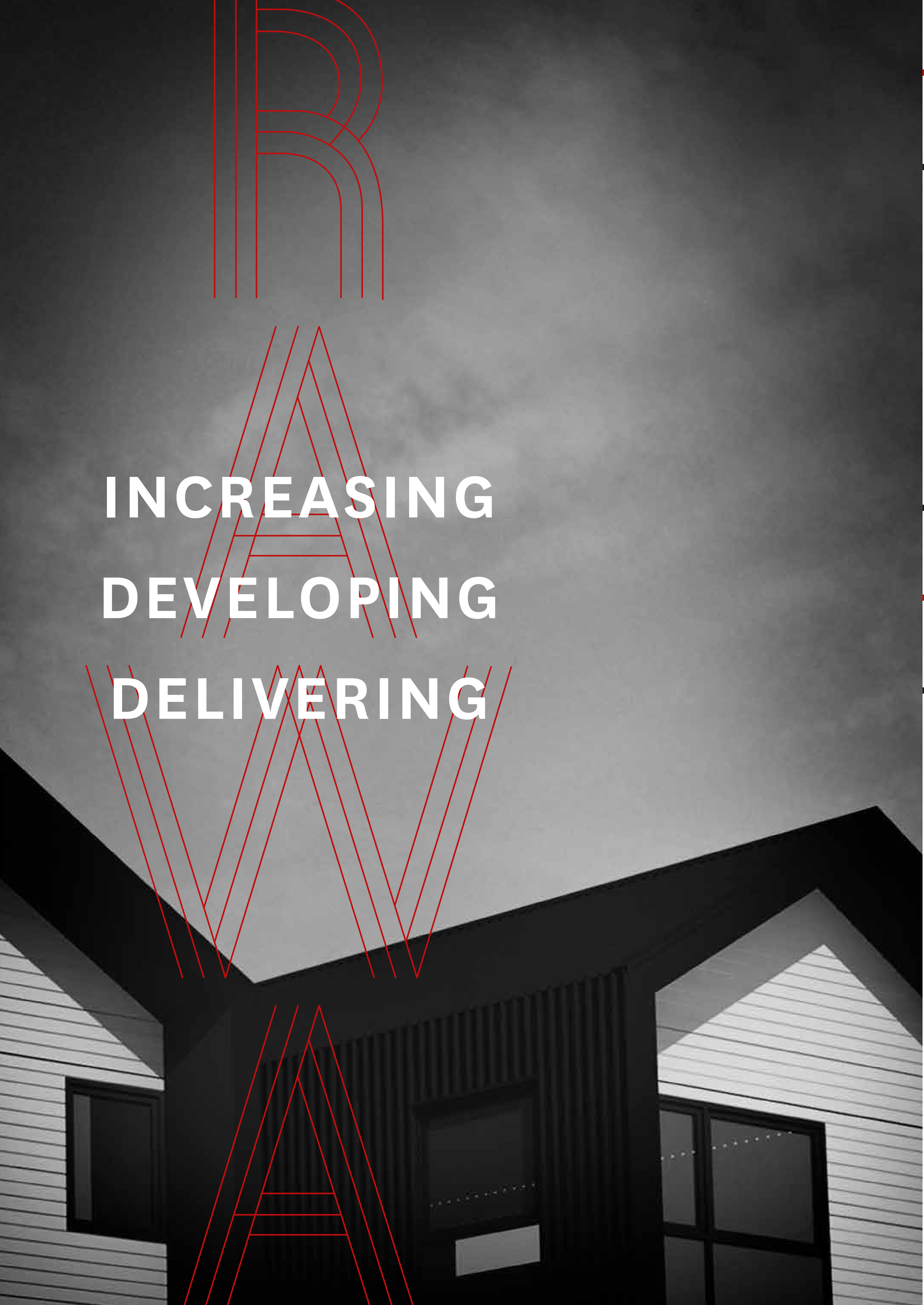
ANNUAL REPORT 2015

RAWA

DELIVERING VALUE

NGĀTI WHĀTUA ŌRĀKEI
WHAI RAWA LIMITED



NGĀTI WHĀTUA ŌRĀKEI
WHAI RAWA LIMITED
2014-2015 ANNUAL REPORT

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Delivering Value

Ngāti Whātua Ōrākei Whai Rawa Limited (Whai Rawa) spent the year expanding its substantial property portfolio with some strategic investments and accelerating delivery of benefits to whānau, particularly in relation to housing. With the buoyant Auckland property market, the value of Whai Rawa's investment property has grown by 23% to $726 million.

Whai Rawa continued to support the Trust on mana whenua matters and its role as ahi kaa (resident iwi) of Tāmaki Mākaurau. We opposed Ports of Auckland's expansion into the Waitemata; we made extensive, detailed submissions on the Proposed Auckland Unitary Plan; and we achieved lasting gains for iwi after challenging the Government's interpretation of the collective Right of First Refusal (RFR) on surplus Crown land in Auckland.

'Te pai me te whai rawa o Tāmaki'
'The wealth and prosperity of Tāmaki'

Highlights

Growth in Investment Property

23%

FROM $588m TO $726m

Growth in Contracted Annual Rent

31%

FROM $17.7m TO $23.2m

DISTRIBUTIONS TO NGĀTI WHĀTUA ŌRĀKEI GROUP

$5.4m

AMOUNT SPENT ON UPGRADING ŌRĀKEI HOMES

$2.9m

AECOM HOUSE ACQUIRED FOR

$67m

ANNUAL INCOME DERIVED FROM AECOM HOUSE

$5.69m

Chairman's Report —

The past twelve months have been both challenging and rewarding for Whai Rawa. The Whai Rawa Board of Directors has focused on delivering against the five and ten year strategy, as agreed with the Trust in FY2014 and we are well ahead of our financial targets.

Tēnā koutou,

The past twelve months have been both challenging and rewarding for Whai Rawa. The adoption last year of our ten year strategy by the Ngāti Whātua Ōrākei Trust has allowed us to be more deliberate in how and where we will grow value in the business by investing not only in physical assets but also in the capability of the Ngāti Whātua Ōrākei people.

STRONG RESULT

I am pleased to announce Whai Rawa's commercial portfolio grew by 23% last year. The tūpuna of Ngāti Whātua Ōrākei chose well when they settled in Tāmaki Makaurau. It would come as no surprise to Apihai Te Kawau that Auckland is the most popular place to live in New Zealand! The continued strength of the Auckland property market is a key factor in our portfolio growth, but we have balanced this incremental value growth with new strategic investments including the acquisition of AECOM House. We have already exceeded our portfolio value target by a large margin.

The contracted annual rents have increased by 31%. This growth can be attributed to the completion of the 2011 Quay Park rent review cycle and the AECOM House acquisition. AECOM House alone has contributed approximately $3.7 million in operating revenue since November 2014. Our annualised operating revenue is pleasingly moving towards the FY2019 target of 4%.

Whai Rawa will continue to look for suitable opportunities to increase the proportion of higher yielding assets within its portfolio, either via acquisitions or development of existing assets.

GROWTH OF COMMERCIAL CAPABILITY

While Whai Rawa's primary role is to protect and grow the commercial assets of Ngāti Whātua Ōrākei, it is also the Board's responsibility to ensure we are investing time and resources into building the commercial capability of the whānau.

This year Whai Rawa created two internship opportunities to assist the whānau to better understand our business. Tertiary internships, consisting of four weeks' paid work experience during the semester breaks, are offered to members who are currently studying at University. In addition, we invite secondary school students to spend a week experiencing our office environment.

The Board introduced a Future Director programme, which involves a hapū member sitting with the Board for one year. During that period, the selected Future Director will attend all Board meetings and be mentored by one of our most experienced directors. The Future Director will also receive formal governance training, and have access to our Executive team to build a deeper appreciation of commercial issues.

SUPPORTING TE AHI KAA ROA

Ngāti Whātua Ōrākei maintains te ahi kaa roa in central Auckland and we will defend this status as other iwi claim interests in Tāmaki. Whai Rawa remains actively involved in issues that are important for Tāmaki.

- We assumed responsibility to ensure the Right of First Refusal (RFR) secured through the Ngā Mana Whenua o Tāmaki Makaurau Collective Settlement Deed is administered properly.
- We successfully defended the integrity of the RFR by commencing legal proceedings challenging the Crown's attempt to dilute its value which achieved an agreement of lasting value for all iwi.
- We opposed the Ports of Auckland's attempt to extend the Bledisloe Wharf without appropriate public consultation.

These activities inevitably attract significant media and political attention. However the Board's view is it has a responsibility to take steps for the ultimate benefit of both Ngāti Whātua Ōrākei and our business.

NGĀ MIHI

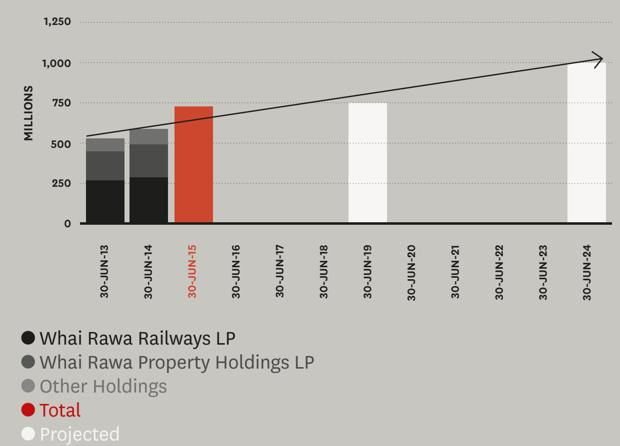
In closing, I thank my fellow directors for their commitment, dedication and energy throughout the year. The stability of the Board's composition over the past three years has allowed us to deliver on our range of commitments to the hapū.

Thank you also to Rob, Andrew and Kate, and the wider team, who continue to make valuable contributions. They have risen to the occasion on various issues that we have faced during the year, which has enhanced the strength of our organisation.

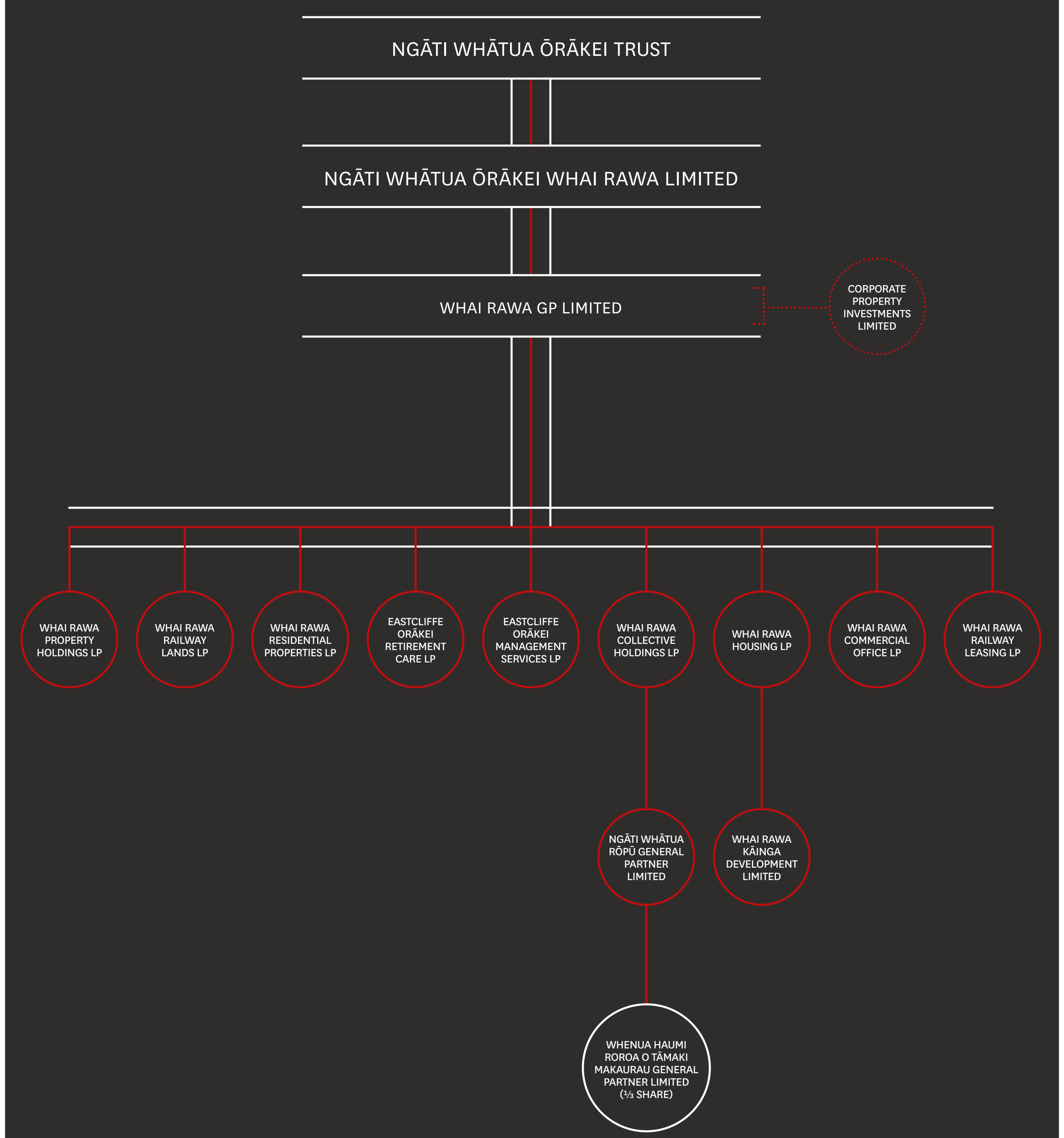
Shalom,

Michael Stiassny
CHAIRMAN
NGĀTI WHĀTUA ŌRĀKEI WHAI RAWA LIMITED

INVESTMENT PROPERTY VALUE —
30 JUNE 2015 VALUE AT $726M



Organisational Structure



Governance

"What I find most rewarding about being on this board is participating in a Māori organisation asserting itself rightfully in the New Zealand business community and adding value and diversity to Auckland city."

ROB FENWICK
INDEPENDENT DIRECTOR

When appointing a director the Trust will consider the particular skills and expertise required to support the Company's activities, and also the relevant mix of skills of the Board.

Whai Rawa is the sole limited partner in nine limited partnerships: Whai Rawa Property Holdings LP, Whai Rawa Railway Lands LP, Whai Rawa Residential Properties LP, Eastcliffe Ōrākei Retirement Care LP, Eastcliffe Ōrākei Management Services LP, Whai Rawa Collective Holdings LP, Whai Rawa Housing LP, Whai Rawa Commercial Office LP and Whai Rawa Railway Leasing LP.

It is also has four wholly owned subsidiaries – Whai Rawa GP Limited (the general partner for each of the LPs), Ngāti Whātua Rōpū General Partner Limited, Whai Rawa Kāinga Development Limited and Corporate Property Investments Limited.

Meetings Attended

(out of a total of 11)

DIRECTOR	MEETINGS ATTENDED
Michael Stiassny	11
Ross Blackmore	11
Ngarimu Blair	10
Precious Clark	10
Rob Fenwick	11
Rangimarie Hunia	11

CAPABILITY BUILDING

- Ngāti Whātua Ōrākei members in to internships
- Whai Rawa Future Director programme established
- First Financial Literacy programme delivered

Board of Directors —

Director Profiles

01 — MICHAEL PETER STIASSNY

Chairman, Independent Director

Michael Stiassny is one of New Zealand's most respected directors and his passion for Ngāti Whātua Ōrākei goes well beyond his position as Chair. Michael says his motivation is simple – to bring about positive and lasting change for the hapū.

Chairman since 2013, Michael's influence on Whai Rawa has led to both growth for the company and also the professional development of his fellow directors. A key focus for Michael has been the need to prepare Whai Rawa for succession, which has included the introduction of the 'Future directors' programme.

A Fellow of Institute of Directors (FInstD) and the current President of that organisation, he has been the senior partner of KordaMentha in Auckland since 1990.

A Chartered Accountant and lawyer, Michael is a director for a number of public and private companies and is the current Chairman of Vector Limited and Tower Limited.

02 — ROSS FORBES BLACKMORE

Independent Director

Ross Blackmore is an experienced commercial property practitioner. During his 30 year career, he has been involved in many facets of commercial property including valuations, development, investment and listed property investment company management.

Ross operates his own property consultancy business, and is a member of the New Zealand Institute of Valuers, the New Zealand Property Institute and the Royal Institute of Chartered Surveyors.

Ross held the role of General Manager of Property for Industry Ltd from 2003 to 2011 and is presently the Executive Manager, Property for the McAuley Trust and a director of Foundation Properties Limited.

03 — NGARIMU ALAN HUIROA BLAIR

Trustee Representative Director

Named the Inaugural Emerging Māori Business Leader by the Auckland University's Business School, Ngarimu Blair is the Ngāti Whātua Ōrākei Trust representative for Whai Rawa. He was described by the University as having a "strong vision, humility, and inclusive management and governance skills".

A geographer, with over 15 years' experience in advancing a range of iwi issues in Auckland City, he is regularly called upon by the media and political influencers.

Ngarimu is also Deputy Chair of the Ngāti Whātua Ōrākei Trust.

04 — JOANN PRECIOUS KOWHAI CLARK

Whānau Director

Precious has a legal policy background, and has firmly established herself in the Auckland business and philanthropic communities. She is a Director of the Centre for Social Impact, a member of the Independent Māori Statutory Board, a Trustee of Foundation North and the Deputy Chair of Auckland Museum Taumata-a-Iwi. This year Precious was a recipient of the Sir Stephen Tindall scholarship to participate in the Global Women's Breakthrough Leadership programme.

Precious is passionate about making a positive contribution towards the development of Ngāti Whātua Ōrākei.

05 — ROBERT GEORGE MAPPIN FENWICK

Independent Director

Rob Fenwick is an experienced businessman and company director with interests closely aligned to promoting sustainable development. He is a long-standing member of the Institute of Directors, a founder of the New Zealand Sustainable Business Council and has held a number of key governance roles.

In 2015, Rob was the recipient of the Sir Peter Blake Medal for his outstanding leadership contribution to New Zealand over a sustained period of time.

Rob is a Companion of the New Zealand Order of Merit for services to the environment, and holds an honorary doctorate in Natural Resources from Lincoln University.

Rob has a strong connection with the Hauraki Gulf, being a former Chairman of Motutapu Island Restoration Trust and an advocate for Te Matuku Bay Marine Reserve, where he operates a successful oyster farm.

06 — RANGIMARIE HUNIA

Whānau Director

Rangimarie Hunia is a Ngāti Whātua Ōrākei member and was raised in Orākei, where she continues to live with her whānau.

Her professional experience includes developing social and educational initiatives for the benefit of the hapū as well as other groups within the wider community.

As a trustee of the Manaiakalani Education Trust, Rangimarie is involved in supporting a cluster of 12 schools in Tāmaki/Pt England to embrace modern learning and secure full digital citizenship. Working with the Middlemore Foundation, Rangimarie was instrumental in the creation of Papakura Kidz, an integrated health, healthy homes and education project. In 2014 she was a finalist for the Westpac Woman of Influence Award in the Social Enterprise category.

Key Milestones

Chief Executive's Report —

This year has delivered tangible benefits for the hapū, in terms of financial and portfolio growth as well as at a more personal level for many members. The Whai Rawa team has continued to work hard to make a difference for the Trust and its members.

Tēnā koutou,

HOUSING

Hapū housing on the papakāinga has remained a major focus for Whai Rawa, although it does not strictly contribute to the commercial growth of the portfolio. Forty-one of the homes previously leased to Housing New Zealand have now received interior upgrades, bringing them up to the Ngāti Whātua Ōrākei Housing Standard. These homes, leased by Whai Rawa to Whai Maia and then to members, are situated primarily along Kupe Street. The anecdotal evidence is that the better living conditions are leading to improved health and general welfare for tenants and their children. This feedback is encouraging and, for us, underlines the importance of continuing the upgrade programme at pace.

Great progress has also been made on the Kāinga Tuatahi homes. This is an exciting project for the hapū, and 30 whānau will be moving into their new homes in the first half of 2016. Whai Rawa is building these homes on behalf of the hapū and is also providing loans to assist with their purchase.

Our third key housing project delivered in the 2014/15 financial year was a new kaumātua house in Atareta Street. This new home was completed in early 2015 and is a prototype for what, in the future, could be another seven homes. The kaumātua home is leased to Whai Maia, to be made available to kaumātua from the hapū.

Along with other property developers, we have been challenged by the increasing cost of residential construction in Auckland. The team has done its best to minimise the impact of these inflationary pressures on the residential work being undertaken, although we have had to revise budgets and estimates upwards.

COMMERCIAL ACTIVITIES

We continue to work towards our commercial strategic goals of maximising the potential of our existing non-cultural landholdings. Masterplanning for the Navy Lands is now well underway to ensure that physical works can commence when the land becomes available in early 2018. Similar steps have been completed for the Tāmaki Girls College site, and portions of the Unitec properties as well. We are conscious of the shortage of affordable housing in Auckland, and the opportunity that this creates for those with significant landholdings like Whai Rawa. However we also must keep in mind our social obligation to act responsibly by making land and housing available at reasonable prices.

The RFR secured as part of the Ngā Mana Whenua o Tāmaki Mākaurau Collective Redress Deed has allowed Whai Rawa, on behalf of Ngāti Whātua Ōrākei, to purchase a number of properties within the Tāmaki Isthmus. These properties provide Whai Rawa with opportunities to generate commercial returns, ranging from simple re-sale to possibly undertaking a large scale development. The RFR has the potential to be a very valuable asset for Ngāti Whātua Ōrākei, along with the other iwi comprising the Ngā Mana Whenua group, over the next 171 years.

As the Chairman has mentioned, the acquisition of AECOM House in November 2014 was a positive and very significant addition to the Company's asset base. We continue to look to acquire strong revenue generating assets, however to take advantage of new opportunities we may need to make changes to the existing portfolio.

We are also in the planning stage of significant remediation works at Eastcliffe on Orākei. These works are expected to cost approximately $12M and will be undertaken over a five year period. The value of Eastcliffe on Orākei has fallen to reflect the need for these works.

PERSONNEL

The Whai Rawa team has grown in number and capability in the 2015 financial year. The new additions, bringing further finance and property development expertise, have made welcome contributions to the Company's strong performance. Those who have been around a little (or a lot) longer continue to enhance their skills and ability.

Finally, I wish to acknowledge our Board for their on-going support and stewardship, and also say thank you to our team for another excellent effort. I look forward to working with you all over the coming financial year.

Nāku noa, nā

Rob Hutchison
CHIEF EXECUTIVE
NGĀTI WHĀTUA ŌRĀKEI WHAI RAWA LIMITED

23%
GROWTH IN VALUE OF INVESTMENT PROPERTY

Hillary Block, North Shore

"In a sense we are only just beginning. That is to make good on the promise of our ancestors, to be a force for creativity, imagination and inclusivity on our lands and waterways of Tāmaki Makaurau."

NGARIMU BLAIR
TRUSTEE REPRESENTATIVE DIRECTOR

Whai Rawa team at the summit of Maungawhau, Matariki 18 June 2015

Operations

Whai Rawa's activities during the year have been many and varied. A snapshot of some of the key workstreams follows.

REFINANCE

In May 2015, Whai Rawa completed a refinance of its debt. This has brought with it a number of key benefits including:

- Repayment to the Crown of the relatively expensive debt associated with the acquisition of Navy Lands on the North Shore.
- A spread of debt providers, with the Company now having debt facilities with BNZ, ANZ and Westpac.
- Cheaper interest (reduced by approximately 150 basis points).
- Increased loan facilities, which will enable additional borrowing to fund future projects and transactions.

INDUSTRY / COMMUNITY PARTICIPATION

Whai Rawa has been an active participant in the hearings phase for the Proposed Auckland Unitary Plan. Since the start of the hearings in September 2014, we have been represented in seven mediations and four formal hearings, across topics as diverse as the Auckland Ports' Precinct, earthworks and areas of ecological significance. The hearings will continue through the 2016 financial year, as the focus moves to the specific provisions relating to Whai Rawa's land holdings on Auckland's North Shore and Carrington (Unitec), as well as the hapū land in Ōrākei. The Independent Hearings Panel is expected to make its recommendations regarding the Auckland Unitary Plan in June 2016, and the Council will likely adopt the final version of the plan by 30 September 2016.

We have also played an active role in the wider Auckland commercial property market. The acquisition of AECOM House demonstrated that we are a significant player. This is reinforced by our place within the Corporate Members Group of the Property Council (NZ), alongside the likes of Precinct Property, Kiwi Property, Ngāi Tahu and Fletchers. Whai Rawa is also represented on the Auckland City Centre Advisory Board. This group makes recommendations to Auckland Council in relation to the investment of the City Centre Targeted Rate, and considers, in particular, improvement to public spaces within the City Centre, such as the recent upgrades of Myers Park and O'Connell Street.

"Ngāti Whātua Ōrākei are the tangata whenua of Tāmaki and play an integral role in making Auckland a truly great city in which to live and work."

MICHAEL STIASSNY
CHAIRMAN

Surplus Crown land acquisition

EASTCLIFFE ON ŌRĀKEI

Eastcliffe on Ōrākei retirement village has had a strong year in terms of sales, and as at 30 June 2015 had a 95% occupancy rate.

The village was impacted by the extended black outs in Auckland's eastern suburbs in late 2014, but its management and staff made sure that residents were safe and comfortable throughout. A permanent generator has now been acquired and commissioned to minimise the impact of any further power outages.

Full building surveys were undertaken in early 2015 and have revealed that significant remediation works need to be undertaken to the townhouses and apartments. This work, which is the result of poor workmanship and inadequate project management at the time of construction, will likely involve a full reclad of these buildings. The cost is currently estimated at $12M and the proposed programme for these works is spread across a 5 year period. This will allow minimisation of the impact on residents and ensure that to the extent alternative accommodation is required, it is of an appropriate standard.

SURPLUS CROWN LAND ACQUISITIONS

During the year, Whai Rawa negotiated the purchase from Housing New Zealand of seven individual properties within the original Ōrākei block. These properties were acquired at market value, although on an off-market basis.

Whai Rawa is now looking at opportunities for these sites, which may include redevelopment for the purpose of open-market leasing, or redevelopment for the purpose of sale or long-term lease to hapū members.

COLLECTIVE RFR OPPORTUNITIES

In August 2014, the Collective RFR became operational. Details of how the Collective RFR mechanism works are set out at page 24.

Whai Rawa elected to purchase two of the properties that were offered to Ngāti Whātua Rōpū, being small residential sites in Waiuku and Mt Albert. The Mt Albert property was immediately on-sold; the Waiuku property is being sub-divided.

Landholdings

Over time, Ngāti Whātua Ōrākei has acquired significant landholdings in the Tāmaki Isthmus (over 160 hectares).

While some of these properties are purely cultural in nature (such as Takaparawhau and Pourewa), the vast majority provide the hapū with the opportunity to generate income in the form of rent or through development opportunities.

This map identifies all of Whai Rawa's landholdings and highlights in particular those assets that have been a focus for Whai Rawa during the past 12 months.

1. Ōrākei
   - *HNZ Leased Homes - Kupe / Rukutai / Kurahaupo / Te Arawa / Takitimu*
   - *Residential Upgrades*
   - *Kāinga Tuatahi – Kupe St – Takitimu St*
   - *Eastcliffe Retirement Village – 217 Kupe St*
   - *Marina Berth – Ōrākei Marina*
   - *Atareta St – Kaumātua housing*
   - *Brenton Place*
2. 234-246 Ōrākei Road, Ōrākei
3. 217 Ōrākei Rd Reserve
4. 223 Kohimarama Rd
5. Old Tāmaki Girls Site – 136 Taniwha St, Glen Innes
6. UNITEC Lots – 121-125 Carrington Rd
7. North Shore, Birchfield
8. North Shore, Marsden
9. North Shore, Hillary
10. North Shore, Beresford
11. North Shore, Plymouth
12. North Shore, Wakakura
13. North Shore, Narrowneck
14. 152 Fanshawe St, CBD
15. Quay Park Precinct
16. AECOM House, Quay Park

COMMERCIAL —

- Purchase of AECOM House for **$67m**
- Purchase of 2 properties under the RFR
- Purchase of 7 additional Properties in the original 700 acre Orākei block

PROFILE —

AECOM House

Completing the purchase of AECOM House in November 2014 was a significant achievement for Whai Rawa. The almost fully-tenanted office building in Auckland's central business district provides an 8.5% yield, and delivered an immediate cash injection for the Company. It produces $5.6 million in annual passing rent.

Procuring the eight-level, 12,992 square metre office block was the first major acquisition since the Treaty Settlement in 2012. Whai Rawa considers Quay Park to be a taonga kamehameha (a precious jewel), and over the next 12 months it will be developing a detailed plan to reinvigorate the precinct.

AECOM House opened in mid-2013 and has a five star Green Star Design rating. Its key tenants are large international organisations, including AECOM, the New Zealand subsidiary of Zoetis Inc, Spendvision Limited and Fiserv.

The purchase of this significant asset is a first step towards diversifying the Company's commercial property portfolio away from residential landholdings and ground lessors' interests.

Whai Rawa looks forward to continuing its relationship with the Russell family in Quay Park, who will retain a significant interest in 'QuBA' and will also be a lessee.

PROFILE —

Championing the interests of Ngāti Whātua Ōrākei

During the year, Whai Rawa has lead the hapū response to a number of significant political issues that arose. In doing so, we believe that we have acted in a way that enhances the mana of Ngāti Whātua Ōrākei, and also demonstrates its commitments to kaitiakitanga and rangitiratanga.

DEFENDING THE WAITEMATA

Whai Rawa opposed the Ports of Auckland's proposed expansion into the Waitemata. Ngāti Whātua Ōrākei joined with other influential community groups and well-known Aucklanders to challenge the Ports' plans. This included submitting evidence to a High Court challenge.

Ngāti Whātua Ōrākei regards the Waitemata as a taonga tuku iho – a sacred treasure for Ngāti Whātua Ōrākei and for all Aucklanders. It is a place of cultural and social importance, and the gateway to our city. It is a treasure that needs care, for now and for the generations who follow.

Whai Rawa expressed real concerns about the wider impact of the Ports' plans, which to us were short-sighted. We were pleased that the High Court overturned the Ports' Resource Consents and expansion was stopped. We are now participating in the Port Future Study, convened by Auckland Council to make recommendations in relation to the future of the Port.

PROTECTING THE RFR

In June 2015, Whai Rawa initiated judicial review proceedings against the Crown. These proceedings related to the Crown's proposal to repurpose surplus Crown land in Auckland for housing. This surplus Crown land would have otherwise been processed through the Ngā Mana Whenua o Tāmaki Makaurau RFR. Whai Rawa believes the RFR is a valuable asset that needs to be protected for its duration (172 years), and that we needed to take strong steps to preserve that value.

Ultimately following negotiations with, and assurances from, the Crown Whai Rawa was able to withdraw its proceedings. The Auckland Underutilised and Vacant Crown Land Programme will now be implemented in a manner that ensures that at least 20% of the dwellings delivered through the Programme are to be sold to Community Housing Providers and 20% will be "affordable" homes.

We believe that these outcomes are important for Auckland as a whole – more social housing will be available for the most vulnerable, and more affordable housing will be available for purchase by people who are currently priced out of the Auckland housing market.

At the same time, Minister Smith has indicated any properties that cannot only be developed to hold 60 or more homes will be available through the RFR. This means that Ngāti Whātua Ōrākei, along with the other iwi and hapū forming Ngā Mana Whenua o Tāmaki Makaurau, have an ongoing supply of RFR opportunities that are not fettered by the Crown's housing requirements.

"I believe that the commencement of the Kāinga project and acquiring AECOM House – two completely different transactions – are Whai Rawa's most significant achievements during the year. These transactions are two real world examples of what Whai Rawa brings to the Ngāti Whātua Ōrākei group in terms of both financial and less tangible ongoing benefits to the members."

ROSS BLACKMORE
INDEPENDENT DIRECTOR

RESIDENTIAL —

Kāinga Tuatahi

After many years as simply a dream, construction on Kāinga Tuatahi has become a reality. Following a quick turnaround in the consenting process, the site on Kupe Street was blessed by our Taumata Kaumātua in November 2014 to culturally and spiritually prepare it ahead of development.

Civil contractors then laid the foundations and, shortly after, Whai Rawa invited two contractors to tender for the construction project. The tenders were priced higher than expected due to a range of issues including higher prices for materials and labour. This forced reconsideration of the design of the homes, to ensure that the houses were both of a good quality and affordable.

Working with the contractors and the architects, Whai Rawa was able to finalise a suitable design and advise the whānau of 'maximum prices' for the homes. Whānau were invited to hui between April and June to discuss the project. Additional communications were sent out to members throughout the process.

Well-known construction company Arrow International was awarded the contract and, by May 2015, the first concrete panels had been erected. We remain on-track to complete the homes by the end of the 2016 financial year.

We are building 30 new homes (a mixture of two, three and four-bedroom dwellings). All bar one of the homes have now been allocated to whānau members. We anticipate that more than 100 people will live in these homes, and they will make a positive contribution to the wider Ōrākei community. Whai Rawa is excited for the outcome for these whānau in particular, and to be able to contribute to not only the financial health but also the general well-being of the hapū.

NEW RESIDENTIAL —

- 30 new homes being built in Kāinga Tuatahi
- Building commenced, completion in 2016
- 1 new Kaumātua home complete

Kāinga Tuatahi whānau walkthrough.

9 Atareta St, Kaumātua unit.

"I know that we made the right choice to commit to renovating the ex-Housing NZ houses to a standard higher than the government ever committed to. What I'm proud of is that our focus on our whānau drove that decision."

PRECIOUS CLARK
WHĀNAU DIRECTOR —

RESIDENTIAL —

Residential Upgrades

The programme to upgrade the residential properties owned by Whai Rawa has continued at speed. During 2014/15, we upgraded 41 whare to the new Ngāti Whātua Ōrākei Housing Standard, and we anticipate the remaining properties (other than the whare in Upper Kitemoana Street) will be completed by the end of the 2016 financial year.

The houses in Upper Kitemoana Street have had extensive health and safety checks undertaken, which have discovered a range of issues. These include structural problems where tenants have removed walls or otherwise modified the homes, asbestos-lined walls and ceilings or fences, and poorly constructed additions. Works have commenced to address any immediate health and safety issues within these whare.

Improving living conditions for Ngāti Whātua Ōrākei tenants is a priority for Whai Rawa, and we have spent a total of $3.05 million since the start of 2014 in pursuit of this goal. We believe that better homes leads to better health, education and overall well-being for the occupants.

RESIDENTIAL —

- Ngāti Whātua Ōrākei Housing Standards established
- 63 Ngāti Whātua Ōrākei houses returned from HNZ management
- 41 Ngāti Whātua Ōrākei houses upgraded

Understanding the Portfolio

Throughout the financial year, our executive team ran a financial literacy programme to assist hapū members to better understand the Company's financial accounts and the assets that the Ngāti Whātua Ōrākei Group owns.

Some of the items discussed in those sessions are outlined here.

FREEHOLD VS LEASEHOLD OWNERSHIP

If you own a piece of land on a freehold basis, you are the absolute owner of that land and you can use it, or sell/dispose of it, as you choose. There is no 'end date' to your ownership until you transfer it to another person.

If you own a leasehold interest in land, then you can use that land for the term of the lease (150 years, for example). You must only use the land as per the rules in the lease agreement, which usually include paying rent to the owner of the land.

A large amount of Ngāti Whātua Ōrākei land is subject to ground leases. This means that the hapū owns the freehold interest in the land, and has granted leases to other parties. In the case of much of Quay Park, 152 Fanshawe Street, the Wakakura block, and some of the other commercial assets owned by Ngāti Whātua Ōrākei, these leases are for 150 years. During this period (or at the beginning, in the case of pre-paid leases), the lessees pay rent and can use the land largely as they chose. At the end of the 150 years, the leases expire and Ngāti Whātua Ōrākei will be able to use the land (and any remaining buildings) as it wishes.

VALUATION OF LAND

The value of a property is determined by assessing what the particular property would sell for on the open market. It is based on looking at sales of similar properties in the area.

Factors that will be considered include the size of the house and/or land, construction materials, aspect (the amount of sun and shelter), the view from the property, and the number of rooms.

For vacant land, a valuer will typically try to work out the best and highest value use for the land, based on what is happening on similar sized, zoned and located properties.

THE COLLECTIVE RFR

The Collective RFR was established under the Ngā Mana Whenua o Tāmaki Mākaurau Collective Redress Act 2014 and the Ngā Mana Whenua o Tāmaki Mākaurau Collective Redress Deed.

The Collective RFR relates to surplus Crown land in the Tāmaki Isthmus, and provides that if:

- Crown departments and some state owned enterprises (SOEs) and Crown agencies determine that land which they own is surplus to their requirements; and
- there is no other Crown use that the land is required for; and
- any party who has rights to an 'offer back' under the Public Works Act has declined the opportunity,

then an offer will be made to Ngā Mana Whenua o Tāmaki Mākaurau iwi, acting through Whenua Haumi Roroa o Tāmaki Mākaurau Limited Partnership (WHR). This offer would be to sell the land to WHR or its nominee at a value set by the relevant Crown department, agency or SOE.

How is the value of land calculated?

PROPERTY VALUATION

Definition - A property valuation is an assessment of what a property will sell for.

Properties valued at $5 million or less are treated as individual RFR opportunities. Each of the iwi ropū – Ngāti Whātua, Marutūāhu and Waiohua Tāmaki – have a turn at accepting or declining these offers, on a rotational basis.

Properties valued at more than $5 million are considered collective RFR opportunities, so each ropū has the ability to purchase these pieces of land jointly. If only one ropū accepts a collective RFR opportunity, then that ropū acquires the entire interest in the land. However, if more than one ropū accepts, they share in the purchase. This can be through a new entity set up for the transaction, or simply as tenants in common.

Ngāti Whātua ropū, for the purpose of the Collective RFR, includes Ngāti Whātua Ōrākei, Te Runanga o Ngāti Whātua and Ngāti Whātua ki Kaipara. There is an agreement between these three ropū governing how the opportunities are shared.

TERMINOLOGY —

ANNUAL PORTFOLIO RETURN:
Income earned from all investment property, as a percentage of the total value of the property.

ASSET YIELD:
Income earned from that asset, as a percentage of the total value of that asset.

INVESTMENT PROPERTY:
Property bought for the purposes of gaining rental income and/or capital growth.

LESSOR:
A person who holds a freehold interest in a property, and has granted a lease to another.

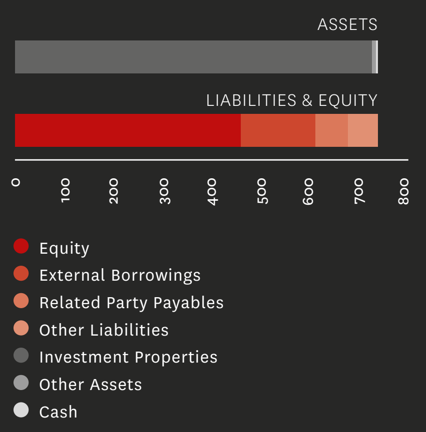
LESSEE:
A person who holds a leasehold interest in a property.

OPERATING REVENUE:
Income earned from investment property.

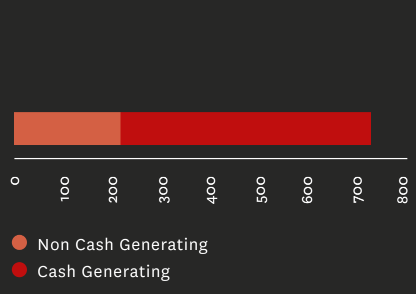
TENANTS IN COMMON:
Where two or more people/groups buy a property together and have defined shares in the property. (For example, if four groups paid 25% each, they would each own a quarter of the shares).

RFR (RIGHT OF FIRST REFUSAL):
A contractual right that gives its holder the option to buy an asset, according to specified terms, before the owner can sell the asset to a third party.

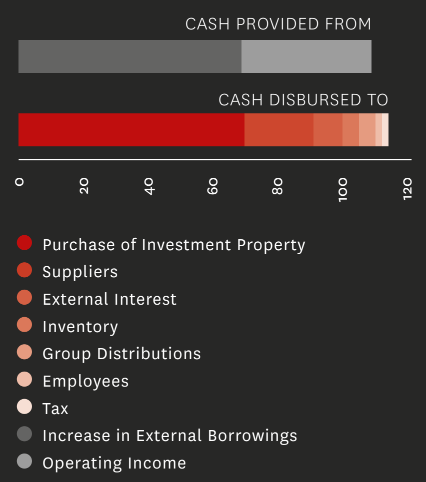
BALANCE SHEET STRUCTURE —



PROPERTY PORTFOLIO RETURNS —



CASHFLOW ALLOCATION —



2015 —

FINANCIAL

Statements —

Annual Report

The Directors hereby present their Report including Financial Statements of the Group for the year ended 30 June 2015.

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

PRINCIPAL ACTIVITIES:

Property Owner and Manager.

AUDITOR

The Group's auditor is Ernst & Young.

DIRECTORS

The following Director's held office during the period:

Ross Forbes Blackmore
Ngarimu Alan Huiroa Blair
Joann Precious Kowhai Clark
Robert George Mappin Fenwick
Rangimarie Hunia
Michael Peter Stiassny

DIRECTORS' DISCLOSURES

- There were no entries recorded in the Register of Interests.
- No Director acquired or disposed of any interest in shares in the company.
- The Board of Directors received no notices from Directors wishing to use company information received in their capacity as Directors which would not have ordinarily been available.

DONATIONS (KOHA)

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

For and on behalf of the Board of Directors.

Director ______________ Director Rangimarie Hunia

Dated this 17th day of September 2015

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2015

	NOTE	2015 $	2014 $
Revenue			
Interest and Dividend Income		59,863	366,446
Property Rental Income		21,727,711	20,691,623
Retirement Village Income		14,294,846	15,118,077
Other	4	53,942	66,541
Total Revenue		**36,136,362**	**36,242,687**
Expenses			
Employee Benefits Expense	5	4,086,313	3,087,545
Governance	5	352,442	355,785
Finance Costs	5	10,411,301	9,470,259
Rental Property Expense		4,158,153	2,058,444
Retirement Village Service Expense		10,086,489	11,348,693
Professional Fees	5	2,329,729	3,614,055
Other Expenses	5	755,637	362,625
Depreciation and Amortisation Expense		121,193	104,575
Impairment of Inventories	6	1,119,564	–
Movement in Provision for Doubtful Debts		(13,986)	280,594
Total Expenses		**33,406,835**	**30,682,575**
Net Profit before Taxation and Revaluation of Investment Property		**2,729,527**	**5,560,112**
Gain on Disposal		–	3,500,696
Gain on Revaluation of Investment Property	7	66,696,192	71,871,375
Net Profit before Taxation		**69,425,719**	**80,932,183**
Income Tax Expense	8	527,244	5,864,885
Total Comprehensive Income for the Year		**68,898,475**	**75,067,298**

This statement is to be read in conjunction with notes to the financial statements on page 37 to page 49.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2015

	NOTE	CONTRIBUTED CAPITAL	RETAINED EARNINGS	TOTAL
At 1 July 2014		222,645,446	167,603,579	390,249,025
Total Comprehensive Income for the year		–	68,898,475	68,898,475
Distribution	23	–	(400,125)	(400,125)
At 30 June 2015		**222,645,446**	**236,101,929**	**458,747,375**

	CONTRIBUTED CAPITAL	RETAINED EARNINGS	TOTAL
At 1 July 2013	222,645,446	92,536,281	315,181,727
Total Comprehensive Income for the year	–	75,067,298	75,067,298
At 30 June 2014	**222,645,446**	**167,603,579**	**390,249,025**

This statement is to be read in conjunction with notes to the financial statements on page 37 to page 49.

Consolidated Statement of Financial Position

As at 30 June 2015

	NOTE	2015 $	2014 $
Equity		**458,747,375**	**390,249,025**
Current Assets			
Cash and Cash Equivalents	9	3,373,825	9,074,599
Trade and Other Receivables	10	1,482,215	7,767,357
Related Party Receivables	11	285,250	108,809
Inventories	6	5,580,970	407,756
Total Current Assets		**10,722,260**	**17,358,521**
Non Current Assets			
Deposit on Investment Property		756,222	–
Investment in Joint Venture		7,000	–
Investment Property	7	726,174,171	588,347,521
Property, Plant and Equipment	12	299,860	283,344
Intangible Assets	13	31,265	–
Total Non Current Assets		**727,268,518**	**588,630,865**
Total Assets		**737,990,778**	**605,989,386**
Current Liabilities			
Tax Payable		132,154	619,148
Trade and Other Payables	14	7,535,250	5,922,125
Employee Benefits	15	628,177	213,084
Related Party Loans	11	6,150,065	7,998,233
Refundable Occupation Right Agreements	16	47,800,941	47,231,293
Interest Bearing Loans and Borrowings	17	796,791	1,833,895
Income in Advance		557,260	2,439,090
Total Current Liabilities		**63,600,638**	**66,256,868**
Non Current Liabilities			
Deferred Tax Liability	18	3,210,318	4,103,678
Interest Bearing Loans and Borrowings	17	151,848,432	84,238,529
Related Party Loans	11	60,000,000	60,000,000
Income in Advance		584,015	1,141,286
Total Non Current Liabilities		**215,642,765**	**149,483,493**
Total Liabilities		**279,243,403**	**215,740,361**
Total Net Assets		**458,747,375**	**390,249,025**

Director

Director Rangimarie Hunia

This statement is to be read in conjunction with notes to the financial statements on page 37 to page 49.

Consolidated Statement of Cashflow

For the Year Ended 30 June 2015

	NOTE	2015 $	2014 $
Cash flows from Operating Activities			
Cash was provided from:			
Interest and Dividend Income		83,984	366,446
Property Rental Income		25,616,864	19,591,062
Retirement Village Income		14,113,519	16,800,689
Other		53,942	66,541
Cash was disbursed to:			
Payments to Suppliers		20,648,082	19,100,839
Payments to Employees		2,231,260	1,917,983
Payments for Inventory		5,383,268	299,403
Interest Paid		11,566,929	9,470,258
Income tax paid		1,923,327	1,512,055
Net Cash (Outflow)/Inflow from Operating Activities	**19**	**(1,884,557)**	**4,524,200**
Cash Flows from Investing Activities			
Cash was provided from:			
Investment Property Sales		289,000	18,500,000
Cash was disbursed to:			
Purchase of Property, Plant and Equipment		134,687	230,358
Purchase of Intangible Assets		34,287	–
Investment Property		69,656,828	289,000
Investment in Joint Venture		7,000	–
Net Cash (Outflow)/Inflow from Investing Activities		**(69,543,802)**	**17,980,642**
Cash Flows from Financing Activities (net)			
Cash was provided from:			
Proceeds from Borrowings		147,794,083	–
Cash was disbursed to:			
Repayment of Borrowings		80,196,791	20,504,071
Related Party Loans		1,469,582	1,119,714
Distribution		400,125	–
Net Cash Inflow/(Outflow) from Financing Activities		**65,727,585**	**(21,623,785)**
Net (Decrease)/Increase in Cash Held		(5,700,774)	881,057
Cash at Beginning of the Year		9,074,599	8,193,542
Total Cash at end of the Year	**9**	**3,373,825**	**9,074,599**

This statement is to be read in conjunction with notes to the financial statements on page 37 to page 49.

Notes to the Accounts

1. General Information

REPORTING ENTITY

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

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

STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The group is eligible for and has elected to report in accordance with Tier 2 For-Profit Accounting Standards. The group is eligible for Tier 2 For-Profit Accounting Standards as it is not publicly accountable and is a profit-oriented entity.

BASIS OF PREPARATION

The financial statements comprise of: Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Equity, Consolidated Statement of Financial Position, Consolidated Statement of Cashflows, as well as the notes to these statements.

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

The accrual basis of accounting has been used unless otherwise stated.

These financial statements are presented in New Zealand dollars ($), which is the functional currency of the Group. All figures are rounded to the nearest whole dollar.

GOING CONCERN

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Although Refundable Occupation Right Agreements are classified as 'current liabilities' for accounting purposes, they are not likely to be repaid within one year. For this reason, they continue to adopt the going concern basis in preparing the accounts.

2. Accounting Policies

CHANGES IN ACCOUNTING POLICY

There have been no changes in accounting policies over the period of operation. Certain comparatives have been restated where needed to conform to current year classification and presentation.

NEW ACCOUNTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year. None of the new and amended New Zealand Equivalents to International Financial Reporting Standards and interpretations adopted as of 1 July 2014 had any impact on the Group.

The Group has elected not to early adopt any NZ IFRS standards, nor has the impact of adopting these standards been assessed.

BASIS OF CONSOLIDATION

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

The consolidated financial statements incorporate the assets and liabilities of wholly owned subsidiaries of Whai Rawa as at 30 June 2015 and the results of those entities for that period. Whai Rawa and its wholly owned subsidiaries are referred to in these financial statements as the Group or the consolidated entity.

All wholly owned subsidiaries have the same balance date as Whai Rawa, and apply consistent accounting policies.

In preparing the consolidated Group financial statements, all inter-entity balances and transactions, income and expenses and profit and loss resulting from intra-group transactions have been eliminated.

Notes to the Accounts *(continued)*

2. Accounting Policies *(continued)*

The Group consists of the following entities:

SUBSIDIARIES

Ngāti Whātua Ōrākei Whai Rawa Limited	The parent entity of the Group
Corporate Property Investments Limited	Historical interests associated with property joint ventures
Eastcliffe Orākei Retirement Care Limited Partnership	To manage development of the Eastcliffe Ōrākei retirement village and aged care facility at Orakei
Eastcliffe Orākei Management Services Limited Partnership	To manage operations of the Eastcliffe Ōrākei retirement village and aged care facility at Orakei
Whai Rawa Railway Lands Limited Partnership	To manage the commercial assets known as the Railway Lands and Quay Park in the Auckland CBD
Whai Rawa Commercial Office Limited Partnership	To manage commercial office assets
Whai Rawa Railway Leasing Limited Partnership	To manage commercial assets incidental to ownership of assets known as Railways Lands and Quay Park in the Auckland CBD
Whai Rawa Property Holdings Limited Partnership	To manage the other various commercial assets including those received in settlement
Whai Rawa Residential Properties Limited Partnership	To manage the residential property assets
Whai Rawa Housing Limited Partnership	To manage the development of the Kāinga Building project
Whai Rawa Kāinga Development Limited	To construct Kāinga Tuatahi
Whai Rawa Collective Holdings Limited Partnership	To manage any assets acquired or development undertaken in connection with Whenua Haumi Roroa o Tāmaki Makaurau

SUBSIDIARIES

Subsidiaries are entities controlled by Whai Rawa. Control exists when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date control commences until the date that control ceases.

Investments in subsidiaries are measured at cost less impairment in the parent company's financial statements. Inter-entity transactions, balances and unrealised gains on transactions between subsidiary companies are eliminated on consolidation. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

CONVERTIBLE LOAN

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

CASH AND CASH EQUIVALENTS

Cash and short-term deposits in the Consolidated Statement of Financial Position comprise cash at bank, in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown on the Consolidated Statement of Financial Position as current liabilities within short term borrowings.

TRADE AND OTHER RECEIVABLES

Trade receivables, which generally have terms payable on the 20th of the month following, are recognised and carried at original invoice amount (fair value) less any impairment losses for any uncollectible amounts.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 60 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate.

PLANT, PROPERTY AND EQUIPMENT

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where an item of property, plant or equipment is disposed of, the gain or loss recognised in the Statement of Comprehensive Income is calculated as the difference between the sale price and the carrying amount of the asset.

DEPRECIATION

Depreciation is recognised in the Statement of Comprehensive Income on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful life. Land is not depreciated.

The estimated useful lives for the current period are as follows:

	Expected useful life
Property Improvements	5 years
Motor Vehicles	5 years
Office Equipment	5 years
Plant and Equipment	5 – 10 years
Buildings	50 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

INTANGIBLE ASSETS

Intangible assets are measured on initial recognition at cost. Following initial recognition intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the asset may be impaired. The amortisation method and the useful life are reviewed at least at the end of each reporting period.

Notes to the Accounts *(continued)*

2. Accounting Policies *(continued)*

The estimated useful lives and the amortisation method for the current period are as follows:

	Expected useful life	Amortisation method
Software	2.5 years	Straight-line

IMPAIRMENT

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

GOODS AND SERVICES TAX

These financial statements have been prepared on a GST exclusive basis with the exception of accounts receivable and accounts payable which are shown inclusive of GST.

SOCIAL ASSETS

Social Assets are assets which are of cultural significance and are used for the benefit of the hapū. Social Assets are measured at cost less accumulated depreciation and impairment losses.

TRADE AND OTHER PAYABLES

Trade and Other Payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of these goods and services. These amounts are unsecured and are usually paid within 30 days of recognition.

PROVISIONS

Provisions are recognised when the entity has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

EMPLOYEE ENTITLEMENTS

The employee entitlements to salaries and wages and annual leave are recognised in the Statement of Comprehensive Income when they accrue to employees. Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

INVESTMENT PROPERTIES

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which is determined by an independent registered valuer and adjusted if necessary, for any difference in the nature, location or condition of the specific asset at the balance sheet date, including the impact of prepaid rental streams recognised as a liability at balance date. Gains or losses arising from changes in the fair values of investment properties are recognised in the Statement of Comprehensive Income in the year in which they arise.

INVENTORIES

Inventories are stated at the lower of cost and net realisable value (NRV). NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimate costs necessary to make the sale. Estimates of NRV are based on the most recent evidence available at the time the estimates are made. Costs include the costs of acquisition, planning and design, development and capitalised borrowing costs. Feasibility costs incurred before the purchase of an asset are expensed as incurred, as are holding costs, holding income, marketing and advertising costs. Interest charges on deferred settlement are recognised in expenses in the period of the deferred settlement.

LEASED ASSETS

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Statement of Comprehensive Income over the lease term as an integral part of the total lease expense.

LEASES

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee

Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term. Operating lease incentives are recognised as a liability when received and subsequently reduced by allocating lease payments between rental expense and reduction of the liability.

Group as a lessor

Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are recognised as an expense in the reporting period.

The Group has significant prepaid lease arrangements whereby revenue is recognised on a straight-line basis over the term of the prepaid lease. Where the period of the prepayment exceeds 90 years, and the Group has in substance no further ownership rights (via contractual terms post the initial lease period), the transaction is treated as an effective sale of the asset and the prepayment is recorded as revenue on the date of receipt. The remaining rental in advance is shown on the statement of financial position under current and non-current liabilities.

IMPAIRMENT OF NON-FINANCIAL ASSETS

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

Notes to the Accounts *(continued)*

2. Accounting Policies *(continued)*

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

CAPITAL MANAGEMENT

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

INTEREST BEARING LOANS AND BORROWINGS

All loans and borrowing are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost. As these loans and borrowings are from registered banks, the interest rates are deemed to be at fair value. Fees paid on the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

REFUNDABLE OCCUPATION RIGHT AGREEMENTS

Occupation right agreements utilised by the Group in connection with the Eastcliffe Orakei Retirement Village confer the right of occupancy of the independent unit/apartment, serviced apartment and studios until such time as the occupancy rights are repurchased. Settlement of the refundable occupational right agreement only occurs when a new occupational right agreement is issued to an incoming resident of the village.

REVENUE RECOGNITION

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

(i) Rendering of services

Rendering of services (consulting) are recognised in the accounting period in which the services are rendered.

(ii) Interest revenue

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

(iii) Dividends

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

(iv) Rental revenue

Rental revenue from prepaid leases are amortised on a straight line basis over the lease term. Any sale of leasehold interests with a prepayment term exceeding 90 years, where the Group has in substance no further ownership rights (via contractual terms post the initial lease period), will be recognised as a sale in the year that it is settled.

Rental income, including fixed rental uplifts, from investment property leased out under an operating lease is recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives being offered to occupiers to enter into a lease, such as an initial rent-free period or a cash contribution to fit-out or similar costs are an integral part of the net consideration for the use of the property and are therefore recognised on the same straight-line basis. Income accrued under this policy is recognised as an asset within 'Investment Property' any movement during the year being disclosed as 'Movement in Fixed Uplift Leases and Lease Incentives'.

(v) Retirement village income

Rendering of services fee include retirement village outgoings and service fees. The residents pay a weekly fee which covers the cost of a proportion of the village outgoings and service provided incurred by the operator in the operation of the village. The village outgoings and services charges recovered is recognised as revenue on a monthly basis.

Village Contribution fee is a fee payable by all the residents living in independent units/apartments, serviced apartments and studios for the right to use the common facilities. For the residents who were already living in the village at June 2014, the Village Contribution fee is recognised in the Consolidated Statement of Comprehensive Income over the average expected length of stay of residents, which is 7.10 years for the independent units/apartments, 3.46 years for the serviced apartments and 3.38 for care studios. For the new residents that have come in the current year, the Village Contribution fee is recognised over the average expected length of stay of residents, which is 12.63 years for the independent units/apartments, 8.03 years for the serviced apartments and 5.88 years for care studios.

INCOME TAX

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the Consolidated Statement of Comprehensive Income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that they probably will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Group became a tax paying entity on the 1 February 2013. Any income or expenses prior to this period are non taxable. Tax is paid by Whai Rawa Limited on behalf of the other subsidiaries in the tax group.

Notes to the Accounts *(continued)*

3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

INVESTMENT PROPERTY

Investment properties are carried at fair value, which has been determined based on valuations performed by external valuers. Refer to Note 7 for more information. The Group considers that, even though land has an indefinite useful life, where land is subject to a lease pursuant to which the prepayment term exceeds 90 years, and where the Group has in substance no further ownership rights (via contractual terms post the initial lease period), this effectively removes the risks and rewards of ownership. Consequently the Group considers it appropriate to recognise any prepayment with a term exceeding 90 years, as a sale in the year that it is settled.

INVENTORIES

Inventories are held at the lower of cost and net realisable value (NRV). The NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling costs. Where there is an agreement as to the future selling price this is used to estimate the NRV. Where this is not the case NRV is estimated by senior management based on market knowledge.

RETIREMENT VILLAGE INCOME

Village contribution is recognised as revenue on a straight-line basis over the estimated period of service. This requires Management to estimate the period of occupancy for retirement village units. Management's estimate is based on actuarial and related probability information provided by the independent valuer in estimating occupancy periods.

Notes to the Financial Statements

4. Other Revenue

	30 JUNE 2015 $	30 JUNE 2014 $
Rates Reimbursement	39,659	46,541
Legal Fees Reimbursement	–	20,000
Insurance Payout	14,283	–
	53,942	66,541

5. Operating Expenses

	30 JUNE 2015 $	30 JUNE 2014 $
Employee Benefits Expense		
Wages and Salaries	3,991,646	2,988,717
KiwiSaver Contribution	46,123	36,459
Staff Uniforms	733	1,251
Staff Training	5,658	1,819
ACC Levies	29,491	52,407
FBT Expense	12,662	6,892
	4,086,313	3,087,545
Governance		
Directors Fees	351,583	340,000
Directors Expenses	859	15,785
	352,442	355,785
Finance Costs		
Interest Expense	9,960,219	9,212,124
Bank Fees	451,082	258,135
	10,411,301	9,470,259
Professional Fees		
Accounting Fees	149,002	240,039
Shared Services	55,000	132,000
Audit Fees	54,775	62,000
Legal Fees	860,293	1,588,531
Valuations	133,608	448,561
Other Professional Fees	1,077,051	1,142,924
	2,329,729	3,614,055
Other Expenses		
Office Expenses	283,492	126,187
Leases – operating	9,642	23,073
Communication Expense	188,695	167,343
Motor Vehicle/Travel Expenses	17,782	16,282
Recruitment Expense	99,773	–
Other	–	29,740
Non-recoverable GST	156,253	–
	755,637	362,625

Notes to the Financial Statements *(continued)*

6. Inventories

CLASSIFICATION OF INVENTORIES	HELD AT COST OR NET REALISABLE VALUE (NRV)	30 JUNE 2015 $	30 JUNE 2014 $
Work in Progress – Kāinga Tuatahi	**NRV**	4,005,887	299,403
Work in Progress – Stormwater Improvements	**Cost**	302,840	–
Land and Buildings held for resale	**Cost**	1,163,890	–
Other	**Cost**	108,353	108,353
Total Inventories at the lower of cost and net realisable value		**5,580,970**	**407,756**

An impairment of inventories of $1,119,564 (2014: nil) was recognised in the Consolidated Statement of Comprehensive Income. This recognises the difference between estimated total project cost for Kāinga Tuatahi and net realisable value from the project on completion.

$288,227 of Land and Buildings held for resale are pledged as security for Group borrowing facilities.

7. Investment Property

	30 JUNE 2015 $	30 JUNE 2014 $
At beginning of year	**588,347,521**	**530,531,931**
Net Gain from Fair Value Adjustment	66,696,192	71,871,375
Acquisition of Investment Property	68,232,878	–
Capital Expenditure	605,742	–
Disposals	(289,000)	(17,301,845)
Transfer from Plant Property and Equipment	–	2,435,560
Net Gain due to Eastcliffe Units sold	1,178,986	810,500
Movement in rent accrued on Fixed Uplift Leases and Lease Incentives	1,401,852	–
Closing balance as at 30 June	**726,174,171**	**588,347,521**

Investment properties are carried at fair value, which has been determined based on valuations performed by JLL Limited, CBRE Limited and Darroch Limited of Auckland as at 30 June 2015.

The fair value represents the amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the date of valuation, in accordance with New Zealand Valuation Standards. In determining fair value, the expected net cash flows applicable to each property have been discounted to their present value using a market determined, risk adjusted discount rate applicable to the respective asset. For financial reporting purposes, the independent valuation is adjusted to include the impact of prepaid rental streams and the refundable occupation right agreements that are recognised as liabilities at balance date.

The valuation of the investment property is grossed up for prepaid leases and cash flows relating to resident refundable occupation rights agreements. Reconciliation between the independent valuation and the amount recognised on the balance sheet as investment property is as follows:

	30 JUNE 2015 $	30 JUNE 2014 $
Independent valuation of investment properties	672,625,500	533,733,851
Prepaid lease value	1,141,275	3,580,376
Refundable occupation right agreements	47,800,941	47,231,293
Termination Fees in Advance	4,606,455	3,802,001
Total Investment Property	**726,174,171**	**588,347,521**

There were no finance costs capitalised to investment property during the year.

A Memorandum of Encumbrance in favour of the statutory supervisor, Covenant Trustee Company Limited, is registered against the leasehold land to secure the obligations of the company to the residents of the retirement village.

Notes to the Financial Statements *(continued)*

7. Investment Property *(continued)*

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in the Consolidated Statement of Comprehensive Income in the year of retirement or disposal.

The Group considers the following fair value measurement hierarchy levels:

Level 1	Quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2	Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices);
Level 3	Inputs for the asset or liability that are not based on observable market data.

Investment property measurements are categorised as Level 3 in the fair value hierarchy. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the heirachy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. During the year there were no transfers of investment properties between levels of the fair value hierarchy.

The accepted methods for assessing the current market value of an investment property are the Capitalisation and the Discounted Cash Flow (DCF) approaches. Each approach derives a value based on market inputs, including:

- recent comparable transactions;
- forecast future rentals, based on the actual location, type and quality of the investment properties, and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
- vacancy assumptions based on current and expected future market conditions after expiry of any current lease;
- maintenance and capital requirements including necessary investments to maintain functionality of the property for its expected useful life; and
- appropriate discount rates derived from recent comparable market transactions reflecting the uncertainty in the amount and timing of cashflows.

The key inputs used to measure fair value of investment properties, along with their sensitivity to significant increase or decrease, are as follows:

Significant Input	**Description**	**Fair value measurement sensitivity to significant:**		**Valuation Method**
		Increase in input	Decrease in input	
Market capitalisation rate	The capitalisation rate applied to the market income to assess an investment property's value. The capitalisation rate is derived from detailed analysis of factors such as comparable sales evidence and leasing transactions in the open market taking into account location, tenant covenant – lease term and conditions,size and quality of the investment property.	Decrease in property values	Increase in property values	Capitalisation
Discount rate	The discount rate is applied to future cash flows of an investment property to provide a net present value equivalent. The discount rate adopted takes into account recent comparable market transactions, prospective rates of return for alternative investments and apparent risk.	Decrease in property values	Increase in property values	DCF
Price per square metre	The price applied to site area for comparable sales. This enables comparison with comparable sales in the open market.	Increase in property values	Decrease in property values	Market Comparison

As at 30 June 2015	**Market capitalisation rate**	**Discount Rate**	**Price per square metre**
Investment Property	5.75% to 7.75%	8.25%–14.5%	$100 to $2,500

As at 30 June 2014	**Market capitalisation rate**	**Discount Rate**	**Price per square metre**
Investment Property	5.5000% to 6.50%	8.5%–13.0%	$100 to $1,250

Notes to the Financial Statements *(continued)*

8. Income Tax

	NOTE	30 JUNE 2015 $	30 JUNE 2014 $
Reconciliation of tax expense and accounting profit:			
Accounting Profit before Taxation		69,425,719	80,932,183
Adjusted for:			
Non-Taxable Revaluation of Investment Properties		(61,508,790)	(69,993,350)
Non-Deductible Expenses		138,988	590,914
Other		(160,112)	(1,629,380)
Taxable Income		**7,895,805**	**9,900,367**
Income Tax using Maori Authority Tax Rate (17.5%)		1,381,765	1,732,563
Adjustments in respect of current income tax of prior years		38,839	812
Tax effect of Total Temporary Differences arising during the year	18	171,834	4,131,510
Reversal of prior period deferred tax		(1,065,194)	–
Income Tax Expense		**527,244**	**5,864,885**

	30 JUNE 2015 $	30 JUNE 2014 $
Maori Authority Credits		
At beginning of year	**1,916,423**	**449,769**
Net tax payments	1,853,324	1,401,680
Resident Withholding Tax	15,557	64,162
Imputation Credits on dividends received	824	812
Imputation Credits on dividends paid	(84,875)	–
Closing balance as at 30 June	**3,701,253**	**1,916,423**

9. Cash And Cash Equivalents

	30 JUNE 2015 $	30 JUNE 2014 $
Cash at Bank and in Hand	3,373,825	4,547,168
Term Deposits	–	4,527,431
	3,373,825	9,074,599

10. Trade And Other Receivables

	30 JUNE 2015 $	30 JUNE 2014 $
GST Receivable	188,366	–
Trade Receivables	1,113,302	6,733,161
Provision for Doubtful Debts	(211,500)	(227,142)
Prepayments	392,047	220,017
Accrued Revenue	–	1,041,321
	1,482,215	7,767,357

(i) Fair Value and Credit risk

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

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Group's policy to transfer (on-sell) receivables to special purpose entities.

(ii) Foreign Exchange and Interest Rate Risk

The Group is not exposed to foreign exchange risk. Interest rate risk exposure is disclosed in Note 3 (a).

Notes to the Financial Statements *(continued)*

11. Related Party Transactions

		30 JUNE 2015 $	30 JUNE 2014 $
Amounts outstanding at year end:			
Current Assets			
Related Party Receivable			
Whai Maia Charitable Trust 1	**Advance**	106,850	106,850
Whai Maia Charitable Trust 1	**Trade Receivable**	178,400	1,959
		285,250	108,809
Current Liabilities			
Related Party Payables			
Ngāti Whātua Ōrākei Trust	**Advance**	6,135,407	7,604,989
Ngāti Whātua Ōrākei Trust	**Trade Payable**	–	267,794
Whai Maia Charitable Trust 1	**Trade Payable**	14,658	125,451
		6,150,065	7,998,234
Non Current Liabilities			
Related Party Payables			
Whai Maia Charitable Trust 2	**Convertible loan**	60,000,000	60,000,000
		60,000,000	60,000,000

	30 JUNE 2015 $	30 JUNE 2014 $
Transactions with Related Parties:		
Advances repaid to:		
Ngāti Whātua Ōrākei Trust	1,469,582	–
Advances received from:		
Tamaki Retirement Care Limited	–	2,225,000
Ngāti Whātua Ōrākei Trust	–	2,091,141
Whai Maia Charitable Trust 1	–	129,774
	–	4,445,915
Property Rental Income Charged to:		
Whai Maia Charitable Trust 1	563,382	78,318
Expenses Charged by:		
Whai Maia Charitable Trust 1	55,000	132,000
Interest Charged by:		
Whai Maia Charitable Trust 1	3,000,000	3,000,000
Retirement unit sold to:		
Ngāti Whātua Ōrākei Trust	185,000	–

The retirement unit was sold at the same price as the repurchase amount, therefore no gain or loss is shown in the accounts of the Group.

During the period there has been no impairment or write off of related party balances. All advances are unsecured, repayable on demand and interest free except for the convertible loan.

Notes to the Financial Statements *(continued)*

11. Related Party Transactions *(continued)*

CONVERTIBLE LOAN

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

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

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

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

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

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

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

12. Property, Plant And Equipment

	OFFICE FURNITURE	PLANT & EQUIPMENT	MOTOR VEHICLES	TOTAL
At 1 July 2014	35,078	239,196	9,070	283,344
Additions	29,907	104,780	–	134,687
Depreciation Charge	(30,941)	(83,460)	(3,770)	(118,171)
At 30 June 2015	34,044	260,516	5,300	299,860
Cost	84,592	465,107	14,121	563,820
Accumulated Depreciation	(50,548)	(204,591)	(8,821)	(263,960)
Net Book Value 30 June 2015	34,044	260,516	5,300	299,860
Cost	54,685	360,327	14,121	429,133
Accumulated Depreciation	(19,607)	(121,131)	(5,051)	(145,789)
Net Book Value 30 June 2014	35,078	239,196	9,070	283,344

13. Intangible Assets

	SOFTWARE	TOTAL
At 1 July 2014	–	–
Additions	34,287	34,287
Amortisation Charge	(3,022)	(3,022)
At 30 June 2015	31,265	31,265
Cost	34,287	34,287
Accumulated Amortisation	(3,022)	(3,022)
Net Book Value 30 June 2015	31,265	31,265

Notes to the Financial Statements *(continued)*

14. Trade And Other Payables

	NOTE	30 JUNE 2015 $	30 JUNE 2014 $
Trade Payables		764,157	1,059,164
Accrued Expenses		2,133,888	709,848
Other Payables		30,750	420
GST		–	350,692
Termination Fees in Advance		4,606,455	3,802,001
		7,535,250	5,922,125

15. Employee Benefits

	30 JUNE 2015 $	30 JUNE 2014 $
Wages and Salaries Accrued	285,390	153,755
Holiday Pay Accrued	231,595	44,221
KiwiSaver, PAYE and Witholding tax	111,192	15,108
	628,177	213,084

16. Refundable Occupation Right Agreement

Residents purchase an Occupation Rights Agreement ("ORA") issued under the Retirement Village Act 2003. A portion of the ORA is refundable when residents leave. An amount of $47,800,941, (30 June 2015 : $47,231,293) is shown as a liability on the balance sheet payable by the village operator. Settlement of the refundable deposit only occurs when a new ORA is issued to a new resident.

Notes to the Financial Statements *(continued)*

17. Interest-Bearing Loans And Borrowings

	30 JUNE 2015 TOTAL FACILITY $	30 JUNE 2014 TOTAL FACILITY $	30 JUNE 2015 UNDRAWN FACILITY $	30 JUNE 2014 UNDRAWN FACILITY $	30 JUNE 2015 NET BOOK VALUE $	30 JUNE 2014 NET BOOK VALUE $
BNZ						
Bank facility	–	34,000,000	–	20,193,210	–	13,806,790
Cash Advance Facility 4 year	37,500,000	–	–	–	37,500,000	–
Cash Advance Facility 5 year	37,500,000	–	–	–	37,500,000	–
	75,000,000	34,000,000	–	20,193,210	75,000,000	13,806,790
ANZ						
Eastcliffe Bank Loan	5,000,000	5,000,000	950,000	950,000	4,050,000	4,050,000
Cash Advance Facility 4 year	17,500,000	–	–	–	17,500,000	–
Cash Advance Facility 5 year	17,500,000	–	–	–	17,500,000	–
	40,000,000	5,000,000	950,000	950,000	39,050,000	4,050,000
Westpac						
Cash Advance Facility 4.5 year	37,500,000	–	–	–	37,500,000	–
Cash Advance Facility 5.5 year	37,500,000	–	37,000,000	–	500,000	–
	75,000,000	–	37,000,000	–	38,000,000	–
Crown Vendor Finance						
Crown Vendor Finance	–	66,378,756	–	–	–	66,378,756
	190,000,000	105,378,756	37,950,000	21,143,210	152,050,000	84,235,546
Accrued Interest					796,791	1,836,878
Establishment fees					(201,568)	–
Total Net Book Value					**152,645,223**	**86,072,424**
Current Portion					796,791	1,833,895
Non – Current Portion					151,848,432	84,238,529
Total Net Book Value					**152,645,223**	**86,072,424**

	30 JUNE 2015 $	30 JUNE 2014 $
Bank facility expiry profile:		
1–2 years	–	5,000,000
3–4 years	55,000,000	100,378,756
4–5 years	97,500,000	–
5+ years	37,500,000	–
	190,000,000	105,378,756

On 22 May 2015, the Group established a new loan facility. Secured borrowings are via cash advance facility agreements with Bank of New Zealand, Westpac New Zealand Limited and ANZ Bank New Zealand Limited.

The total facility is $185,000,000.

The bank security on the facility is managed through a security trustee who holds a first ranking mortgage on all the investment properties owned by the Group, with the exception of Orākei residential properties and Eastcliffe on Orākei Retirement Village. There is also a registered first ranking security interest under a General Security Deed over substantially all the assets of the Group, with the exception of Orakei residential properties and Eastcliffe on Orakei Retirement Village.

Eastcliffe Orākei Retirement Care LP have a separate bank facility of $5,000,000 with ANZ Bank New Zealand Limited. This facility expires on 29 May 2020. The bank security on this facility is a second ranking registered mortgage over leasehold property located at 217 Kupe Street, Orākei and a first ranking general security deed over the assets of Eastcliffe Orākei Retirement Care LP and Eastcliffe Orākei Management Services LP.

Notes to the Financial Statements *(continued)*

18. Deferred Tax

	NOTE	30 JUNE 2015 $	30 JUNE 2014 $
Deferred Tax Liability:			
At beginning of year		**4,103,678**	**(27,832)**
Current period movement on deferred tax	8	171,834	4,131,510
Reversal of prior period deferred tax		(1,065,194)	–
Total Taxable Temporary Differences as at 30 June		**3,210,318**	**4,103,678**

	30 JUNE 2015 $	30 JUNE 2014 $
Deferred Tax Liabilities are attributable to the following:		
Long term Leases	2,919,317	3,950,833
Accrued Revenue	245,326	160,356
Property, Plant and Equipment	168,716	228
Employee Benefits	(86,029)	(7,739)
Provision for doubtful debts	(37,012)	–
	3,210,318	**4,103,678**

19. Cash Flow Statement Reconciliation

	30 JUNE 2015 $	30 JUNE 2014 $
Net Profit for the year	68,898,475	75,067,298
Adjustments for:		
Depreciation of Property, Plant and Equipment	118,171	104,575
Amortisation of Intangible Assets	3,022	–
Impairment of Inventories	1,119,564	–
Amortisation of Termination Fee Income	(1,214,795)	(987,158)
Amortisation of Borrowing Costs	4,349	–
Rent accrued on Fixed Uplift Leases and Lease Incentives	(485,543)	(916,320)
Rent recognised on Prepaid Leases	(1,264,160)	(1,365,004)
Gain on Disposal	–	(3,500,696)
Gain on Revaluation of Investment Property	(66,696,192)	(71,871,375)
	482,891	(3,468,680)
Changes in assets and liabilities		
Decrease in Trade and Other Receivables	4,210,412	1,856,632
Increase in Employee Benefits	315,430	33,098
Increase in Trade and Other Payables	228,043	18,604
(Decrease)/Increase in Tax Payables	(1,928,869)	4,352,830
Increase in Refundable Occupation Rights	1,471,897	1,731,716
Increase in Inventory	(5,007,378)	–
Decrease in Interest Accruals	(1,656,983)	–
	(2,367,448)	7,992,880
Net Cash (Outflow)/Inflow From Operating Activities	(1,884,557)	4,524,200

Notes to the Financial Statements *(continued)*

20. Key Management Personnel Compensation

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

REMUNERATION OF EMPLOYEES

The overall remuneration structure is designed to deliver rewards that are competitive in the labour markets in which the Group competes for staff. The number of employees of the Group, who received remuneration and other benefits in their capacity as employees, the value of which was in excess of $100,000 and was paid or accrued to those employees in relation to the financial year ended 30 June 2015 are listed in the table below.

Remuneration includes salary, benefits paid and incentive payments accrued for the year ended 30 June 2015.

TOTAL REMUNERATION	30 JUNE 2015 NUMBER OF EMPLOYEES	30 JUNE 2014 NUMBER OF EMPLOYEES
490,000–500,000	1	–
290,000–300,000	–	1
250,000–260,000	1	–
240,000–250,000	1	–
220,000–230,000	1	–
160,000–170,000	–	1
150,000–160,000	1	1
140,000–150,000	1	1
120,000–130,000	–	1
110,000–120,000	1	–
	7	5

	30 JUNE 2015 $	30 JUNE 2014 $
Directors Remuneration		
Ross Forbes Blackmore	50,000	50,000
Ngarimu Alan Huiroa Blair	50,000	50,000
Joann Precious Kowhai Clark	50,000	50,000
Robert George Mappin Fenwick	50,000	50,000
Rangimarie Hunia	50,000	50,000
Michael Peter Stiassny	90,000	90,000
	340,000	340,000

Notes to the Financial Statements *(continued)*

21. Financial Risk Management

OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise receivables, payables, bank loans and overdrafts, cash, short-term deposits and refundable occupation rights.

The Group manages its exposure to key financial risks, including interest rate and credit risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The Group has no currency risk.

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk.

The Group uses different methods to measure and manage different types of risks to which it is exposed.

RISK EXPOSURES AND RESPONSES

(a) Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations. (The level of debt and terms are disclosed in Note 17).

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

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

	30 JUNE 2015 $	30 JUNE 2014 $
Financial Assets		
Cash and Cash Equivalents	3,373,825	9,074,599
Financial Liabilities		
Interest Bearing Loans and Borrowings	152,050,000	17,856,790
Net Liability	148,676,175	8,782,191

(b) Credit Risk

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents, trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

The Group does not hold any credit derivatives to offset its credit exposure.

Receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

(c) Liquidity Risk

The Group's objective is to maintain a continuity of funding through the use of bank loans and regular rental income from investment property.

The change in freehold property values referred to in Note 7 may impact future cashflows, as rent renewals are generally based on freehold property values. A policy has been adopted of spreading lease renewal dates to mitigate this risk.

The table on the next page reflects all contractually fixed payments and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2015. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2015.

(d) Capital Management

Management considers capital as total equity plus net debt.

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

Notes to the Financial Statements *(continued)*

21. Financial Risk Management *(continued)*

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

30 JUNE 2015:	WITHIN 1 YEAR $	1–5 YEARS $	> 5 YEARS $
Financial Assets			
Cash and Cash Equivalents	3,373,825	–	–
Trade and Other Receivables	1,482,215	–	–
	4,856,040	–	–
Financial Liabilities			
Trade and Other Payables	8,163,427	–	–
Refundable Occupation Right Agreements	47,800,941	–	–
Interest Bearing Loans and Borrowings	796,791	151,550,000	500,000
	56,761,159	151,550,000	500,000
Net Liability	51,905,119	151,550,000	500,000

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

30 JUNE 2014:	WITHIN 1 YEAR $	1–5 YEARS $	> 5 YEARS $
Financial Assets			
Cash and Cash Equivalents	9,074,599	–	–
Trade and Other Receivables	7,996,458	–	–
	17,071,057	–	–
Financial Liabilities			
Trade and Other Payables	6,149,267	–	–
Refundable Occupation Right Agreements	47,231,293	–	–
Interest Bearing Loans & Borrowings	6,470,259	84,238,529	–
	59,850,819	84,238,529	–
Net Liability	42,779,762	84,238,529	–

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

The contractual maturity of the refundable occupation right agreements may differ from the expected maturity.

The table above shows the contractual maturity. It is not expected that all residents will exercise their right to vacate their residence under the occupation right agreements within the next 12 months. Settlement of a refundable occupational right agreement only occurs when a new occupational right agreement is issued to an incoming resident.

Notes to the Financial Statements *(continued)*

22. Capital Commitments

Contracted capital commitments at the end of the year in respect of:

	30 JUNE 2015	30 JUNE 2014
Investment Property		
Acquisition	7,006,236	–
Refurbishment programme	71,108	–
	7,077,344	–
Inventory		
Kāinga Tuatahi	9,222,764	–
Total capital commitments	**16,300,108**	**–**

23. Equity

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

On 30 June 2015 the Group declared and paid to Ngāti Whātua Ōrākei Trustee Limited a gross dividend of $485,000 (30 June 2014: Nil), this is inclusive of $84,875 of Maori Authority Credits.

24. Contingent Liabilities

Under the lease to the New Zealand Defence Force ("NZDF") in relation to the Narrowneck Block, NZDF have the ability to bring the lease to an end at any time from the 15th anniversary of the commencement date. If NZDF exercises this right Whai Rawa Property Holdings Limited Partnership is obliged to pay to NZDF an amount calculated in accordance with a pre-arranged formulae that reflects the rent that NZDF has prepaid for the unexpired portion of the lease term.

If the lease is terminated between the 15th and 21st anniversary of the commencement date the amount payable to NZDF will be between $1.0 million and $7.4 million; if the lease is terminated after the 21st anniversary of commencement no payment will be required.

25. Subsequent Events

Subsequent to 30 June 2015 the Group entered into an unconditional agreement to purchase a 50% share of Lot 1 LT 477644 at Thurston Place, Waimokoia, Auckland, for a cash consideration of $5.9 million. Settlement of this transaction occurred on 26 August 2015.

Independent Auditor's Report

EY
Building a better working world

Chartered Accountants

To the Shareholder of Ngāti Whātua Ōrākei Whai Rawa Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the group financial statements of Ngāti Whātua Ōrākei Whai Rawa Limited and its subsidiaries ("the Group") on pages 28 to 49, which comprise the statement of financial position of the Group as at 30 June 2015, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Group, and a summary of significant accounting policies and other explanatory information.

This report is made solely to the company's shareholder in accordance with section 207B(1) of the Companies Act 1993. Our audit has been undertaken so that we might state to the company's shareholder those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholder, for our audit work, for this report, or for the opinions we have formed.

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting practice in New Zealand, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These auditing standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

Ernst & Young provides taxation advice to the Group. We have no other relationship with, or interest, in Ngāti Whātua Ōrākei Whai Rawa Limited.

Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group.

OPINION

In our opinion, the financial statements on pages 28 to 49:

- comply with generally accepted accounting practice in New Zealand; and
- present fairly, in all material respects, the financial position of the Group as at 30 June 2015 and the financial performance and cash flows of the Group for the year then ended.

Ernst + Young

17 September 2015
Auckland

Directory

For the Year Ended 30 June 2015

REGISTERED OFFICE
32–34 Mahuhu Crescent
Auckland 1001

DIRECTORS
Ross Forbes Blackmore
Ngarimu Alan Huiroa Blair
Joann Precious Kowhai Clark
Robert George Mappin Fenwick
Rangimarie Hunia
Michael Peter Stiassny

COMPANY NUMBER
678327

AUDITOR
Ernst & Young
Auckland
New Zealand

BANKS
ANZ National Bank Limited
Auckland
New Zealand

Bank Of New Zealand
Auckland
New Zealand

Westpac New Zealand Limited
Auckland
New Zealand

COMMENCED TRADING UNDER NEW STRUCTURE
1 February 2013

NATURE OF BUSINESS
To actively manage and grow the assets and investments of the Ngāti Whātua Ōrākei Trust

BUSINESS LOCATION
32–34 Mahuhu Crescent
Auckland 1001

NGA020 10/15
insightcreative.co.nz

WE ARE

NGĀTI WHĀTUA ŌRĀKEI

TRUST

WHAI RAWA

WHAI MAIA

ngatiwhatuaorakei.com

NGĀTI WHĀTUA ŌRĀKEI
WHAI RAWA LIMITED