



ANNUAL REPORT 2021

The Board's mission is: "To enhance the legacy of Ngati Whakaue Tupuna by

- The responsible and effective management of the endowment, and
- The provision of financial support to the beneficiaries of the Trust for education purposes, that add value and benefit to our community."





2021 ANNUAL REPORT

Hon Jan Tinetti
The Minister of Education
NZ Government
Wellington

Tena koe Minister

ANNUAL REPORT

In accordance with the Board's statutory obligations I am presenting this abridged report of The Ngati Whakaue Education Endowment Trust Board for the year ended 31 December 2020. Section 11 of the Reserves and Other Lands Disposal Act provides:

(1) The Ngati Whakaue Education Endowment Trust Board must, within 1 month after the receipt of the audit report on the financial statements, provide to the Minister of Education a report of its proceedings and operations for its preceding financial year, a copy of its financial statements for that year, and a copy of the audit report.

(2) The Minister must present a copy of the report, of the financial statements, and of the audit report to the House of Representatives—

(a) not later than 10 working days after the Minister receives those documents; or

(b) if Parliament is not in session, as soon as possible after the commencement of the next session of Parliament.

The audit of the Board's financial statements for the year ended was finally completed on 30 June 2023. The extraordinary delay with this is entirely with Audit New Zealand as previously communicated to you.

I attach a copy of the audited financial statements including the audit report and set out below my report on the proceedings and operations of the Board which was mostly written in 2021. Due to the Historical nature of this report it is in abridged form and a more comprehensive report will be prepared once we are current with audited accounts.

I must also add that despite repeated requests to Audit New Zealand we are unable to obtain from them any commitment as to when they will be able to undertake the audits in respect of the years ended 31 December 2021 and 31 December 2022. These delays create

compliance problems for the Board including with the Charities Commission and are putting its Charitable Status at risk through no fault of the Board.

Report on Proceedings and Operations for year end 31 December 2020:

Although this report is in respect of the financial year end 31 December 2020 as stated its late timing is due to by Audit NZ delays in completing their work. This appears to be due to resourcing issues attributed to the Covid 19 Pandemic (initially). On that note the pandemic did not materially impact on the Endowment operations in 2020. Income was maintained but grant distributions were less given that many supported projects did not take place during lockdowns. However the impact of ongoing pandemic response policies on lessees will eventually show and the full effect on the Rotorua district is yet to be fully realised.

In 2020/2021 we were in the 21 year rent review cycle for most of the Board leases. 33 21 year lease reviews have been resolved. Timing of these 21 year reviews for some businesses was not ideal given the trading difficulties encountered with reduced visitors to Rotorua. Many lessees were also concerned (and still are) with the Government driven relocation of homeless into the Rotorua CBD that has changed the dynamics and perception of Rotorua retail. The Board has identified that the area is in need of revitalisation but many lessees do not have the capability or motivation to upgrade their properties. The Board has approved the establishment of a subsidiary property owning company Uekaha Developments Ltd that is empowered to invest directly into property. In some instances Uekaha has purchased lessees interests that meet return expectations and will look to upgrade these properties over time. This diversification into direct property ownership will provide some risk mitigation against potentially stagnant ground rental income and volatility in investment market returns.

I am very pleased to report that the ongoing legal dispute with the Rotorua Lakes Council over rating valuations has been concluded in our favour. This matter started in 2014 when the Council declined to acknowledge that the alienation restriction in the underlying legislation should result in a discount on the rating valuation. After a series of court processes the Land Valuation Tribunal has ruled that a 15% discount applies to the Capital Value rating valuations for the Endowment properties. The Council processed rating refunds to lessees (circa \$586,000 gst incl) and this expensive and unfortunate saga that did not need to happen is now at an end.

Since early 2021 the Board's independent negotiator has been working with Crown officials to review the Board's empowering legislation. We are pleased that agreement in principle has been reached and amending legislation is now pending. We understand this amending legislation may be introduced to Parliament shortly (as at July 2023) and we would welcome all of Parliament support for the amendments which the Board first initiated with Government officials in the year 2000.

Despite the uncertainty and difficulties during the global Pandemic, investment markets have remained overall strong. At 31 December 2020 the value of the Board's independently

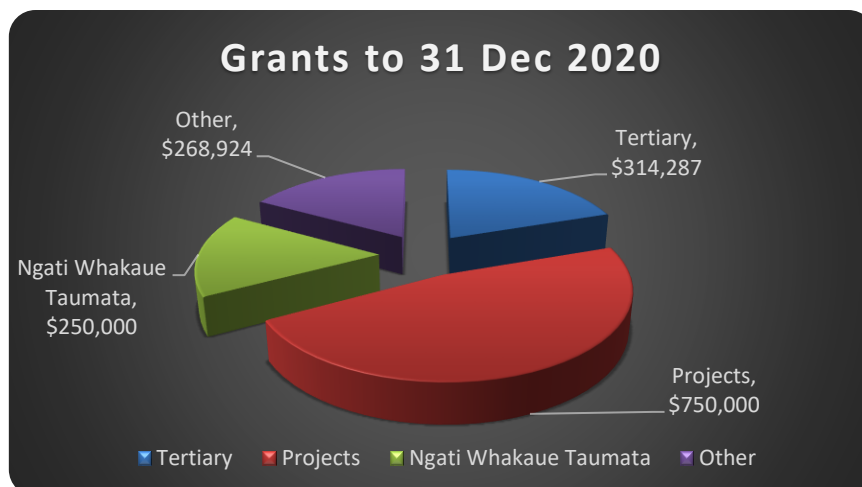
managed investment portfolio was \$30,070,066 having grown 8% during the year. As at 31 October 2021 the value was \$33,337,199 (a 10.8% increase). The long term portfolio return since inception in 2003 is 8.96%.

In the financial year end 31 December 2020 year Total Revenue decreased from \$3,333,775 to \$3,139,049. This was mostly attributable to a decrease of investment income of \$238,978 offset by an increase in rental income of \$64,529. The net operating surplus before grants decreased from \$2,690,820 to \$2,189,149. Administration expenses increased from \$641,955 to \$949,900. This expense increase was due to increases in Legal (rating valuation case), Property Management (Covid 19 response, rent reviews and acquisitions), Website and Secretarial (software and online systems upgrade) and Trustees Fees (reviewed).

Investment gains added a further \$1,929,863 and revaluation of investment property added \$4,042,000 for the year to give a total comprehensive surplus from all sources before distributions of \$8,161,013 (\$6,235,926 in 2019).

The Board made grants totalling \$1,583,211 (\$1,897,586 in 2019) including the \$250,000 joint venture contribution with Rotorua Energy Trust to project grants. Grants for literacy and Numeracy projects in schools is our largest funding area (\$750,000). We have been very well served in monitoring these projects since 2012 by Jackie Woodland who retired in April 2021. Jackie's successor was Kahira Morris and we welcomed Kahira to our team. However as at July 2023 Kahira resigned to take up another role and we are delighted to have Jackie Woodland return to the role for the balance of 2023 year.

We were delighted the Maori Education Trust joined with us from 2021 in a Tripartite funding arrangement with Victoria University to financially support Ngati Whakaue tertiary students studying at the University. This has since expanded across all tertiary grants and with some other universities. Detailed grants payments are included in the financial report but here is a summary:



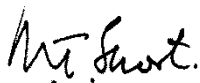
At 31 December 2020 the Total Equity of the Board was \$75,278,110 (\$68,611,970 in 2019) comprising Cash(less liabilities) of \$3,135,044, Investments of \$30,070,066 and land recorded (at rating valuation) \$42,073,000.

The audit qualification remains due to the Board policy of not undertaking market valuation of the land due to its statutory prohibition on selling land the nature of the perpetually renewable leases.

The Endowment Board remains stable, committed, united and fully engaged to the Board operations and objectives. During the 2020 year Wai Morrison and Marleina Nelson joined the Board replacing Wynel Raureti-George and Bella Tait who both sadly passed away.

The Board does not directly employ staff with all support services contracted. I congratulate all our advisers and contractors and Trustees for their excellent work to ensure the ongoing success of the Endowment.

Ngā mihi



Malcolm Tukino Short, ONZM

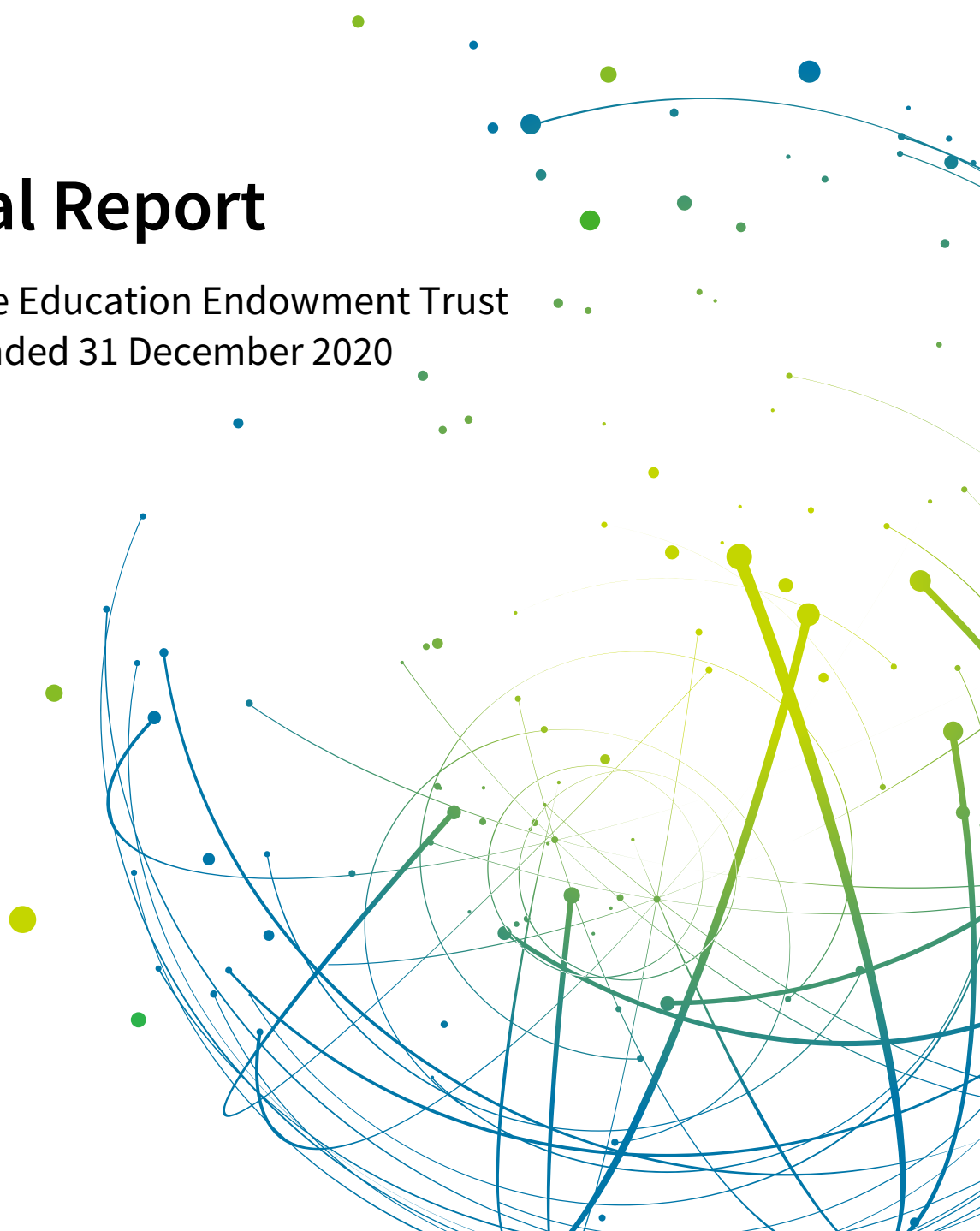
CHAIRMAN

Email malcolm@pukeroa.co.nz

PH 0274779989

Financial Report

Ngati Whakaue Education Endowment Trust
For the year ended 31 December 2020



Contents

3	Audit Report
7	Approval of Financial Report
8	Consolidated Statement of Comprehensive Revenue and Expenses
9	Consolidated Statement of Changes in Equity
10	Consolidated Statement of Financial Position
11	Consolidated Statement of Cash Flows
12	Notes to the Consolidated Financial Statements

Independent Auditor's Report

To the readers of the Ngāti Whakaue Education Endowment Trust Group's financial statements for the year ended 31 December 2020

The Auditor-General is the auditor of the Ngāti Whakaue Education Endowment Trust Group (the Group). The Auditor-General has appointed me, JR Smaill, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements of the Group on his behalf.

We have audited the financial statements of the Group on pages 8 to 27, that comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of comprehensive revenue and expenses, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date and the notes to the consolidated financial statements that include accounting policies and other explanatory information.

Qualified Opinion – Valuation of investment property

In our opinion, except for the effects of the matter described in the *Basis for our qualified opinion* section of our report, the financial statements of the Group on pages 8 to 27:

- present fairly, in all material respects:
 - its financial position as at 31 December 2020; and
 - its financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Reporting Standards Reduced Disclosure Regime.

Our audit was completed on 27 June 2023. This is the date at which our qualified opinion is expressed. Our audit was delayed due to an auditor shortage and the consequential effects of Covid-19, including lockdowns.

The basis for our qualified opinion is explained below, and we draw your attention to the effects of Covid-19 on the Group. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the financial statements, we comment on other information, and we explain our independence.

Basis for our qualified opinion

As stated in the accounting policies on page 16, and note 14 on page 21, investment property is revalued every three years and the latest valuation at 1 September 2020 of \$42,073,000 (2019 \$37,651,000) is recorded at the value used for rating purposes.

This is a departure from PBE IPSAS 16 *Investment Property*, which requires investment property measured at fair value to be valued at its fair value at the reporting date and the movement in value recognised in the surplus/deficit. The Trustees have not quantified the financial effects of this departure from PBE IPSAS 16 and we are unable to determine the amount of the required adjustments. Our audit opinion for the year ended 31 December 2019 was modified for the same reason. As a result, the comparative information in the financial statements should be read in light of this fact.

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Emphasis of matter – Impact of Covid-19

Without further modifying our opinion, we draw attention to the disclosures about the impact of Covid-19 on the Group as set out in note 22 to the financial statements.

Responsibilities of the Trustees for the financial statements

The Trustees are responsible on behalf of the Group for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand.

The Trustees are responsible for such internal control as they 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 Trustees are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Trustees intend to wind-up the Group or to cease operations, or have no realistic alternative but to do so.

The Trustee's responsibilities arise from the Reserves and Other Lands Disposal Act 1995.

Responsibilities of the auditor 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 carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these financial statements.

We did not evaluate the security and controls over the electronic publication of the financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We 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.
- We 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.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees 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 evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees 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.

Our responsibilities arise from the Public Audit Act 2001.

Independence

We are independent of the Group in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Group.

A handwritten signature in black ink, appearing to read 'JR Smail', with a long horizontal stroke extending to the left.

JR Smail
Audit New Zealand
On behalf of the Auditor-General
Auckland, New Zealand

Approval of Financial Report

Ngati Whakaue Education Endowment Trust and Subsidiary

For the year ended 31 December 2020

The Trustees are pleased to present the approved financial report including the consolidated financial statements of Ngati Whakaue Education Endowment Trust and Subsidiary for year ended 31 December 2020.

APPROVED

N J Pelham

Trustee

Date..... 27/06/2023

95

Trustee

Date..... 27/06/2023

Consolidated Statement of Comprehensive Revenue and Expenses

Ngati Whakaue Education Endowment Trust and Subsidiary
For the year ended 31 December 2020

	NOTES	2020	2019
Revenue			
Rental Revenue	7	2,134,231	2,069,702
Investment Revenue	8	754,086	993,064
Other Revenue		732	-
Grants Received		250,000	270,009
Total Revenue		3,139,049	3,332,775
Expenses			
Administration Expenses	9	949,900	641,955
Grants	10	1,583,211	1,897,586
Total Expenses		2,533,110	2,539,541
Surplus/(Loss) for the year		605,939	793,234
Other Gains/(Losses)			
Fair Value change in Investments		2,237,979	3,456,446
Net Gain/(Loss) on Disposal of Shares		(342,584)	26,733
Realised Foreign Currency Gains and Losses		34,468	27,223
Net Gain/(Loss) on Revaluation of Investment Property		4,042,000	-
Total Other Gains/(Losses)		5,971,863	3,510,402
Net Surplus/(Loss) for the year		6,577,802	4,303,636
Other comprehensive revenue			
Fair Value Change - Available for Sale Reserve		88,338	34,704
Total Other comprehensive revenue		88,338	34,704
Total Comprehensive Revenue for the year		6,666,140	4,338,340

This statement should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

Ngati Whakaue Education Endowment Trust and Subsidiary
For the year ended 31 December 2020

	2020	2019
Equity		
Opening Balance	68,611,970	64,279,990
Net Surplus/(Loss) for the year	6,577,802	4,303,636
Increase/(Decrease) in Other Comprehensive Revenue	88,338	34,704
Restated Adjustment to Retained Earnings	-	(6,360)
Total Equity	75,278,110	68,611,970

This statement should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Financial Position

Ngati Whakaue Education Endowment Trust and Subsidiary As at 31 December 2020

	NOTES	31 DEC 2020	31 DEC 2019
Assets			
Current Assets			
Cash and Cash Equivalents	11	2,365,536	1,231,488
Trade Receivables from exchange transactions	12	166,048	133,951
Prepayments		5,497	5,290
Short Term Investments	13	993,759	2,204,545
Goods and Services Tax		-	7,326
Total Current Assets		3,530,841	3,582,601
Non-Current Assets			
Long Term Investments	13	30,070,066	27,840,592
Investment Properties	14	42,073,000	37,651,000
Total Non-Current Assets		72,143,066	65,491,592
Total Assets		75,673,907	69,074,193
Liabilities			
Current Liabilities			
Goods and Services Tax		23,059	-
Trade Payables under exchange transactions		100,351	72,324
Rents Received in Advance		272,387	389,899
Total Current Liabilities		395,797	462,223
Total Liabilities		395,797	462,223
Net Assets		75,278,110	68,611,970
Equity			
Capital	16	22,418,108	22,418,108
Available for Sale Reserve	17	163,613	75,275
Retained Earnings	18	52,696,389	46,118,586
Total Equity		75,278,110	68,611,970

This statement should be read in conjunction with the Notes to the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Ngati Whakaue Education Endowment Trust and Subsidiary For the year ended 31 December 2020

	2020	2019
Statement of Cash Flows		
Cash Flows from Operating Activities		
Cash was provided from:		
Receipts from Operating Activities	2,199,247	2,354,473
Interest Received	479,983	581,450
Dividends Received	310,211	438,387
GST Received	30,385	-
Total Cash was provided from:	3,019,826	3,374,311
Cash was applied to:		
Payments to Suppliers and Employees	(922,080)	(737,116)
GST Paid	-	(6,731)
Grants Paid	(1,583,211)	(1,897,586)
Total Cash was applied to:	(2,505,291)	(2,641,433)
Total Cash Flows from Operating Activities	514,535	732,878
Cash Flows From Investing Activities		
Purchase of Investments	(11,971,431)	(9,270,075)
Sale of Investments	12,590,944	8,769,218
Total Cash Flows From Investing Activities	619,513	(500,857)
Net Cash Flows	1,134,048	232,021
Cash Balances		
Cash and cash equivalents at beginning of period	1,231,488	999,467
Cash and cash equivalents at end of period	2,365,536	1,231,488
Net Change in cash for the period	(1,134,048)	(232,021)

These financial statements are to be read in conjunction with the accompanying Notes.

Notes to the Consolidated Financial Statements

Ngati Whakaue Education Endowment Trust and Subsidiary

For the year ended 31 December 2020

1. Reporting Entity

The consolidated financial statements presented are those of Ngati Whakaue Education Endowment Trust Board and its Subsidiary.

The Ngati Whakaue Education Endowment Trust Board (“The Trust”) is a Charity registered under the Charities Act 2005 and established under the Reserves and Other Land Disposals Act 1995. The Trust is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act (2013).

Uekaha Developments Limited is a company incorporated in New Zealand on 22 September 2020, and registered under the Companies Act 1993. The Company is a public benefit entity for the purposes of financial reporting in accordance with the Financial Reporting Act (2013). The Company is wholly exempt from New Zealand income tax having fully complied with all statutory conditions for these exemptions.

2. Basis of preparation

(a) Statement of compliance

The Trust's financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ GAAP”). They comply with Public Benefit Entity International Public Sector Accounting Standards (“PBE IPSAS”) and other applicable Financial Reporting Standards, as appropriate for Tier 2 Public Sector public benefit entities, for which all reduced disclosure regime exemptions, have been adopted.

The Trust qualifies as a Tier 2 reporting entity as for the two most recent reporting periods it has had between \$2m and \$30m operating expenditure.

These financial statements were authorised for issue by the Ngati Whakaue Education Endowment Trust board on 30 June 2023.

(b) Preparation of financial statements

The 31 December 2020 financial statements were not prepared in accordance with the requirements of Subpart 10 of the Reserves and Other Lands Disposal Act 1995, which requires Financial Statements to be prepared within 5 months after balance date.

(c) Measurement basis

The Trust's financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position, which are measured at fair value:

- Available for sale financial instruments
- Fair Value through surplus or deficit financial instruments
- Investment property

(d) Functional and presentation currency

The financial statements are presented in New Zealand dollars. There has been no change in the functional currency of the Trust or any significant foreign operations of the Trust during the year.

3. Basis of Consolidation

The Group financial statements consolidate those of the Trust and all its subsidiaries as of 31 December 2020. The Trust controls a subsidiary if it is exposed, or has rights, to variable returns from its involvement with the subsidiary and has the ability to affect those returns through its power over the subsidiary. All subsidiaries have a reporting date of 31 December.

All transactions and balances between Group entities are eliminated on consolidation, including unrealised gains and losses on transactions between Group entities. Where unrealised losses on intra-group asset sales are reversed on consolidation, the underlying asset is also tested for impairment from a Group perspective. Amounts reported in the financial statements of the subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Trust.

Profit or loss and other comprehensive income of subsidiaries acquired or disposed of during the year are recognised from the effective date of acquisition, or up to the effective date of disposal, as applicable.

4. Use of judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

5. Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Trust except as explained in Note 5 which addresses changes in accounting policies.

The significant accounting policies of the Trust are detailed below:

- (a) Revenue
- (b) Financial instruments
- (c) Impairment of non-derivative financial assets
- (d) Investment property
- (e) Impairment
- (f) Goods and Services Tax
- (g) Income Tax
- (h) Cash and Cash Equivalents
- (i) Grants
- (j) Trade Receivables
- (k) Trade Payables
- (l) Available for Sale Reserve

(a) Revenue

Revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Trust, and measured at the fair value of consideration received or receivable.

The following specific recognition criteria in relation to the Trusts revenue streams must also be met before revenue is recognised:

Rental Revenue

Rental revenue from investment property is recognised in surplus or deficit on a straight-line basis over the term of the lease.

Dividends

Revenue from dividends is recognised when the Trust's right to receive payment is established, and the amount can be reliably measured.

Interest Revenue

Interest revenue is recognised as it accrues in surplus or deficit, using the effective interest method.

PIE Revenue

A portfolio investment entity (PIE) is a type of entity (such as a managed fund) that invests the contributions from investors in different types of investments. PIE revenue is recognised when the Trust's right to receive payment is established, and the amount can be reliably measured.

(b) Financial Instruments

The Trust initially recognises financial instruments when the Trust becomes a party to the contractual provisions of the instrument.

The Trust derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Trust is recognised as a separate asset.

The Trust also derecognises financial assets when there has been significant changes to the terms and/or the amount of contractual payments to be received/paid.

The Trust classifies financial assets into the following categories: *at fair value through profit and loss, available-for-sale and held to maturity.*

Financial instruments are initially measured at fair value, plus for those financial instruments not subsequently measured at fair value through surplus or deficit, directly attributable transaction costs.

Subsequent measurement is dependent on the classification of the financial instrument and is specifically detailed in the accounting policies below.

Fair value through surplus or deficit

A financial instrument is classified as *fair value through surplus or deficit* if it is:

Designated at initial recognition: If the Trust manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Trust's documented risk management or investment strategy.

The Trust's Investment strategy is to maximise the total sustainable income that can be provided by investments over the long term, subject to a prudent level of portfolio risk with particular emphasis on providing sufficient cash on annual basis to enable the Trust to fulfill its responsibilities and cover its operating costs.

The board of trustees have agreed on a balanced risk profile, an asset allocation and the range for which the investment manager is required to operate within. Trading of investments is authorised by the Investment subcommittee prior to any undertaking of investment activities.

Those *fair value through surplus or deficit* instruments sub-classified as *designated at initial recognition* comprise of fixed interest securities and Equity Securities.

Financial instruments classified as *fair value through surplus or deficits* are subsequently measured at fair value with gains or losses being recognised in surplus or deficit.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets.

Available-for-sale financial assets are subsequently measured at fair value with gains or losses recognised in other comprehensive revenue and expense and presented in the *AFS fair value reserve* within net assets/equity, less impairment.

Upon de-recognition, the accumulated gain or loss within net assets/equity is reclassified to surplus or deficit.

Available-for-sale financial assets comprise of equity securities not traded on national and internal stock exchanges.

Held to Maturity Financial Assets

Held to maturity financial assets are financial assets with fixed or determinable payments and fixed maturity that the entity has the positive intent and ability to hold to maturity.

Held to maturity financial assets comprise of term deposits held by the Trust.

(c) Impairment of non-derivative financial asset

A financial asset not subsequently measured at fair value through surplus or deficit is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a counterparty, restructuring of an amount due to the Trust on terms that the Trust would not consider otherwise, indications that a counterparty or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Trust, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an equity security classified as an available-for-sale financial asset, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

Financial assets classified as available-for-sale

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in net assets/equity to surplus or deficit.

The cumulative loss that is reclassified from net assets/equity to surplus or deficit is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in surplus or deficit.

Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired *available-for-sale* debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, with the amount of the reversal recognised in surplus or deficit. However, any subsequent recovery in the fair value of an impaired *available-for-sale* equity security is recognised in other comprehensive revenue and expense.

(d) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Recognition and measurement

Investment property is measured at the Rateable Value dated 1 September 2020, as valued by Opteon Technologies Limited and subsequently revalued every 3 years. The board considers this to be an indication of fair value. The net value is likely to be higher although this has not been quantified. This is not in compliance with PBE IPSAS 16 – Investment Property which requires Investment Properties to be included at Fair Value at the entities balance date.

(e) Impairment of non-financial assets

The carrying amounts of the Trust's non-financial assets, other than investment property, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Impairment losses are recognised in surplus or deficit. An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(f) Goods and Services Tax (GST)

These financial statements have been prepared on a GST exclusive basis. Any GST due or recoverable at balance date is included as either a current asset or current liability.

(g) Income Tax

Ngati Whakaue Education Endowment Trust is wholly exempt from New Zealand income tax having fully complied with all statutory conditions for these exemptions.

(h) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held on call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(i) Grant Expenditure

Non-discretionary grants are those grants awarded if the grant application meets the specified criteria. They are expensed when an application that meets the specified criteria for the grant has been received. Ngati Whakaue Education Endowment Trust's non-discretionary grants have no substantive conditions that need to be fulfilled to receive the grant.

Discretionary grants are those grants where Ngati Whakaue Education Endowment Trust has no obligation to award the grant on receipt of the grant application. For discretionary grants without substantive conditions, the total committed funding over the life of the grant is expensed when the grant is approved by the Board and the approval has been communicated to the applicant. Discretionary grants with substantive conditions are expensed at the earlier of the grant payment date or when the grant conditions have been satisfied. Conditions can include either:

- specification of how funding can be spent with a requirement to repay any unspent funds; or
- milestones that must be met to be eligible for funding.

(j) Trade Receivables

Trade receivables are stated at the amount due less any provision for uncollectability. When a receivable is identified as being non-collectible it is expensed immediately in surplus or deficit.

(k) Trade Payables

Trade payables are recorded at the amount payable.

(l) Available for Sale Reserve

For all available for sale financial assets, movements in fair value are recognised through the available-for-sale reserve. When the relevant asset is derecognised, upon sale, other disposal or permanent impairment, the cumulative fair value changes recognised directly in equity are transferred to the surplus or deficit and the reserve is adjusted accordingly.

6. Changes in accounting policy

There have been no changes in accounting policies during the year. All policies have been applied consistently throughout the year.

	2020	2019
7. Rental Revenue		
Consent Fees	283	1,435
Legal Cost Recovery	1,732	2,148
Rental Received	2,134,231	2,066,120
Total Rental Revenue	2,136,246	2,069,702

	2020	2019
8. Investment Revenue		
Dividends Received	213,044	382,122
Interest Received	443,876	554,677
PIE Revenue	97,166	56,265
Total Investment Revenue	754,086	993,064

	2020	2019
9. Administration Expenses		
Advertising	4,982	4,948
Audit Fees	13,401	13,123
Bank Charges	144	200
Consultancy Fees	29,250	22,500
Education Consultant	39,334	56,923
Education Grant Expenses	51,828	50,473
Entertainment	2,101	2,982
General Expenses	2,206	3,870
Insurance	13,779	6,940
Koha	500	1,300
Legal Costs	105,245	89,772
Lease Expense	7,242	-
Light, Power & Heating	110	-
Portfolio Management Fee	80,223	74,417
Printing, Stationery and Postage	1,193	1,335
Property Management	123,852	59,938
Rates	4,257	-
Repairs & Maintenance	15,567	-
Secretarial & Accounting	136,773	106,858
Travel Expenses	923	1,381
Trustees Fees & Expenses	247,604	103,921
Valuation Fees	8,860	4,900
Website Maintenance	60,524	36,175
Total Administration Expenses	949,899	641,955

2020 Audit Fees have been accrued.

	2020	2019
10. Grants		
Discretionary Grants	186,028	99,011
Haane Manahi Scholarship	1,716	19,530
Joint Hospitality Scholarship	11,046	2,200
Maths Whizz	-	14,060
Museum Bus Grant	13,730	11,590
Nga Mahi A Rehia (Kawahaka) Grants	5,000	22,000
Ngati Whakaue Authors	8,000	56,000
Ngati Whakaue Education Taumata	250,000	440,000
Postgraduate Scholarships	12,000	16,715
Project Grants	750,000	750,000
Rangahau (Research) Grant	-	3,000
RLC Cadetship	-	4,664
Rotorua Young Achievers Awards	5,652	4,348
Sponsorship	-	82,693
Swimsation	25,751	30,200
Tertiary Education Grants	314,287	321,576
Whakaue Whakanuia	-	20,000
Total Grants	1,583,211	1,897,586
	2020	2019

11. Cash and Cash Equivalents

Craigs Call Account	1,151,236	815,787
BNZ Current Account	224,446	341,047
BNZ Call Account	989,854	74,654
Total Cash and Cash Equivalents	2,365,536	1,231,488

There are no restrictions over any of the cash and cash equivalent balances held by the Trust.

	2020	2019
12. Trade Receivables		
Accounts Receivable	111,097	42,893
Accrued Interest	54,951	91,058
Total Trade Receivables	166,048	133,951

2020

2019

13. Investments**Financial Assets at fair value through profit and loss**

Debt Securities - New Zealand	9,772,029	10,489,964
Debt Securities - Australia	104,010	105,024
Equity Securities - New Zealand	8,116,128	6,229,544
Equity Securities - Australia	3,618,200	3,261,277
Equity Securities - UK	791,923	993,296
Equity Securities - USA	6,182,068	5,536,182
Equity Securities - Euro	553,125	500,358
Total Financial Assets at fair value through profit and loss	29,137,483	27,115,645

Available for Sale Financial Assets

Equity Securities - New Zealand	435,667	260,452
Equity Securities - Australia	10,922	42,839
Equity Securities - Euro	135,735	124,813
Equity Securities - USA	350,259	296,843
Total Available for Sale Financial Assets	932,583	724,947

Financial Assets Held to Maturity

Term Deposits	993,759	2,204,545
Total Financial Assets Held to Maturity	993,759	2,204,545

Total Investments

31,063,825 30,045,137

Per annum annual interest rate ranges applicable to debt securities

	2020	2019
Debt Securities - New Zealand	1.27% - 5.70%	2.27% - 7.25%
Debt Securities - Australia	5.15%	5.15%

Contractual Maturities of debt securities

	2020	2019
Debt Securities - New Zealand	3 Months - 120 Months	3 Months - 82 Months
Debt Securities - Australia	69 Months	69 Months

2020 2019

14. Investment Properties

Opening Balance	37,651,000	37,651,000
Purchase of Investment Property	380,000	-
Revaluation per Rating Valuation	4,042,000	-
Total Investment Properties	42,073,000	37,651,000

Change in Fair Value

The fair value of investment properties is determined by the Rating Valuation completed every 3 years by Opteon Technologies Limited. The latest valuation was completed at 1 September 2020.

Rating Valuation Objection

At balance date the rating valuations completed at 1 July 2017 and 1 July 2014 are being objected to. The Trust has been seeking a discount in the rating valuations issued at 1 July 2017 and 1 July 2014 to reflect the alienation restriction.

With no resolution sought on the original 1 July 2014 objection, the board and Rotorua Lakes Council were referred to the Land Valuation Tribunal.

On 2 May 2016 the Land Valuation Tribunal issued its decision on the objection lodged by the board against the Rotorua Lakes Council rating valuation assessments for valuations dated 1 July 2014. The decision was that the objection by the board was declined.

The board resolved to appeal the decision and have the decision reconsidered by the High Court. On 2 February 2017 the Board was successful in overturning the decision of the Land Valuation Tribunal which supported the Rotorua Lakes Council that the rating valuations of the Board land could not be discounted notwithstanding the inability for the Board to sell the land. The High Court came to a decision that a discount was justified but was not prepared to make a decision on the level of discount that should be applied.

The High Court decision was then referred to each of the parties valuers to come to a consensus on the discount. The Valuer General and Rotorua Lakes Council lodged an appeal with the Court of Appeal against the High Court judgement. The Court of Appeal hearing was held on the 20 March 2018 with a decision dismissing the appeal on the 9 May 2018. As the board was successful in the appeal the board was entitled to costs and disbursements which have since been paid.

The Court of Appeal also noted that it was appropriate that the Tribunal consider expert valuation evidence directed to the issues of whether the restriction on the sale of land has an effect on the valuations and, if so, to what extent.

On 18 July 2019, the Land Valuation Tribunal issued its decision that a 15% discount should be applied, however it was not clear whether this is on the land or capital value.

As at 31 December, we were awaiting the Determination of the Land Valuation Tribunal as to whether the agreed discount of 15% due to the alienation restrictions on the land (NWEET can't sell it by law) applied to capital value and not just the land value. The LVT decision on 28 June 2021 agreed with us that the discount applied to Capital Value and not just Land Value as the Council argued. That was the end of the legal process.

No contingent rents were recognised as revenue throughout the period. All leases are in perpetuity and are 21-year leases. 24 of these leases have 7 yearly rental reviews, 69 have 21-year rental reviews.

15. Leasing Arrangements

Each of the leases contains an initial non-cancellable period. Subsequent renewals are negotiated with the lessee. Minimum lease payments receivable on leases of investment properties not recognised in the financial statements are as follows:

	2020	2019
Within one year	1,577,177	1,577,177
Later than one year but not later than 5 years	5,721,164	5,721,164
Later than 5 Years	15,100,405	16,151,201
Total	22,398,746	22,398,746

2020 2019

16. Capital

Capital was established using the Government Valuations for land as at 01/09/1996	21,033,000	21,033,000
Funds held by Public Trustee as at 03/10/1995	1,385,108	1,385,108
Closing Balance	22,418,108	22,418,108

2020 2019

17. Available for Sale Reserve

Opening Balance	75,275	40,571
Current Year Revaluations	88,338	34,704
Closing Balance	163,613	75,275

2020 2019

18. Retained Earnings

Opening Balance	46,118,586	41,821,310
Net Surplus/(Deficit)	6,577,802	4,303,636
Restated Adjustment to Retained Earnings	-	(6,360)
Closing Balance	52,696,388	46,118,586

19. Financial Instruments

The tables below show the carrying amount of the trusts financial assets and liabilities:

(i) Financial Assets

2020 <i>Asset per the Statement of Financial Position</i>	FVTSD	Held to Maturity	Loans and Receivables	Available for Sale
Cash and Cash Equivalents			2,365,536	
Trade Receivables			124,553	
<i>Financial Assets at fair value through profit and loss</i>				
Debt Securities - New Zealand	9,772,029			
Debt Securities - Australia	104,010			
Equity Securities - New Zealand	8,116,128			
Equity Securities - Australia	3,618,200			
Equity Securities - UK	791,923			
Equity Securities - USA	6,182,068			
Equity Securities - Europe	553,125			
<i>Available for Sale Financial Assets</i>				
Equity Securities - New Zealand				435,667
Equity Securities - Australia				10,922
Equity Securities - Euro				135,735
Equity Securities - USA				350,259
<i>Held to Maturity Financial Assets</i>				
Term Deposits		993,759		
Total	29,137,483	993,759	2,490,089	932,583

2019 <i>Asset per the Statement of Financial Position</i>	FVTSD	Held to Maturity	Loans and Receivables	Available for Sale
Cash and Cash Equivalents			1,231,488	
Trade Receivables			133,951	
<i>Financial Assets at fair value through profit and loss</i>				
Debt Securities - New Zealand	9,139,964			
Debt Securities - Australia	105,024			
Equity Securities - New Zealand	6,229,542			

Equity Securities - Australia	3,261,277			
Equity Securities - UK	993,296			
Equity Securities - USA	5,536,182			
Equity Securities - Europe	500,358			
Available for Sale Financial Assets				
Equity Securities - New Zealand				260,452
Equity Securities - Australia				42,839
Equity Securities - Euro				124,813
Equity Securities - USA				296,843
Held to Maturity Financial Assets				
Term Deposits		3,554,545		
Total	25,765,643	3,554,545	1,365,439	724,947

(ii) Financial Liabilities

	2020			2019		
	At amortised cost	Fair value through profit or loss	Total	At amortised cost	Fair value through profit or loss	Total
Trade & other payables	100,473	-	100,473	72,324	-	72,324
Rent Received in Advance	252,118	-	252,118	389,899	-	389,899
	352,591	-	352,591	462,223	-	462,223

(ii) Fair Values

Fair value determination for financial instruments subsequently measured at fair value are as follows

Financial Assets at fair value through profit or loss*(a) Debt securities(listed) and Equity securities (listed)*

Fair values are based on the quoted market price in the active market of the security at reporting date.

Available for Sale Financial Assets*(b) Equity securities (non-listed)*

Available for Sale Financial Assets and the basis for fair value comprise of the following;

Fair values based on the sale transaction occurring for the security at or around balance date less any impairment;

- Pohutukawa Private Equity II LTD PP Staple
- Pohutukawa Private Equity Ltd Stapled
- Pohutukawa Private Equity V Fund PP LP

- Willis Bond Capital Partners Ltd pp
- Oriens Capital

Fair Values are based on cost less any impairment;

- New Zealand Social Infrastructure Fund
- Maui Capital
- PartsTrader Markets Ltd.
- New Zealand King Salmon Investment

Co-Investor No 3 Pipe Fund is an Australian Unit Trust and the values are provided on a regular basis by the company.

20. Related Party Transactions

Key Management personnel remuneration

Members of the governing body are paid set meeting fees for each meeting attended. Details and amounts of these are as follows:

	Main Committee	Education Sub-Committee	Investment Sub-Committee
Chairman	\$1,625	\$1,625	\$1,625
Deputy Chairman	\$1,364	\$1,364	\$1,364
Board Members	\$1,114	\$1,114	\$1,114

The governing body comprises of 11 members (11 FTE) with total remuneration paid of \$247,607 (2019: \$103,921). Each board member is recognised at 1 FTE.

The following Board members are appointed by schools which have received grants during the year as scheduled:

	School	This Year	Last Year
Jane Savage	John Paul College	\$8,000	\$8,000
Aramoana Mohi	Rotorua Girls High School	\$34,000	\$34,000
Wynel Raureti-George	Rotorua Lakes High School	\$30,000	\$30,000
Herby Ngawhika	Rotorua Boys High School	\$30,000	\$30,000
Violet Pelham-Waerea	Western Heights High School	\$40,000	\$40,000
Fred Whata	Rotorua Primary School	\$34,000	\$35,000

21. Commitments and Contingencies

At balance date the Trust has the following Grant and Scholarship Commitments:

The Trust has approved scholarships to these individuals for the maximum amount however the amount to be paid is based on actual expenditure incurred:

- Haane Manahi Scholarships of \$21,263
- Dylan Taute (Postgraduate Scholarship)

Funds have been awarded to these applicants however the Trust is waiting on further information from the applicants before payments will be made:

- Writers grant \$47,000 (2019: \$55,000)
- Post graduate scholarships \$26,525 (2019: \$9,025)
- At balance date the Trust was committed to the following venture capital funds with outstanding commitments:
- Kowhai Private Equity \$72,500
- Maui Capital Indigo Fund Stapled PP \$21,000
- Oriens Capital Ltd Partnership Fund PP \$150,000
- Pohutakawa Private Equity II Ltd PP \$227,500
- Pohutakawa Private Equity V Fund PP \$29,000
- Pohutakawa Private Equity VI Fund PP \$301,000
- App NZD Public Infrastructure Partners Fund \$172,500

The Trust is currently going through an arbitration process in relation to the rating valuations (refer note 11). At balance date a contingent liability exists for the legal costs associated with this hearing which is estimated by the board's solicitor as being no more than \$30,000.

22. Events Subsequent to Balance Date

A new virus, COVID-19, arose in China in December 2019 and became a global pandemic by March 2020. In response to the pandemic, in late March 2020 the New Zealand Government ordered a four-week lockdown, during which non-essential businesses and organisations were not allowed to operate and individuals (other than essential workers or those undertaking essential business) were required to stay at home. New Zealand was in this lockdown period at the reporting date. In late April 2020, the lockdown period ended, and the New Zealand Government started gradually easing the restrictions that had been placed on businesses, organisations and individuals. As at May 2023 no COVID restrictions are in place.

Although the Group has been impacted by COVID-19 from 2020 till 2023, the Trustees have concluded that the Group will be able to continue operating. The Group has continued with resilience in seeking funding application and ability to pay grants up to May 2023. No cause for concern in ability to continue with business as usual.

Rental Income

One of the main sources of income for the board is the receipt of lease rental income from its 94 perpetual ground leases. The board has sought legal advice and under the lease's, has no obligations to provide any relief to lessees.

On 29 April 2020 a letter has been sent to the lessees outlining this position, the work the board has been undertaking in seeking rates relief by way of the rating discount (Refer Note 11) and the offer for the board to review each individual lessee's circumstances upon request. As at May 2023, rental income continues to be received with minimal disruptions.

Investment Properties

The Trust holds 94 perpetual ground leases classified as investment properties. These investment properties are valued using rating valuations (refer note 11). Subsequent to balance date it is unknown whether these investment property rating valuations will be affected.

Investments

The Trust holds a significant diversified portfolio managed by Craig's Investment Partners. Subsequent to balance date and due to the outbreak of COVID-19, the investments have been impacted with some investment values decreasing in value. As of 31 May 2023, the value of the Craigs Portfolio investment was \$25,854,003.

Charitable Distributions

The Trust makes a number of distributions for the general purpose of education. The board have considered the ongoing pandemic and consider that the trust does not need to change/alter or cancel any of its current distribution policies, however this will continuously be reviewed subsequent to balance date. All Distribution obligations as of May 2023 have been met.

There has been no other material events subsequent to balance date that would affect the fair presentation of these financial statements.