaue kaumātua attendees
- **Te Taipakeke Iron Māori**
  $1,000 to support the Ngāti Whakaue koeke who participated in the Hastings Iron Māori Event.

Discretionary Grants

As set out below, we have also provided grants toward other kaupapa that benefit the wider Ngāti Whakaue Iwi and NWTL Beneficiaries:

Ngāti Whakaue Covid - 19 Response	**$10,000**
Te Arawa Māori Returned Services League	**$10,000**
Te Taumata o Ngāti Whakaue Iho Ake Trust	**$50,000**
Opening Doors Charitable Trust Rangatahi Programme	**$3,000**
Whakaue Kapahaka	**$1,000**
Ōhinemutu Kapahaka	**$1,000**
Te Kuri Marae	**$500**
Te Arawa Māori League Tournament	**$250**

Heath Grant Recipients

Duncan Naera
Hamuera Mitchell
Kohine Mackie
Whaearangi Inia
Yvette VanVliet
Lawrence Ehau
Riu MacDonald
Colin Scott
Wayne Douglas
Jack Paul
Ivan Douglas
Ronald Morehu
Tangihaere MacFarlane
Don Bennett
Josephine Scott
Elaine Tapsell
Miriarangi MacPherson
Monica Habib
Indigo Phillips
Neil Currie
Rene Mitchell
Ivan Douglas Jnr
Joseph Edwards
Janice Simon
Murray Short
Wayne Douglas
Terry Morrison
Pera Kereopa
Tui Rolleston
Josephine Rolleston
Cynthia Smith
Ruihi Haira
Frances Walton
Shyan Inia
Carol Te Koahi
Gloria Gloves
Elaine Macfarlane
Michael Wiringi
Runa Morrison
Ian Crimp
Anna Rossi
Darryl Rogers
Phillip Hodge
Harry Rota
Hohepa Anderson
Ema Murray
Anthony Winiata
Ngawini Kingi
John Treanor
Rawinia Macredie
Margaret Clayton
Anna - Marie Orchard
Denise Rewi
Thomas Whare
Dorothy Murray
Hera Anderson
Renee Kiriona
Margaret Dorset
Wikitoria Flavell
Josephine Morrison
Charles Eparaima
Robert Corbett
Aroha Bray
James Ross
Arai Simon
Violet Waiariki
Kathleen Pene
Tania Butcher
Rui Corbett
Dylan Douglas
Monika Marriner
John Marino

Photo credit: Shareena Dixon

Photo credit: Shareena Dixon

Financial
Report

This overview provides a snapshot of the Incorporation's financial performance for the 2019/20 year. The full financial statements are provided on pages 19 - 38. The financial statements were audited by BDO Rotorua who issued a clear audit opinion.

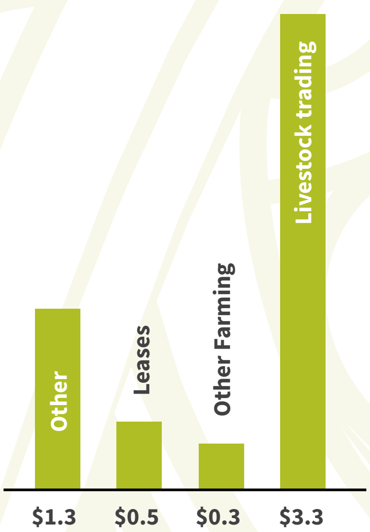
Financial Performance

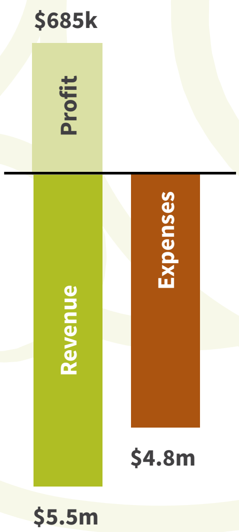
In 2019/20, the Incorporation delivered a good financial result with operating revenue up 6% compared to last year, while operating expenses were up 14%. An overall net profit of $685,325 was achieved this year.

	This Year	Last Year	Change
Revenue	5,474,111	5,173,025	↑ 6%
Expenses	(4,867,148)	(4,275,021)	↑ 14%
Operating profit	606,963	898,004	↓ 32%
Other gains/(losses)	78,362	6,205,355	↓ 99%
Net profit	**685,325**	**7,103,359**	↓ 90%

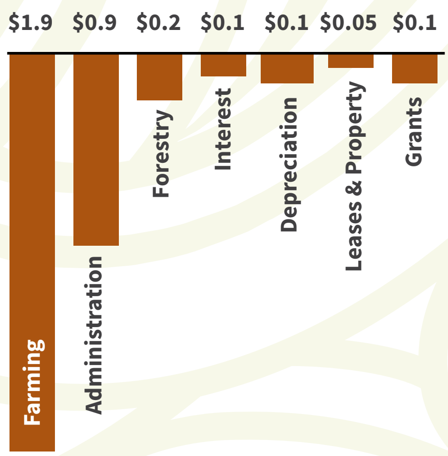
The result was underpinned by a solid performance by the farming business and the sale of New Zealand Units. There was no forestry income during the past year, though there are ongoing costs. Livestock values dropped over the past year resulting in a significant downward movement in the value of the livestock. Land revaluations were not undertaken this year.

Revenue ($millions)



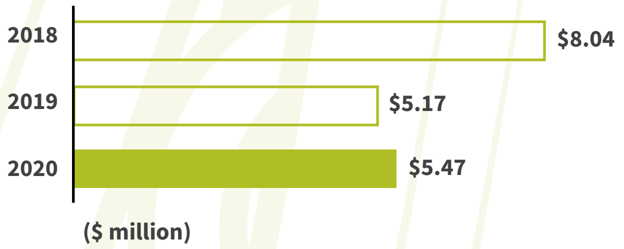


Expenses ($millions)



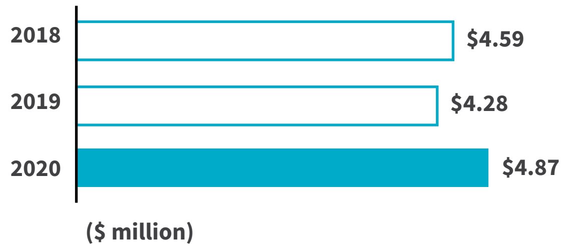
Revenue

Total operating revenue was up 6% compared to last year Farming revenue was up 3% and continues to be the major source of revenue for the Incorporation, despite a difficult season impacted by both the drought and Covid-19. Forest harvesting was completed in FY2019, therefore no forestry income was generated in FY2020. Revenue from leases was down by 10% which reflected lease relief provided to some lessees, subsequent to the pandemic outbreak. Other revenue increased by over $1m this year with the Incorporation selling $1.2m of New Zealand Units (carbon credits).



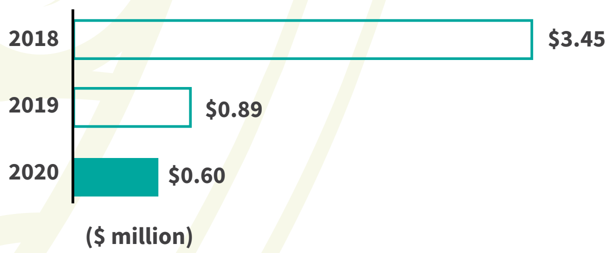
Expenses

Total expenses were up 14% compared to last year. Farming expenses were up 7% with an increase in feed costs, repairs & maintenance and wages associated with the farm the biggest contributors. Administration expenses decreased by 14% with a significant reduction in consulting expenses. Forestry expenses decreased significantly due to the completion of harvesting in the previous year. Lease & property expenses decreased by 21% reflecting a decrease in property maintenance costs compared to last year. Interest costs were down 17% due to the continued decline of interest rates.



Operating Profit

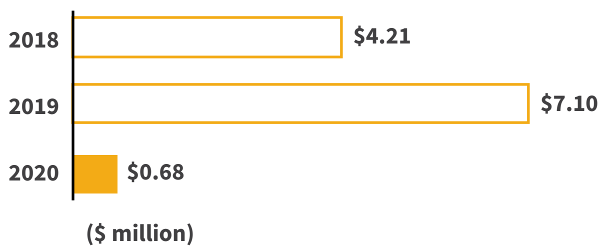
The overall operating profit decreased by 32% from $898k to $607k compared to last year, predominantly due to the impact of the drought and livestock prices on the farm result and the absence of forestry revenue during the past year.



Net Profit

The net profit decreased from $7.1m last year to $685k this year, mainly due to the absence of investment properties revaluations this past year (last year $5.4m).

This year's overall result was bolstered by the sale of NZ Units ($1.2m).



Financial Position

At the end of each year, the financial statements reflect the current financial position of the Incorporation. This represents the overall value of the Incorporation and its subsidiaries.

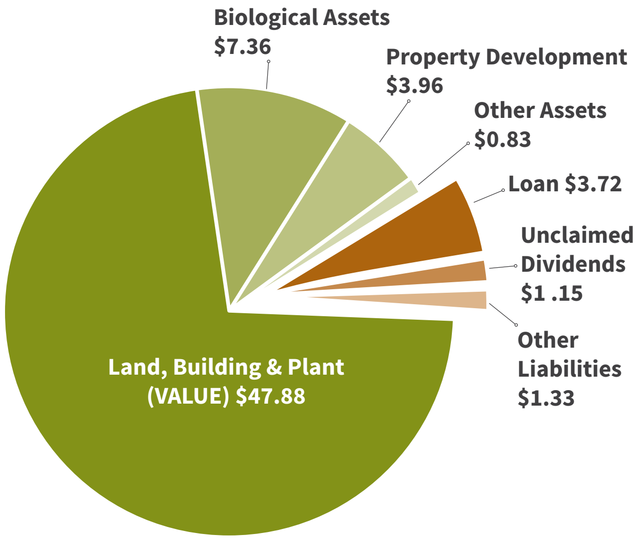
	This Year	Last Year	Change
Total assets	60,037,222	56,207,037	↑ 7%
Total liabilities	6,214,187	2,886,540	↑ 115%
Equity	**53,823,035**	**53,320,493**	↑ 1%

As at 30 June 2020, total assets were $60.0 million. Of this, land, buildings and plant accounted for $47.9 million or 80% of this figure. The overall value of the total assets has increased by 7% over the past year, which represents the development costs associated with the Wharenui rise development.

Total liabilities at 30 June 2020 were $6.2 million, with 60% of this being the loan facility from Rabobank. Other liabilities include money owed to suppliers, accrued leave entitlements, GST and PAYE, as well as unclaimed dividends.

The difference between total assets and total liabilities means that owners' equity in the Incorporation is $53.8 million. This represents a 1% compared to last year.

Financial Position
($millions)



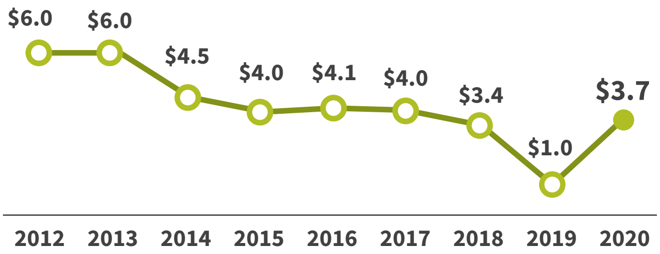
$60m Assets | **($6.2m)** Liabilities | **$53.8m** Equity

Cash and Debt Management

The Incorporation increased its borrowing this past year, with a current total debt of $3.7 million which is $2.7 million higher than a year ago. This reflects the additional funding required to cover the Wharenui Rise development costs to date. However, interest costs were also down 15% over the past year which reflects lower bank interest rates.

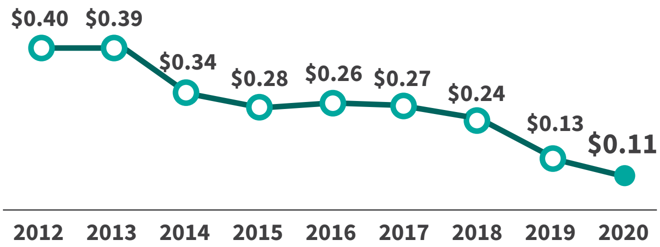
Loan facility
($millions)

$2.7m
Increase



Interest Paid
($millions)

15%
Reduction



Distributions

Last year, the Incorporation made distributions to owners by way of dividends and grants. Total dividends of $182,792 were declared with $72,135 paid out to the owners with valid bank accounts. Total grants of $133k were paid out for health, Marae and other Ngati Whakaue kaupapa.

Consolidated Financial Statements

CONTENTS

Independent Auditor's Report

TO THE SHAREHOLDERS OF
NGATI WHAKAUE TRIBAL LANDS INCORPORATION

Opinion

We have audited the financial statements of Ngati Whakaue Tribal Lands Incorporation ("the Incorporation") and its subsidiaries (together "the Group"), which comprise the consolidated statement of financial position as at 30 June 2020 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group for the year ended 30 June 2020 are prepared, in all material respects, in accordance with the accounting policies specified in Note 4 to the financial statements.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)").
Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the 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.

Other than in our capacity as auditor we have no relationship with, or interests in, the Group.

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

We draw attention to Note 2 to the consolidated financial statements, which describes the basis of accounting.
The consolidated financial statements are prepared solely for the Group's shareholders, as a body. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the Group and the Group's shareholders, as a body, and should not be distributed to or used by parties other than the Group or the Group's shareholders. Our opinion is not modified in respect of this matter.

Committee Responsibilities for the Financial Statements

The Committee of Management are responsible for the preparation of the financial statements in accordance with the accounting policies specified in Note 2 to the financial statements and for such internal control as the Committee of Management determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Committee of Management are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the Committee of Management either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Committee of Management.

- Conclude on the appropriateness of the use of the going concern basis of accounting by the Committee of Management and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

We communicate with the Committee of Management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Who we Report to

This report is made solely to the Group's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Group and the Group's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

BDO Rotorua Limited

BDO Rotorua Limited
Rotorua
New Zealand
29 October 2020

Consolidated Statement
of Profit or Loss and Other Comprehensive Income

NGĀTI WHAKAUE TRIBAL LANDS INCORPORATED AND SUBSIDIARIES
For the year ended 30 June 2020

	Notes	2020	2019
		$	$
Revenue			
Livestock sales	6	3,372,984	3,215,053
Other farm income	7	334,170	367,944
Forestry income		-	803,624
Lease income	8	465,426	515,973
Investment income	9	16,647	13,359
Other revenue	10	1,284,884	257,073
Total Revenue		**5,474,111**	**5,173,025**
Cost of sales - livestock	6	(1,121,003)	(778,773)
Movements in fair value of livestock	6	(369,845)	606,789
Gross profit		**3,983,263**	**5,001,041**
Expenses			
Farm expenses	11	1,917,397	1,791,732
Forestry expenses	12	216,912	890,377
Administration expenses	13	935,637	1,082,109
Lease expenses	23	55,500	55,500
Property expenses		29,904	37,784
Interest paid		109,015	131,939
Depreciation of property, plant and equipment	17	111,935	113,597
Total Expenses		**3,376,300**	**4,103,037**
Operating profit/(loss)		**606,963**	**898,004**
Other items			
Movement in fair value of investment properties	18	-	5,405,658
Movement in fair value of trees	6	211,599	937,155
Grants paid		(133,237)	(137,458)
		78,362	**6,205,355**
Profit before tax		**685,325**	**7,103,359**
Income tax expense	14	-	-
Profit for the year		**685,325**	**7,103,359**
Other comprehensive income, net of income tax			
Total Other comprehensive income, net of income tax		**-**	**-**
Total Comprehensive income for the year		**685,325**	**7,103,359**

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

Consolidated Statement
of Financial Position

NGĀTI WHAKAUE TRIBAL LANDS INCORPORATED AND SUBSIDIARIES
As at 30 June 2020

	Notes	2020	2019
		$	$
Assets			
Current assets			
Cash and cash equivalents	**15**	252,295	161,098
Trade and other receivables	**16**	240,256	508,021
Goods and services tax		136,390	-
Income tax refund due		4,573	2,825
Total Current assets		**633,514**	**671,944**
Non-current assets			
Property, plant and equipment	**17**	26,051,271	26,053,210
Investment property	**18**	21,833,211	21,772,645
Development Properties WIP		3,960,979	-
Investments	**19**	188,859	181,763
Biological assets	**6**	7,362,877	7,521,121
Other assets		6,511	6,353
Total Non-current assets		**59,403,708**	**55,535,092**
Total Assets		**60,037,222**	**56,207,037**
Liabilities			
Current liabilities			
Trade and other payables	**21**	978,703	423,667
Deferred revenue from leases		180,552	206,973
Employee entitlements		85,105	85,742
Goods and services tax		-	3,636
Total Current liabilities		**1,244,360**	**720,017**
Non-current liabilities			
Borrowings	**22**	3,726,650	1,003,138
Unclaimed dividends		1,151,958	1,071,769
Other liabilities	**26**	91,219	91,616
Total Non-current liabilities		**4,969,827**	**2,166,523**
Total Liabilities		**6,214,187**	**2,886,540**
Net assets		**53,823,025**	**53,320,493**
Equity			
Capital	**24**	1,523,291	1,523,291
Reserves	**25**	31,596,731	31,596,731
Retained earnings		20,703,003	20,200,471
Total Equity		**53,823,025**	**53,320,493**

For and on behalf of the
Committee of Management

Chairman

CoM member

Date: **28 October 2020**

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

Consolidated Statement
of Changes in Equity

NGĀTI WHAKAUE TRIBAL LANDS INCORPORATED AND SUBSIDIARIES
For the year ended 30 June 2020

	Notes	Contributed Share Capital	Reserves	Retained Earnings: Taxable	Retained Earnings: Non Taxable	Total equity
		$		$	$	$
Opening balance 1 July 2019		**1,523,291**	**31,596,731**	**13,552,514**	**6,647,957**	**53,320,493**
Profit for the year		-	-	685,325	-	685,325
Dividends declared		-	-	-	(182,792)	(182,792)
Closing balance 30 June 2020		**1,523,291**	**31,596,731**	**14,237,838**	**6,465,165**	**53,823,025**
Opening balance 1 July 2018		**1,523,291**	**31,596,731**	**6,449,155**	**6,800,282**	**46,369,459**
Profit for the year		-	-	7,103,359	-	7,103,359
Dividends declared		-	-	-	(152,324)	(152,324)
Closing balance 30 June 2019		**1,523,291**	**31,596,731**	**13,552,514**	**6,647,957**	**53,320,493**

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

Consolidated Statement
of Cash Flows

NGĀTI WHAKAUE TRIBAL LANDS INCORPORATED AND SUBSIDIARIES
For the year ended 30 June 2020

	Notes	2020	2019
		$	$
Cash flows from operating activities			
Receipts from customers		5,683,934	8,028,631
Payments to suppliers and employees		(3,787,025)	(5,236,528)
Investment income received		16,647	13,359
Interest paid		(109,015)	(142,895)
Income taxes		(1,748)	(2,001)
Grants paid		(133,237)	(131,458)
Net GST		(33,660)	(87,171)
Total Cash flows from operating activities		**1,635,896**	**2,441,937**
Cash flows from investing activities			
Payments to acquire property, plant and equipment		(110,149)	(132,333)
Payment to acquire investment property		(4,028,641)	71,139
Total Cash flows from investing activities		**(4,138,790)**	**(61,194)**
Cash flows from financing activities			
Amounts advanced by/(to) related parties		(26,818)	(689)
Repayment of borrowings		2,723,512	(2,428,328)
Dividends paid		(72,135)	(107,388)
Total Cash flows from financing activities		**2,624,559**	**(2,536,405)**
Net Increase/ (Decrease) in Cash and Cash Equivalents		**121,665**	**(155,662)**
Cash balances			
Cash and cash equivalents at beginning of the year		161,098	316,761
Cash and cash equivalents at end of the year	15	252,295	161,098
Net change in cash for the year		**91,197**	**(155,662)**

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

Notes to the Consolidated Financial Statements

NGĀTI WHAKAUE TRIBAL LANDS INCORPORATED AND SUBSIDIARIES
For the year ended 30 June 2020

1. General information

The financial report includes the financial statements and notes of Ngāti Whakaue Tribal Lands Incorporated and its subsidiaries. Ngāti Whakaue Tribal Lands Incorporated (the Parent) is a profit-orientated entity established under Part 5 of the Maori Affairs Amendment Act and now operates under Section 248 of Te Ture Whenua Maori Act 1993.

The consolidated financial statements comprise Ngāti Whakaue Tribal Lands Incorporation and its wholly owned subsidiaries Mountain Action Ltd (non-trading), Whakaue Holdings Ltd, Whakaue Farming Ltd, and Whakaue Property Trust.

The primary operations of the Group are sheep and beef farming, forestry, land leases, and commercial and residential property rental.

These financial statements were approved and authorised for issue by the Committee of Management on 28 October 2020. These financial statements have been prepared for the Incorporation's shareholders.

2. Statement of compliance and reporting framework

These financial statements are special purpose financial statements that have been prepared in accordance with the policies detailed on pages 9 to 14.

3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year.

4. Summary of accounting policies

The consolidated financial statements have been prepared using the significant accounting policies and measurement bases summarised below.

4.1 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Incorporation and entities controlled by the Incorporation.

Control is achieved when the Incorporation:
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Consolidation of a subsidiary begins when the Incorporation obtains control over the subsidiary and ceases when the Incorporation loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Incorporation gains control until the date when the Incorporation ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Incorporation and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Incorporation.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

4.2 Functional and presentation currency

The financial statements are presented in New Zealand dollars ($). All numbers presented have been rounded to the nearest dollar.

4.3 Revenue

Revenue is measured by reference to the fair value of consideration received or receivable. The Group recognises revenue when it can be reliably measured, it is probable that future economic benefits will flow to the Group.

4.3.1 Sale of livestock, wool and beef
Revenue from the sale of livestock, wool and beef is recognised when the goods are delivered and titles have passed, at which time all of the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

4.3.2 Interest and dividend income
Interest income is recognised when it is received, with an adjustment at year end to recognise interest due but not received (accrual basis) using the effective interest method. Dividend income is recognised at the time the right to receive payment is established.

4.3.3 Rental income
Rental income from residential rents is reported at the time the payment is received.
The Group's policy for recognition of revenue from operating leases is described in note 4.9 below.

4.3.4 Government grants
Government grants are not recognised until there is reasonable assurance that the Incorporation will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Incorporation recognises as expenses the related costs for which the grants are intended to compensate.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Incorporation with no future related costs are recognised in profit or loss in the period in which they become receivable.

4.3.5 Carbon Credits
Revenue from carbon is recognised at the point carbon credits are sold and cash is received.

4.4 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

4.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4.6 Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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 (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

4.7 Employee benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries and annual leave in the period the related service is rendered at the undiscounted amount of the benefits expected to be paid in exchange for that service.

4.8 Taxation

The Parent and its subsidiary Companies, Whakaue Holdings Limited, Whakaue Farming Limited and Mountain Action Limited have all been approved as a 'Consolidated Group' for taxation purposes from 1 July 2005. All companies with in the 'Group' have been accepted as Maori Authorities from that date.

The group taxation rate is 17.5% (2019: 17.5%). Whakaue Property Trust tax rate is 33%, unless the income is otherwise distributed.

4.8.1 Current income tax

Current income tax assets and/or liabilities comprise those obligations to, or claims from, Inland Revenue and relating to the current or prior reporting periods that are unpaid at the reporting date. Current tax is payable on taxable profit, which differs from profit or loss in the financial statements because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. Calculation of current tax is based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Provision is made for taxation on a group basis (where applicable) after taking account of all available deductions and after deducting losses available to be carried forward from prior years.

Tax expense (if any) recognised in profit or loss comprises current tax not recognised in other comprehensive income or directly in equity.

4.8.2 Deferred tax

The Group does not recognise deferred tax.

4.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

4.9.1 Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

4.9.2 Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

4.10 Financial instruments

4.10.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument, and are measured initially at fair value adjusted by transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value. Subsequent measurement of financial assets and financial liabilities are described below.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

4.10.2 Classification and subsequent measurement of financial assets
For the purpose of subsequent measurement, financial assets are classified into the following categories upon initial recognition:

- Loans and receivables
- Available-for-Sale ("AFS") financial assets

All financial assets are subject to review for impairment at least at each reporting date to identify whether there is any objective evidence that a financial asset or a group of financial assets is impaired. Different criteria to determine impairment are applied for each category of financial assets, which are described below.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for credit losses. Discounting is omitted where the effect of discounting is immaterial. The Group's receivables fall into this category of financial instruments.

Individually significant receivables are considered for impairment when they are past due or when other objective evidence is received that a specific counterparty will default.

AFS financial assets
AFS financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include investment in Ballance Agri Nutrients, Farmlands and Firstlight Wagyu (NZ) Limited.

All AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity, except for impairment losses and foreign exchange differences on monetary assets, which are recognised in profit or loss. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income. Interest is calculated using the effective interest method and dividends are recognised in profit or loss within investment income.

Financial liabilities
The Group's financial liabilities include trade and other payables.

4.11 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and short-term deposits (under 90 days), together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

4.12 Goods and services tax (GST)

All amounts in these financial statements are shown exclusive of GST, except for receivables and payables that are stated inclusive of GST.

4.13 Property, plant and equipment

Land and improvements held for use are valued at the ratings valuations prepared by Lakes District Council. The ratings valuations are issued every three years. This valuation method is in compliance with section 276A(4) of Te Ture Whenua Maori Act 1993.

Any revaluation surplus arising upon appraisal of land and buildings is recognised in other comprehensive income and credited to the revaluation reserve in equity. To the extent that any revaluation decrease or impairment loss has previously been recognised in profit or loss, a revaluation increase is credited to profit or loss with the remaining part of the increase recognised in other comprehensive income. Downward revaluations of land and buildings are recognised upon appraisal, with the decrease being charged to other comprehensive income to the extent of any revaluation surplus in equity relating to this asset and any remaining decrease recognised in profit or loss. Any revaluation surplus remaining in equity on disposal of the asset is transferred to retained earnings.

Buildings, building fit out, furniture and fittings, office equipment and plant and equipment are initially recognised at acquisition cost, including any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by the Committee of Management. These assets are subsequently measured using the cost model (cost less subsequent depreciation and impairment losses).

Depreciation is recognised on a diminishing value basis to write down the cost of the assets over their estimated useful lives. The following rates are applied:

- Buildings: 3% - 7.5%
- Building fit out: 0% - 48%
- Corpus land improvements: 2% - 10%
- Office equipment: 20% - 50%
- Plant and equipment: 3% - 26.4%
- Motor vehicles: 13 – 36%

Land is not depreciated.
Material residual value estimates and estimates of useful lives are updated as required, or at least annually.

Gains or losses arising on the disposal of building fit out, office equipment and plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss within other income or other expenses.

4.14 Investment property

Investment properties are properties held to earn rentals and/or for capital appreciation (including property under construction for such purposes). Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value.

Gains and losses arising from changes in the fair value of investment properties are included in profit or loss in the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

4.15 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are measured at the estimated expenditure required to settle the present obligation, based on the most reliable evidence available at the reporting date, including the risks and uncertainties associated with the present obligation.

No liability is recognised if an outflow of economic resources as a result of present obligations is not probable. Such situations are disclosed as contingent liabilities, unless the outflow of resources is remote in which case no liability is recognised.

4.16 Accounting for biological assets

Biological assets which comprise livestock and forest are measured at fair value less cost to sell, as described in Note 6.

Changes in fair value of biological assets are recognised in the statement of profit or loss.
Farming costs such as feeding, labour costs, pasture maintenance, veterinary services and shearing are expensed as incurred.
Silviculture and other forestry associated costs are expensed as incurred.

5. Critical judgements in applying accounting policies

When preparing the financial statements, the Committee of Management undertakes a number of judgements, estimates and assumptions about the recognition and measurement of assets, liabilities, income and expenses.

5.1 Estimation uncertainty

<u>Impairment</u>
In assessing impairment, the Committee of Management estimates the recoverable amount of each asset based on expected future cash flows and uses an interest rate to discount them. Estimation uncertainty relates to the determination of suitable discount rate. The Group recognised no impairment of assets in 2020 (2019: $Nil)

<u>Useful lives of depreciable assets</u>
The Committee of Management reviews its estimates of useful lives of depreciable assets at each reporting date, based on the expected utility of assets.

6 Biological assets

Livestock

Livestock comprises sheep and beef cattle (livestock). The Group farms livestock for the sale of sheep, lambs and cattle. As at 30 June 2020 the Group had 1,796 beef cattle and 8,988 sheep (2019: 1,718 beef catte and 8,863 sheep).

	2020			2019		
	Beef	**Sheep**	**Total**	**Beef**	**Sheep**	**Total**
	$	**$**	**$**	**$**	**$**	**$**
Opening balance	2,078,500	1,798,404	**3,876,904**	1,603,882	1,666,234	**3,270,115**
Net movement in fair value	(134,620)	(235,225)	**(369,846)**	474,618	132,171	**606,789**
Closing balance	**1,943,880**	**1,563,178**	**3,507,060**	**2,078,500**	**1,798,404**	**3,876,904**
Changes in fair value represented by:						
Sales	(1,647,610)	(1,725,374)	**(3,372,985)**	(1,513,389)	(1,701,664)	**(3,215,053)**
Purchases	721,418	399,585	**1,121,003**	664,239	114,534	**778,773**
Price & other changes	791,572	1,090,564	**1,882,136**	1,323,769	1,719,300	**3,043,069**
	(134,620)	**(235,225)**	**(369,845)**	**474,618**	**132,171**	**606,789**

The fair value of livestock is determined by independent valuations as at 30 June 2020. The independent livestock valuations were performed by PGG Wrightson, independent livestock agents.The independent valuation uses the quoted price in an active market as the appropriate basis for determining fair value. Where there is more than one active market that the company has access to, the most relevant market has been used.

Trees

The Group grows pinus radiata for harvest and sale. The Group holds approximately 794 plantable hectares of pinus radiata as at 30 June 2020 (2019: 571 ha).

	2020	2019
	$	**$**
Carrying amount at beginning of the year	3,644,217	2,707,062
Decrease in fair value due to harvesting	-	(803,623)
Increase in fair value due to planting, growth and price	211,599	1,740,778
Carrying amount at end of the year	**3,855,816**	**3,644,217**
Net movement in fair value of trees	211,599	937,155

The value of the trees excludes the value of land and land improvements thereon.

The valuation is based on a valuation report prepared by Prime Forest Management Ltd. Fair value movement is recognised in the profit or loss for the year. The forest valuation used methodology approved by the New Zealand Institute of Forestry, involving liquidation values for the mature stands to determine what the value of the forest would be if it were to be fully harvested in one day and compounded costs for the recently replanted stands. The valuation is based on the costs and revenues associated with the current crop.

	2020	2019
	$	**$**
Total biological assets	**7,362,876**	**7,521,121**

	Notes	2020	2019
		$	$

7 Other farm income

	Notes	2020	2019
Dairy grazers		216,136	213,314
Maize rental		25,600	-
Wool sales		67,754	110,823
Other farm income		24,680	43,806
Total Other farm income		**334,170**	**367,944**

8 Lease income

	Notes	2020	2019
Land leases	**23**	97,156	109,903
Broadcasting leases		200,798	243,906
Other commercial leases		123,372	115,665
Residential rent		44,100	46,500
Total Lease income		**465,426**	**515,973**

9 Investment income

	Notes	2020	2019
Interest received		16,647	13,359
Total Investment income		**16,647**	**13,359**

10 Other revenue

	Notes	2020	2019
Bay of Plenty Regional Council funding		-	44,348
MBIE funding		52,174	-
Te Puni Kokiri funding		-	164,000
NZ Units		1,200,023	-
Other revenue		32,687	48,726
Total Other revenue		**1,284,884**	**257,073**

11 Farm expenses

	Notes	2020	2019
Animal health		120,830	127,217
Feed purchases		182,475	151,170
Fertiliser & lime		188,192	203,838
Rates		110,685	104,257
Repairs & maintenance		176,990	157,327
Salaries and wages paid to employees		564,913	476,759
Vehicle expenses		79,913	94,420
Wool expenses		177,905	164,661
Other expenses		315,494	312,082
Total Farm expenses		**1,917,397**	**1,791,732**

12 Forestry expenses

	Notes	2020	2019
Harvesting		-	397,340
Management fees		40,986	57,220
Silviculture and establishment - new forest		42,307	376,103
Other expenses		133,620	59,714
Total Forestry expenses		**216,912**	**890,377**

13 Administration expenses

	Notes	2020	2019
Accountancy fees		130,204	114,836
AGM and SGM expenses		24,542	25,522
Audit fees		8,000	16,160
Committee fees	**26**	111,000	96,250
Consultancy		97,317	406,976
Insurance		16,170	15,382
Salaries and wages paid to employees		237,564	243,911
Other administration expenses		310,839	163,073
Total Administration expenses		**935,636**	**1,082,109**

	2020	2019
	$	$

14 Income tax expense

	2020	2019
Profit before income tax	**685,325**	**7,103,359**
Tax effect of amounts which are not deductible/(taxable) in calculating taxable income:		
Difference between accounting and tax value of livestock	5,572	(463,553)
Difference between accounting and tax depreciation	16,543	16,586
Change in fair value of trees	(211,599)	(937,155)
Change in fair value of investment properties	-	(5,405,658)
Other adjustments	132,600	502,045
Unutilised losses on wind up	-	354,735
Loss brought forward	(3,254,495)	(4,783,264)
	(3,311,380)	**(10,716,265)**
Assessable income	**(2,626,055)**	**(3,612,906)**

The taxation benefit of the losses will be available provided:
- The entities comply with conditions for offset imposed by the Income Tax Act 2007, and the amendments thereto;
- No change in taxation legislation adversely affects the entities in realising the taxation benefits of those losses; and
- The entities generate assessable income in the future, against which the losses can be offset.

Losses are subject to Inland Revenue Department Confirmation.

15 Cash and cash equivalents

	2020	2019
Cash at bank - NZD	252,295	161,098

16 Trade and other receivables

	2020	2019
Trade receivables	186,519	446,960
Prepayments	53,737	61,061
Total Trade and other receivables	**240,256**	**508,021**

Trade and other receivables more than 90 days overdue were $1,852 (2019: $4,172). There is no doubtful debt provision (2019: none) and the Group is not exposed to any other significant credit risk (2019: none).

17 Property, plant and equipment

	Corpus land & improvements	Buildings & building fit-out	Motor vehicles	Plant & equipment	Office equipment	Total
Cost or valuation	$	$	$	$	$	$
Balance at 1 Jul 2018	**25,401,473**	**1,289,484**	**699,826**	**641,947**	**49,078**	**28,081,808**
Additions	77,317	11,322	43,098	11,484	1,640	**144,861**
Disposals	-	-	(27,227)	-	-	**(27,227)**
Balance at 30 Jun 2019	**25,478,790**	**1,300,806**	**715,697**	**653,431**	**50,718**	**28,199,442**
Additions	30,418	17,206	49,537	28,962	2,649	**128,772**
Disposals	-	-	(18,387)	(392)	-	**(18,779)**
Balance at 30 Jun 2020	**25,509,208**	**1,318,012**	**746,847**	**682,001**	**53,367**	**28,309,435**

17 Property, plant and equipment - continued

Accumulated depreciation	Corpus land & improvements $	Buildings & building fit-out $	Motor vehicles $	Plant & equipment $	Office equipment $	Total $
Balance at 1 Jul 2018	**313,266**	**880,829**	**345,066**	**469,567**	**38,604**	**2,047,332**
Depreciation expense	14,789	26,151	49,539	19,153	3,965	**113,597**
Eliminated on disposal	-	-	(14,700)	-	-	**(14,700)**
Balance at 30 Jun 2019	**328,055**	**906,980**	**379,905**	**488,720**	**42,569**	**2,146,229**
Depreciation expense	15,325	25,835	47,767	19,703	3,305	**111,935**
Eliminated on disposal	-	-	-	-	-	**-**
Balance at 30 Jun 2020	**343,380**	**932,815**	**427,672**	**508,423**	**45,874**	**2,258,164**
Net book value at 30 Jun 2019	25,150,735	393,826	335,792	164,711	8,149	**26,053,210**
Net book value at 30 Jun 2020	**25,165,828**	**385,197**	**319,175**	**173,578**	**7,493**	**26,051,271**

Land and improvements held for use in the production of supply of goods or services are considered Corpus land and Improvements, and have been revalued to the latest Lakes District Council Rating Valuations dated 1 July 2017.

The corpus land is classified as Maori freehold land as per Te Ture Whenua Maori Act 1993 and as such there is a restriction on the sale or disposal of this corpus land.

18 Investment property

	2020 $	2019 $
Fair value		
Land - Brents Farm and Gee Road blocks, Rotorua	11,554,566	11,554,566
Commercial building - Henderson Road, Rotorua	1,232,565	1,171,999
Land - Ngongotaha, Rotorua	5,046,080	5,046,080
Land - Porikapa Road, Rotorua	4,000,000	4,000,000
	21,833,211	**21,772,645**
Balance at beginning of the year	21,772,645	15,880,132
Gain on property revaluation	-	5,405,658
Additions	60,566	486,855
Balance at end of the year	**21,833,211**	**21,772,645**

<u>Land</u>
Land has been recorded at its fair value at reporting date. Fair value has been determined by Telfer Young Limited, registered valuers, using current market values. The latest valuation is dated 30 June 2019.

<u>Commercial building</u>
Commercial building has been recorded at fair value plus capital expenditure incurred during the year. Fair value has been determined by Telfer Young Limited, registered valuers, using current market values. The latest valuation is dated 30 June 2019.

The most recent sales in the area and sales of comparable properties are used to assist in analysing the current market values.

		2020	2019
		$	$

19 Investments

	2020	2019
Listed shares		
Ballance Agri Nutrients	170,100	170,100
Farmlands	1,663	1,663
Total Listed shares	**171,763**	**171,763**
Unlisted shares		
Alliance Shares	7,096	-
Firstlight Wagyu (NZ) Limited shares	10,000	10,000
Total Unlisted shares	**17,096**	**10,000**
Total Investments	**188,859**	**181,763**

<u>Fair value measurement - listed shares</u>

The fair value of investments in equity securities is determined by reference to the published market prices at the reporting date.

<u>Fair value measurement - unlisted shares</u>

The above unlisted shares are not traded in an active market and stated at cost at the end of each reporting period. The Committee of Management have reviewed the value of the above shares and believe it represents the fair value of the shares.

20 New Zealand Units

	Note	2020	2019
Post-1989 units			
20,619 (2019: 54,704) New Zealand units at fair value	**31**	659,808	1,263,662

The valuation is based on a valuation report prepared by Prime Forest Management Ltd dated 30 June 2020.

Post-1989 NZUs are not recognised in the Group's financial statements, rather, they are recorded at nominal amount.

21 Trade and other payables

	2020	2019
Trade payables	799,716	292,488
Other payables	78,987	31,179
Provision for lease surrender	100,000	100,000
Total Trade and other payables	**978,703**	**423,667**

Trade payables are unsecured and are usually paid within 30 days of recognition.

22 Borrowings

	2020	2019
Secured - at amortised cost		
Bank loan	3,726,650	1,003,138
Total Secured - at amortised cost	**3,726,650**	**1,003,138**

Summary of borrowing arrangements

<u>Whakaue Farming Limited</u>

At balance date, the Company had a $850,000 debt facility with Rabobank New Zealand (2019: $850,000). Debt facility is interest only and is repayable at maturity. The facility wasn't being used at balance date (2019: $Nil).

<u>Whakaue Holdings Limited</u>

At balance date, the Company had a $4,000,000 debt facility with Rabobank New Zealand (2019: $4,000,000). Debt facility is interest only and is repayable at maturity.

The loan balance of $3,726,650 at 30 June 2020 comprises $4,000,000 with start date 30 September 2014 and final maturity date 30 September 2029, less unused facility of $273,350 at interest rates fixed as follows.

$2,353,523 at 4.42% (rate maturity on 26 August 2020)

$1,373,126 at 6.2% (variable rate)

	2020	2019
	$	$

22 Borrowings - continued

Assets pledged as security

The above debt facility is secured by a Registered First Security Agreement from the Whakaue Holdings Limited over all present and after-acquired property, plus a Registered First Mortgage for the amount of $3,500,000 from the Incorporation over Gee Road and Fairbank Road properties, a Registered First Mortgage from the Incorporation over Morey Street and Wharenui Road properties, a Registered First Mortgage from Whakaue Nominees Limited over 1 Porikapa Road property, and Registered First Security Agreements from the Incorporation, Whakaue Farming Limited, Whakaue Nominees Limited over all present and after-acquired property, plus Guarantees from the Incorporation, Whakaue Holdings Limited, Whakaue Farming Limited and Whakaue Nominees Limited.

23 Operating lease arrangements

The Group as a lessee

Leasing arrangements

Operating leases relate to:

1. Office lease for a period of five years commencing 1 September 2015. The annual lease payable is $19,000 (2019: $19,000).

2. Land lease for a period of 25 years commencing 1 August 2002. The annual lease payable is $36,500 (2019: $36,500).

	2020	2019
Payments recognised as an expense		
Total lease expense	55,500	55,500
Non-cancellable operating lease commitments		
Not later than 1 year	41,250	55,500
Later than 1 year and not later than 5 years	182,500	182,500
Later than 5 years	73,000	109,500
	296,750	**347,500**

The Group as a lessor

Leasing arrangements

Operating leases relate to:

1. Land sub-lease for a period of 25 years commencing 1 August 2002. The annual sub-lease payable is $36,500 (2019: $36,500).

2. Other operating leases with terms between 1 and 5 years.

Lease income earned by the Group is set out in Note 8.

	2020	2019
	$	$
Non-cancellable operating lease commitments		
Not later than 1 year	36,500	36,500
Later than 1 year and not later than 5 years	182,500	182,500
Later than 5 years	73,000	109,500
	292,000	**328,500**

24 Capital

	2020	2019
Number of shares on amalgamation of titles per Court Order	1,565,994	1,565,994
Shares purchased by the Incorporation to 30 June 1978 at par	(42,703)	(42,703)
Total Capital	**1,523,291**	**1,523,291**

	2020	2019
	$	$

25 Reserves

Land & buildings revaluation reserve	25,333,538	25,333,538
Available-for-sale revaluation reserve	185,400	185,400
Other reserves	6,077,793	6,077,793
	31,596,731	**31,596,731**
Land & buildings revaluation reserve		
Balance at beginning of the year	25,333,538	25,333,538
Decrease from revaluation	-	-
Balance at end of the year	**25,333,538**	**25,333,538**
Available-for-sale revaluation reserve		
Balance at beginning of the year	185,400	185,400
Balance at end of the year	**185,400**	**185,400**
Capital gains reserve		
Balance at beginning of the year	6,077,793	6,077,793
Balance at end of the year	**6,077,793**	**6,077,793**

26 Related parties

Transactions with related parties:	2020		2019	
	Revenue/ (Expense)	Receivables/ (Payables)	Revenue/ (Expense)	Receivables/ (Payables)
(a) Group entities	$	$	$	$
Ngati Whakaue Tribal Lands Educational Trust				
Related party advance	-	(91,219)	-	(91,616)
Whakaue Nominees Limited				
Related party advance	-	(159)	-	-

The amounts outstanding are unsecured and interest free. The directors have reviewed the balances owed at year end. No related party transactions have been forgiven or written off during the year (2019: $Nil).

	2020		2019	
	Revenue/ (Expense)	Receivables/ (Payables)	Revenue/ (Expense)	Receivables/ (Payables)
(b) Governance	$	$	$	$
Director and Committee of Management fees	(109,500)	-	(94,750)	-
Grants committee fees	(1,500)	-	(1,500)	-

	2020 Attendance	2020 $	2019 Attendance	2019 $
T Kingi	17	15,000	17	14,000
T Lloyd	16	15,000	19	13,000
G Rolleston	19	15,000	22	14,000
B Tatere	13	15,000	12	8,750
D Thomas	20	15,000	22	14,000
T Tapsell	13	15,000	19	12,500
M Heke (NWTL only)	12	7,500	10	6,500
J Scott - grants committee	6	1,500	6	1,500
D Thomas - honorarium	-	6,000	-	6,000
T Kingi - honorarium	-	6,000	-	6,000
		111,000		**96,250**

T Lloyd is a partner at Deloitte Rotorua. During the year Deloitte Rotorua provided consultancy services to the Parent for the total value of $41,122 (2019: $90,537).

27 Contingent liabilities

Registered First Security Agreement

The subsidiaries of the Incorporation have entered into a $4,850,000 (2019: $4,850,000) debt facility with Rabobank New Zealand. Security arrangements are outlined in Note 22.

New Zealand Units

The Group has a future obligation to return the NZUs (refer to Note 20) if there is a change in land use and/or if the area is not replanted within four years of harvest. The financial effect of this obligation is not able to be quantified.

The Incorporation intends to replant any harvested areas and has no plans for a land change in regards to planted areas.

28 Rotorua Lakes Incentive Scheme

In 2018, the Incorporation entered into an agreement with Bay of Plenty Regional Council (BOPRC) in respect of conversion of the land and consequent reduction in discharge of nitrogen resulting in the permanent reduction in the value of the land.

A total compensation of $3,340,304 is payable by BOPRC to the Incorporation. 80% or $2,697,600 was received during the year. The remaining 20% ($674,400) is due upon additional obligations being met by the Incorporation, including full compliance with Nutrient Management Plan.

The agreement sets out the maximum Nitrogen Discharge Allocation (NDA) permitted to leach from the land. If the maximum NDA levels are exceeded, the Incorporation may be liable to pay a financial penalty to BOPRC.

The Committee of Management is currently finalising a process with BOPRC to to receive the balance of the funding. This is expected to occur in October 2020.

29 Commitments for expenditure

At the balance date there were no capital commitments (2019: $Nil).

30 Events after the balance date

There are no known events post balance date that will effect the outcome of these financial statements.

31 COVID-19

In March 2020, the World Health Organisation declared the outbreak of a coronavirus (COVID-19) pandemic and two weeks later the New Zealand Government instigated a nationwide lockdown. The Committee of Management have subsequently reviewed the impact of the pandemic on the operations, across the Group. The current core business of farming has not been significantly impacted to date, but there is greater uncertainty for property developers which may affect some of the future development projects. The ongoing nature of the pandemic has also created greater uncertainty around some of the other longer term projects of the Group. Future events will also impact the estimates of fair value including the ultimate liquidation of investments which could be material to the financial statements. However, the Committee of Management remain comfortable with the future economic outlook for the Group and continue to actively monitor the situation.

Committee of Management

David Thomas
NWTL Chairman

Tanira Kingi
WFL Chairman

Terry Tapsell

Tamarapa Lloyd

Matthew Heke

Brad Tatere

Geoffrey Rolleston

Ray Morrison
General Manager

Corporate Office:

Ray Morrison
General Manager

Kayla Christiansen
Executive Assistant

Audrey Herewini
Administrator

Accountant:
GHA

Auditor:
BDO

Bank:
Rabobank, Rotorua

Farm Consultants:
Perrin Ag

Forestry Manager:
Prime Forestry Management

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