

NGĀTI WHĀTUA ŌRĀKEI

# WHAI RAWA LIMITED

ANNUAL REPORT 2016/17



NGĀTI WHĀTUA ŌRĀKEI

## WHAI RAWA

The Directors hereby present their Report including Financial Statements of the Group for the year ended 30 June 2017.

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 Directors held office during the period:  
Ross Forbes Blackmore (Resigned 31 August 2016)  
Ngarimu Alan Huiroa Blair  
Joann Precious Kowhai Clark  
Sir Robert George Mappin Fenwick  
Rangimarie Hunia (Resigned 21 July 2016)  
Michael Peter Stiassny  
Julia Anne Steenson (Appointed 2 June 2017)

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



Dated this 20<sup>th</sup> day of September 2017

# BUILDING OUR FUTURE



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## BUILDING OUR FUTURE

### Tēnā koutou katoa

We are pleased to provide you with the Ngāti Whātua Ōrākei Whai Rawa Limited (Whai Rawa) audited financial statements for the year ended 30 June 2017.

Each year, we strive to deliver results that will further support and secure the future of the hapū through our investment and property diversification strategies. This year has seen both assets and equity increase in value while the Trust and Whai Maia have also received substantial cash distributions.

### Highlights of the year ended 30 June 2017, include

- Increased total assets by 16% from \$907 million to \$1.05 billion
- Increased equity from \$622 million to \$760 million (22%)
- Cash distributions to the Trust and Whai Maia of \$7.6 million
- Net profit before taxation and fair value adjustments of \$7.21 million
- Developing innovative new health and savings schemes to benefit Whānau
- Former CEO Rob Hutchison appointed to the Whai Rawa Board, ensuring his experience and commercial acumen is still benefitting the hapū
- Julia Steenson joined the Board as the Whai Rawa Whānau Director

Whai Rawa continues to navigate a prudent path dedicated to balancing the competing needs of 'now' and 'future' – protecting the assets for the generations of the descendants of Tuperiri to come, while also ensuring current hapū members can benefit.

### Housing and community development

Thirty families have now moved into the houses at Kāinga Tuatahi and the development continues to win awards, the most recent being a 2017 Auckland Architecture Award for Multi-Unit Housing. This is a world-class concept, and one that Whai Rawa is really proud to have brought to fruition for the hapū. It has set the benchmark for future hapū developments.

For example, in Kupe Street, our intention is to replace substandard housing and as funds allow, to build new, high quality sustainable homes to meet the diverse needs of the community.

Good progress is being made on the development of the first block of Navy land at the North Shore. Various consents have been granted and construction will start on stage one in February 2018. The full development is expected to take about five years with an anticipated build rate of 50 houses per year. When complete, the site will feature between 300 and 350 homes comprising standalone houses, duplexes and apartments. Importantly, about 10% of the homes will be designated "affordable".

The design is sensitive and while it allows for up to five storeys in the middle of the site, townhouses and standalone homes are located on the fringes to minimise the impact on neighbours. We are also focusing on making extensive improvements around the area that will benefit the local environment for all e.g. by upgrading storm water treatment to improve the discharge into Shoal Bay, rebuilding roads and footpaths, and providing better access to Northboro Reserve.

We are committed to being good neighbours. As part of our pledge to the Devonport community, we have worked with Auckland Council, North West Wild Link and Predator Free NZ to provide free rat traps to the local community. This initiative was very well-received, with 1,000 traps being distributed to local residents and a further 100 given to the Takaparawhau horticulture team to assist them with their sterling work.

### Universal health insurance and savings and investment schemes

Whai Rawa is particularly proud of the Trust-approved universal health insurance and savings and investment schemes we developed. These schemes are ground-breaking and ensure that the whole whānau can benefit from the growing wealth of the hapū. Both schemes will have immediate benefits for today's generation while also laying strong foundations for the future.

The savings and investment scheme promotes financial literacy over a lifetime and will see whānau gain financial independence. It envisages that members who enrol will receive \$500 per annum, and this money will be invested on their behalf, accruing significant interest.

The universal health insurance scheme is designed to improve the health of our Whānau. This scheme will mean no more waiting for publicly-funded care and will assist with the cost of GP and specialist consultations, surgery in private hospitals, support and recovery care, tests and scans and other procedures. This will have an immediate impact for our people, as well as enhancing the health and wellbeing of generations to come.

### Putting things right

In the course of undertaking remedial works to address historic weather tightness issues in block three at Eastcliffe Retirement Village in Orakei, additional substandard fire protection and structural issues were identified. Further investigation uncovered similar significant issues in five additional blocks. Additional investigation and economic analysis is being completed and while a final decision has yet to be made on the future of the blocks, Whai Rawa's guiding principle is to be fair to all.

### Developing future leaders

One of the most rewarding aspects of Whai Rawa's role is to mentor younger generations of Ngāti Whātua Ōrākei who are keen to learn more about the work we do. Our internship and Future Director programmes have gone from strength to strength. Dane Grey finished his term as Whai Rawa's inaugural future director in June 2017, after which we made two further appointments – Stacey Perillo and Te Arepa Morehu.

We are delighted to help these talented young people 'learn the ropes'. In return, Whai Rawa is benefitting from their ideas, energy and insights.

### CEO achievements and new director

We wish to acknowledge the contribution made to Whai Rawa – and to the hapū – by former CEO, Rob Hutchison. Under his leadership, the Whai Rawa team has balanced the Board requirements to grow and protect the assets of the hapū while also funding social programmes that will benefit members of Ngāti Whātua Ōrākei for generations to come.

In June, we welcomed Julia Steenson to the Board. Previously, Julia was General Counsel for Te Wānanga o Aotearoa and she brings to Whai Rawa a wealth of knowledge in law, finance and project management.

We look forward to Rob and Julia's contributions.

### Looking forward

We have a robust foundation in place and a solid strategy that will continue building the economic and social fortunes of the hapū. However, we are not complacent: all investments are subject to the vagaries of market and other external forces. Therefore, we remain tightly focused on prudent decision-making and ensuring there is always something in the kete for a rainy day.

It is through the strength of the people that Ngāti Whātua Ōrākei and Whai Rawa will continue to grow and deliver on its commitment to the descendants of Tuperiri.

Thanks to all the directors and management team for their dedication, determination and positive results in 2017.

Mauri ora, and Shalom

Michael Stiassny

He aha te mea nui o te ao? He tangata, he tangata, he tangata.

What is the most important thing in the world? It is people, it is people, it is people.



## DEVELOPING OUR FUTURE LEADERS

### Building capability from within our hapū with Future Directors programme

With a billion-dollar property portfolio, Whai Rawa takes its role building our hapū asset-base very seriously. Whai Rawa also acknowledges its responsibility to foster the personal growth of our people.

**In 2015, the Whai Rawa Future Directors programme was created to grow the skill-set of our younger generations and to build the future leadership of the hapū.**

The programme provides selected candidates with governance experience and training through exposure to the boardroom environment. For two years, Future Directors attend all Whai Rawa Board meetings where they are treated as a Board member and expected to participate. A mentor from the Whai Rawa Board is assigned to them to further support their growth and development.

Dane Grey was the inaugural Future Director from 2015 until this year. In his early 30s, Dane's whānau encouraged him to apply for the programme after nearly a decade away from the hapū.

Dane has whakapapa through his father, and grew up at Ōrākei. He holds a Bachelor of Commerce, Marketing and Management from the University of Otago.

"After studying and then working in the UK, I wanted to get involved with the hapū and saw the programme as an opportunity to contribute."

Although familiar with the corporate world, Dane had no experience in a boardroom environment and admits he was somewhat apprehensive.

"It was massively intimidating to be honest. I had no idea how it would play out - everything from the dress code and the etiquette was new to me."

Ross Blackmore, an independent director with 30 years' commercial property experience, was assigned as Dane's mentor. They met monthly (and still do) and Ross played a key role in guiding Dane. He helped propel him down a different career path into property development - an industry Dane says suffers from a lack of Māori talent. Dane is now Property Development Manager at Whenua Hoko Holdings Ltd, the commercial arm of Ngā Maunga Whakahii o Kaipara.

Dane credits his time as a Future Director with bolstering both his confidence and his career.

"I was ambitious but perhaps a bit lacking in confidence. I learned that my perspective, as a young person, was different and could add real value."

"There were a few times in the beginning where I held back, not wanting to say something. And then someone like Sir Rob Fenwick or Michael Stiassny would say it and I would kick myself for not speaking up. I learned there's no such thing as a stupid question."

This year, Whai Rawa has appointed two more Future Directors to the programme, Stacey Perillo and Te Arepa Morehu.

### Te Arepa Morehu

Te Arepa was shortlisted as a Future Director in 2015 and narrowly missed out to Dane but he was encouraged to apply again and was successful the second time around.

As a senior business analyst for Spark, Te Arepa, who is 32, already had some previous exposure to governance but "on the other side of the fence" in his dealings with Spark's executive team.

He's attended two Whai Rawa Board meetings so far which he described as, "very, very interesting with a lot of learnings, particularly around the financial elements."

"The hardest part was not having the background knowledge. Everyone in the room had a lot of background knowledge and extensive networks. It gives them a firm foundation on how to present their ideas whereas for us [he and Stacey], it was just about absorbing it all and taking in as much as possible."

With his technical background and degree in software development, Te Arepa is already searching for where he can offer his input and contribute to the future growth of the hapū.

### Stacey Perillo

Stacey was aware of the Future Directors programme from the start and she jumped at the chance to apply for the second intake.

"I've always wanted to become more involved and this was a great opportunity to do that while also getting more experience in a Board environment."

Stacey had little prior exposure to governance but after ten years in corporate roles she was familiar with formal commercial environments. With a degree in business and marketing, Stacey has forged a career in digital media and is currently Senior Commercial Product Manager at Fairfax Media.

Any nerves prior to her first two Board meetings were quickly replaced with excitement, particularly after an initial 'informal' catch-up with Chairman Michael Stiassny.

"He encouraged us to share our opinions and not be afraid to speak. So, I really pushed myself that little bit harder to contribute."

For Stacey, whose father grew up on Kitemoana Street, the chance to gain valuable boardroom exposure at a young age is an honour.

**"It means a lot to me. I would love to see more organisations provide these opportunities for younger people to be exposed to that boardroom environment and seek to grow their diversity."**



## RANGATIRATANGA / LEADERSHIP

Kia whakatinana i ngā āhuatanga tika o te rangatiratanga puta noa te hapū

To live and practice positive leadership throughout the hapū



Dane Grey

Stacey Perillo

Te Arepa Morehu

## OUR BOARD



**MICHAEL STIASNY**  
Chair

Michael Stiasny 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 the professional development of his fellow directors. A key focus for Michael has been the need to prepare Whai Rawa for succession.

A Fellow of the Institute of Directors (FInstD) and the immediate past President of that organisation, Michael is a chartered accountant, a lawyer, and a director for a number of public and private companies. He is also the current Chairman of Vector Limited and Tower Limited.



**SIR ROB FENWICK**  
Independent Director

Sir Rob Fenwick is an experienced businessman and company director with interests closely aligned to promoting sustainable development.

He is a Fellow of the Institute of Directors, a founder Chair of the Sustainable Business Council, Chairman of Predator Free and NZ Sustainable Seas National Science Challenge and is a director of Te Papa Tongarewa. He was also the inaugural Chairman of Mai FM.

Rob was made Knight Companion of the New Zealand Order of Merit for services to the environment and business and was inducted to the New Zealand Business Hall of Fame. He has also won the Sir Peter Blake Medal for outstanding leadership in New Zealand.

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 with his wife Jennie.



**ROB HUTCHISON**  
Independent Director

Rob Hutchison is a former Chief Executive Officer of Ngāti Whātua Ōrākei Whai Rawa Limited, having led the organisation for five years.

Rob has been instrumental in growing the hapū asset base from \$356 million in 2012 to more than \$1 billion today. He has also held positions with Darrochs, Jones Lang La Salle and Colliers International, and now runs his own consultancy business Waitea Property Advisory.

Rob is of Scottish ancestry and has had a very impressive career in property. He served as Valuer General and Chief Executive of the North Shore City Council and was a Judge for the Property Council NZ awards for many years.



**PRECIOUS CLARK**  
Whānau Director

Precious Clark has a legal background and is the Managing Director of Maurea Consulting Ltd, an organisation that shares Māori culture globally so that it shapes and informs a modern world.

Precious is the creator of Te Kaa – a unique Māori cultural competency training programme that brings the Māori world to life in a fun, safe and exploratory way.

Precious is a Director of the Auckland Regional Amenities Funding Board, the Chair of the Auckland War Memorial Museum Taumata-a-Iwi, a Trustee of Foundation North, and a past Director of the Independent Māori Statutory Board and the Centre for Social Impact. She is a Member of the Institute of Directors, a Member of the National Māori Lawyers Association and a graduate of the Global Women Breakthrough Leaders programme.



**JULIA STEENSON**  
Whānau Director

Julia Steenson (Ngāti Whātua, Ngāti Māhuta) was appointed to Whai Rawa in June 2017 and is a passionate business woman with a background in law, finance and project management.

As General Counsel for Te Wānanga o Aotearoa, she recently presented on intellectual property at the World Indigenous People Conference in Toronto. Julia also led the development of an online risk programme that won two awards at the 2017 LEARNX Impact Awards in Australia. Prior to this, Julia worked in Corporate and Commercial banking in London and Auckland. Julia is also a Director for Kia Puawai Ltd, part of the Annah Stretton Foundation.



**NGARIMU BLAIR**  
Trust 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 on the Board of the 11th National Science Challenge, the North Harbour Rugby Union, and the New Zealand Māori Rugby Board. He is the Chair of the Settlement Protection Team and is passionate about Auckland tribal histories and kaitiakitanga.

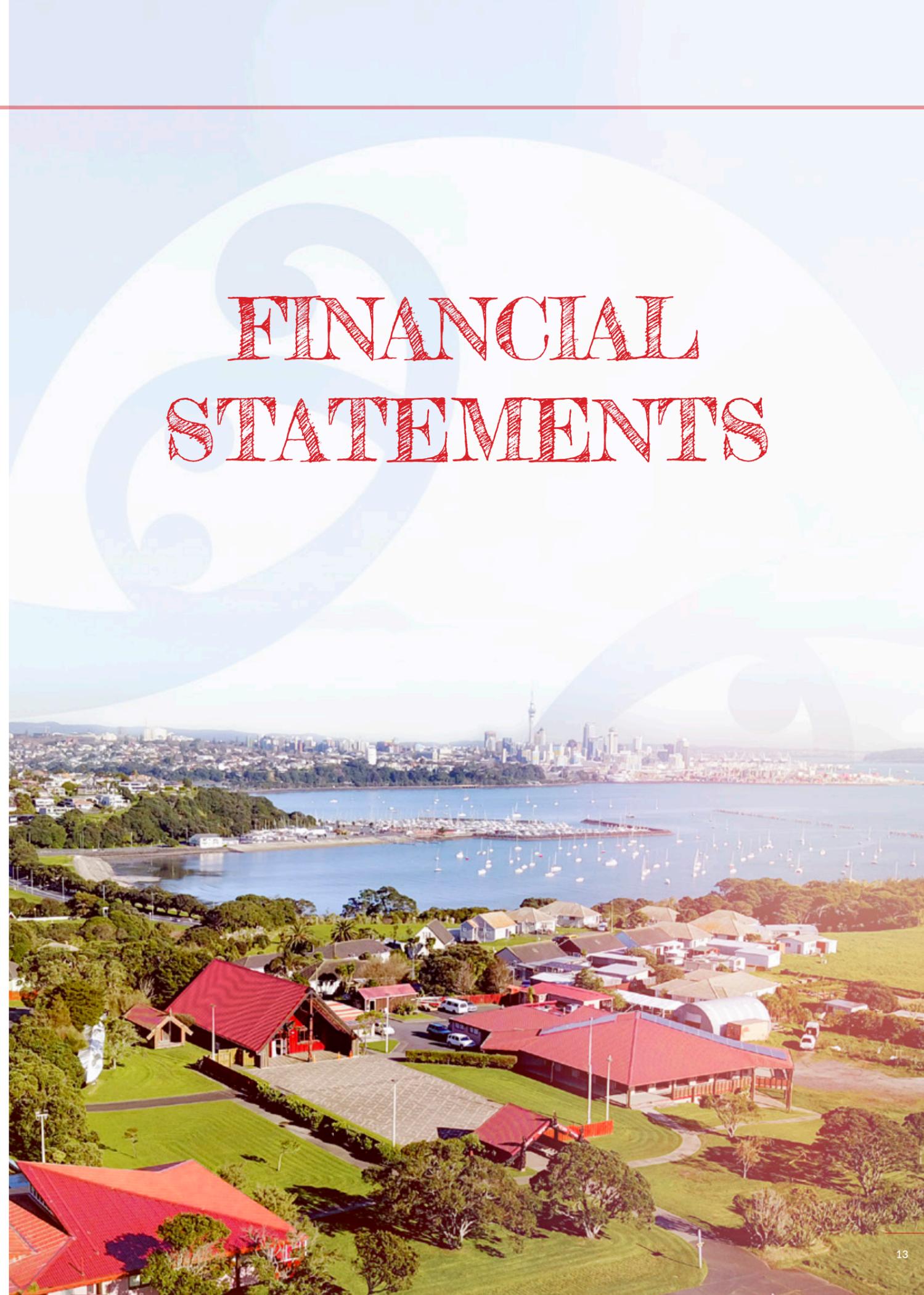


## DIRECTORY

For the year ended 30 June 2017

Registered Office	29 Dockside Lane Auckland 1010
Directors	Ngarimu Alan Huiroa Blair Joann Precious Kowhai Clark Sir Robert George Mappin Fenwick Michael Peter Stiassny Julia Anne Steenson
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	29 Dockside Lane Auckland 1010

# FINANCIAL STATEMENTS



**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2017

	NOTE	2017	2016
		\$	\$
<b>Revenue</b>			
Interest and Dividend Revenue		495,734	123,096
Property Rental Revenue		25,289,495	25,730,637
Retirement Village Revenue		5,284,925	5,023,737
Sales		12,949,506	18,283,177
Other	4	279,633	53,975
<b>Total Revenue</b>		<b>44,299,293</b>	<b>49,214,622</b>
<b>Expenses</b>			
Employee Benefits Expense	5	4,735,075	4,188,032
Governance	5	255,594	357,634
Finance Costs	5	9,088,045	9,824,183
Rental Property Expense		4,329,808	3,868,677
Retirement Village Service Expense		2,015,246	2,214,408
Professional Fees	5	1,095,068	2,066,170
Other Expenses	5	993,183	646,406
Depreciation and Amortisation Expense		143,462	146,630
Cost of Sales		12,525,547	12,524,098
Impairment of Inventories	6	134,197	241,276
Bad Debts and Doubtful Debts		1,774,658	(30,484)
<b>Total Expenses</b>		<b>37,089,883</b>	<b>36,047,030</b>
<b>Net Profit before taxation and fair value adjustments</b>		<b>7,209,410</b>	<b>13,167,592</b>
Gain on Revaluation of Investment Property	7	139,080,733	154,380,658
Unrealised Net Loss on Financial Instruments		(692,627)	-
<b>Net Profit before taxation</b>		<b>145,597,516</b>	<b>167,548,250</b>
Income Tax Expense	8	5,423,995	3,815,949
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>140,173,521</b>	<b>163,732,301</b>

This statement is to be read in conjunction with notes to the financial statements from page 18 onwards.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

For the year ended 30 June 2017

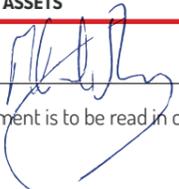
	NOTE	Contributed Capital	Retained Earnings	Total
		\$	\$	\$
At 1 July 2016		222,645,446	399,504,341	622,149,787
Total Comprehensive Income for the year		-	140,173,521	140,173,521
Dividends paid	24	-	(1,844,028)	(1,844,028)
<b>At 30 June 2017</b>		<b>222,645,446</b>	<b>537,833,834</b>	<b>760,479,280</b>
	NOTE	Contributed Capital	Retained Earnings	Total
		\$	\$	\$
At 1 July 2015		222,645,446	236,101,929	458,747,375
Total Comprehensive Income for the period		-	163,732,301	163,732,301
Dividends paid	24	-	(329,889)	(329,889)
<b>At 30 June 2016</b>		<b>222,645,446</b>	<b>399,504,341</b>	<b>622,149,787</b>

This statement is to be read in conjunction with notes to the financial statements from page 18 onwards.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

As at 30 June 2017

	NOTE	2017 \$	2016 \$
<b>Equity</b>		<b>760,479,280</b>	<b>622,149,787</b>
<b>Current Assets</b>			
Cash and Cash Equivalents	9	1,710,252	1,694,308
Trade and Other Receivables	10	2,481,426	3,297,735
Related Party Receivables	11	107,700	113,884
Housing Loans	11	336,342	128,265
Inventories	6	164,391	7,816,504
<b>Total Current Assets</b>		<b>4,800,111</b>	<b>13,050,696</b>
<b>Non-Current Assets</b>			
Deposit on Investment Property		119,124	276,600
Investment in Joint Venture		17,000	17,000
Inventories	6	68,011,693	-
Investment Property	7	965,170,145	888,593,144
Property, Plant and Equipment	12	538,290	618,788
Housing Loans	11	13,143,597	4,564,113
Intangible Assets	13	15,561	39,028
<b>Total Non-Current Assets</b>		<b>1,047,015,410</b>	<b>894,108,673</b>
<b>Total Assets</b>		<b>1,051,815,521</b>	<b>907,159,369</b>
<b>Current Liabilities</b>			
Tax Payable		1,309,249	1,186,944
Trade and Other Payables	14	4,785,107	7,256,217
Employee Benefits	15	818,409	699,483
Related Party Loans	11	1,974,150	4,375,255
Refundable Occupation Right Agreements	16	47,172,573	46,734,149
Interest Bearing Loans and Borrowings	17	5,092,159	321,212
Income in Advance		166,668	201,306
<b>Total Current Liabilities</b>		<b>61,318,315</b>	<b>60,774,566</b>
<b>Non-Current Liabilities</b>			
Deferred Tax Liability	19	2,740,156	3,139,793
Interest Bearing Loans and Borrowings	17	166,391,082	160,734,494
Fair value of Derivative Financial Instruments	18	692,627	-
Related Party Loans	11	60,000,000	60,000,000
Income in Advance		194,061	360,729
<b>Total Non-Current Liabilities</b>		<b>230,017,926</b>	<b>224,235,016</b>
<b>Total Liabilities</b>		<b>291,336,241</b>	<b>285,009,582</b>
<b>TOTAL NET ASSETS</b>		<b>760,479,280</b>	<b>622,149,787</b>

Director  Director 

This statement is to be read in conjunction with notes to the financial statements from page 18 onwards.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended 30 June 2017

	NOTE	2017 \$	2016 \$
<b>Cash Flows from Operating Activities</b>			
<i>Cash was provided from:</i>			
Interest and Dividend Revenue		506,812	123,096
Property Rental Revenue		24,299,061	24,357,161
Retirement Village Revenue and Occupation Rights Agreement Proceeds		13,098,022	12,490,030
Sales		12,608,938	17,760,192
Other		279,633	62,627
<i>Cash was disbursed to:</i>			
Payments to Suppliers		18,794,637	18,166,206
Payments to Employees		4,616,147	4,119,016
Payments for Inventory		5,408,317	15,917,863
Interest Paid		9,260,511	10,336,344
Income Tax Paid		5,714,921	2,833,591
Housing Loans Advanced		8,775,489	4,914,893
<b>Net Cash Outflow from Operating Activities</b>	<b>20</b>	<b>(1,777,556)</b>	<b>(1,494,807)</b>
<b>Cash Flows from Investing Activities</b>			
<i>Cash was provided from:</i>			
Easement Rights Granted		350,000	-
<i>Cash was disbursed to:</i>			
Purchase of Property, Plant and Equipment		38,448	142,857
Purchase of Intangible Assets		1,050	28,000
Investment Property		4,874,269	6,960,365
Investment in Joint Venture		-	10,000
<b>Net Cash Outflow from Investing Activities</b>		<b>(4,563,767)</b>	<b>(7,141,222)</b>
<b>Cash Flows from Financing Activities (Net)</b>			
<i>Cash was provided from:</i>			
Proceeds from borrowings		10,600,000	8,886,062
<i>Cash was disbursed to:</i>			
Related Party Loans		2,398,705	1,599,661
Dividends Paid		1,844,028	329,889
<b>Net Cash Inflow from Financing Activities</b>		<b>6,357,267</b>	<b>6,956,512</b>
Net Increase/(Decrease) in Cash Held		15,944	(1,679,517)
Cash at Beginning of the Year		1,694,308	3,373,825
<b>TOTAL CASH AT END OF THE YEAR</b>	<b>9</b>	<b>1,710,252</b>	<b>1,694,308</b>

This statement is to be read in conjunction with notes to the financial statements from page 18 onwards.

## NOTES TO THE ACCOUNTS

### 1. GENERAL INFORMATION

#### Reporting Entity

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

The ultimate parent is Ngāti Whātua Ōrākei Trust.

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

#### Statement of Compliance

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

#### Basis of Preparation

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

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

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

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

#### Going Concern

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Although Refundable Occupation Right Agreements 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.

#### 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 2017 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

### 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. The company has de-registered as of the 21st of April 2017.
Eastcliffe Ōrākei Retirement Care Limited Partnership	To manage development of the Eastcliffe Ōrākei retirement village and aged care facility at Ōrākei.
Eastcliffe Ōrākei Management Services Limited Partnership	To manage operations of the Eastcliffe Ōrākei retirement village and aged care facility at Ōrākei.
Whai Rawa Railway Lands Limited Partnership	To manage the commercial assets known as the Railway Lands and Quay Park in the Auckland CBD.
Whai Rawa Commercial Office Limited Partnership	To manage commercial office assets.
Whai Rawa Railway Leasing Limited Partnership	To manage commercial assets incidental to ownership of assets known as Railways Lands and Quay Park in the Auckland CBD.
Whai Rawa Property Holdings Limited Partnership	To manage the other various commercial assets including those received in settlement.
Whai Rawa Residential Properties Limited Partnership	To manage the residential property assets.
Whai Rawa Housing Limited Partnership	To manage the development of the Kāinga Tuatahi project.
Whai Rawa Kāinga Development Limited	To construct Kāinga Tuatahi.
Ngāti Whātua Ōrākei Housing Trust	A discretionary trust settled by Ngāti Whātua Ōrākei Whai Rawa Limited.
Ngāti Whātua Ōrākei Housing Trustee Limited	Trustee of Ngāti Whātua Ōrākei Housing Trust.
Whai Rawa Collective Holdings Limited Partnership	To manage any assets acquired or development undertaken in connection with Whenua Haumi Roroa o Tāmaki Makaurau.
Whai Rawa Development Limited Partnership	To undertake property development projects.

#### 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.

## NOTES TO THE ACCOUNTS

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Housing Loans

Secured housing loans have been provided to Ngāti Whātua Ōrākei members to assist with the purchase of homes in Kāinga Tuatahi. The mortgages are carried at cost less impairment for any uncollectible amounts.

#### Plant, Property and Equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Where an item of property, plant or equipment is disposed of, the gain or loss recognised in the 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	2 - 15 years
Plant and Equipment	5 - 10 years
Infrastructure	200 years

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

#### Intangible Assets

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

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

	Expected useful life	Amortisation method
Software	2.5 years	Straight-line

#### Impairment

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

#### Goods and Services Tax

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

#### Trade and Other Payables

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

#### 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.

## NOTES TO THE ACCOUNTS

### 2. ACCOUNTING POLICIES (CONTINUED)

#### 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 estimated costs necessary to make the sale. Estimates of NRV are based on the most recent evidence available at the time the estimates are made. Cost includes the costs of acquisition, planning and design, development and capitalised borrowing costs. Feasibility costs incurred before the purchase of an asset are expensed as incurred, as are holding costs, holding income, marketing and advertising costs. Interest charges on deferred settlement are recognised in expenses in the period of the deferred settlement.

#### Leased Assets

Leases for 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 over the lease term.

The Group has significant prepaid lease arrangements whereby revenue is recognised on a straight-line basis over the term of the prepaid lease. 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.

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.

## NOTES TO THE ACCOUNTS

### 2. ACCOUNTING POLICIES (CONTINUED)

#### Derivative financial instruments

The Group uses derivative financial instruments (interest rate swaps) to manage its exposure to interest rate risks arising from operational, financing and investment activities.

Derivative financial instruments are recognised initially at fair value and subsequently re-measured and carried at fair value. They are carried as assets when the fair value is positive and liabilities when the fair value is negative. The gain or loss on re-measurement to fair value is recognised directly in profit or loss. The interest rate swaps are transacted as hedges but do not qualify for hedge accounting.

The fair value is the estimated amount that the Group would receive or pay to terminate the swap at the balance date, taking into account current rate and creditworthiness of the swap counterparties.

#### Refundable Occupation Right Agreements

Occupation right agreements utilised by the group in connection with the Eastcliffe Ōrākei Retirement Village confer the right of occupancy of the independent unit/apartment, serviced apartment and studios until such time as the occupancy rights are repurchased. Settlement of the refundable occupational right agreement 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. The Village Contribution fee is recognised in the Consolidated Statement of Comprehensive Income over the average expected length of stay of residents, which is 8.54 years for the independent units/apartments and 4.03 years for the serviced apartments and 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 it 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 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

### 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 2017	30 June 2016
	\$	\$
Government Income	-	50,000
Other	279,633	3,975
	<b>279,633</b>	<b>53,975</b>

## 5. OPERATING EXPENSES

	30 June 2017	30 June 2016
	\$	\$
<b>Employee Benefits Expense</b>		
Wages and Salaries	4,612,499	4,082,205
KiwiSaver Contribution	73,063	59,238
ACC Levies	39,785	19,718
Other Staff Costs	9,728	26,871
	<b>4,735,075</b>	<b>4,188,032</b>

## Governance

Directors' Fees	251,233	340,000
Directors' Expenses	4,361	17,634
	<b>255,594</b>	<b>357,634</b>

## Finance Costs

Interest Expense on Bank Facilities	4,898,814	5,886,484
Interest Expense on Interest Rate Swaps	97,000	-
Interest on Related Party Convertible Loan	3,000,000	3,000,000
Bank and Line Fees	1,092,231	937,699
	<b>9,088,045</b>	<b>9,824,183</b>

## Professional Fees

Accounting Fees	28,462	87,563
Audit Fees	72,070	36,871
Legal Fees	411,742	451,825
Valuations	138,158	140,658
Other Professional Fees	444,636	1,349,253
	<b>1,095,068</b>	<b>2,066,170</b>

## Other Expenses

Office Expenses	421,053	315,211
Leases - Operating	6,471	5,488
Communication Expense	395,105	212,573
Motor Vehicle/Travel Expenses	5,982	20,734
Recruitment Expense	158,119	23,229
Non-Recoverable GST	6,453	69,171
	<b>993,183</b>	<b>646,406</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 6. INVENTORIES

CLASSIFICATION OF INVENTORIES	30 June 2017	30 June 2016
	\$	\$
<b>Current Assets</b>		
Work in Progress - Kāinga Tuatahi	49,468	7,708,151
Other	114,923	108,353
	<b>164,391</b>	<b>7,816,504</b>
<b>Non-Current Assets</b>		
Work in Progress - Hillary Development	56,428,515	-
Work in Progress - Laurel Street Development	11,583,178	-
<b>Total Inventories at the lower of cost and net realisable value</b>	<b>68,011,693</b>	<b>-</b>

An impairment of inventories of \$134,197 was recognised in the Consolidated Statement of Comprehensive Income (2016: \$241,276). This recognises the difference between the estimated total project cost for Kāinga Tuatahi and the net realisable value from the project on completion.

\$68,011,693 of the Work in Progress is pledged as security for Group borrowing facilities (2016: Nil).

## 7. INVESTMENT PROPERTY

	30 June 2017	30 June 2016
	\$	\$
<b>At beginning of year</b>	<b>888,593,144</b>	<b>726,174,171</b>
Net Gain from Fair Value Adjustment	139,080,733	154,380,658
Acquisition of Investment Property	4,490,804	7,566,068
Capital Expenditure	540,941	150,701
Transfer of Investment Property to Inventories	(67,700,000)	-
Easement rights granted over Investment Property	(350,000)	-
Movement in rent accrued on Fixed Uplift Leases and Lease Incentives	514,523	321,546
<b>Closing balance as at 30 June</b>	<b>965,170,145</b>	<b>888,593,144</b>

Investment properties are carried at fair value, which has been determined based on valuations performed by Jones Lang LaSalle Limited, CBRE Limited, Urban Value Limited and Darroch Limited of Auckland as at 30 June 2017.

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.

## NOTES TO THE FINANCIAL STATEMENTS

## 7. INVESTMENT PROPERTY (CONTINUED)

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

	30 June 2017	30 June 2016
	\$	\$
Independent valuation of investment properties	915,373,573	836,203,625
Prepaid lease value	360,725	562,035
Refundable occupation right agreements	47,172,573	46,734,149
Termination Fees in Advance	2,263,274	5,093,335
<b>Total Investment Property</b>	<b>965,170,145</b>	<b>888,593,144</b>

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

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

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

The Group considers the following fair value measurement hierarchy levels:

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

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

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

- Recent comparable transactions;
- Forecast future rentals, based on the actual location, type and quality of the investment properties, and supported by the terms of any existing lease, other contracts or external evidence such as current market rents for similar properties;
- Vacancy assumptions based on current and expected future market conditions after expiry of any current lease;
- Maintenance and capital requirements including necessary investments to maintain functionality of the property for its expected useful life;
- In the case of the Eastcliffe on Ōrākei Retirement Village, probable future cash out-flows arising from repair or re-build of independent living units; and
- Appropriate discount rates derived from recent comparable market transactions reflecting the uncertainty in the amount and timing of cashflows.

## NOTES TO THE FINANCIAL STATEMENTS

## 7. INVESTMENT PROPERTY (CONTINUED)

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

Significant Input	Description	Fair value measurement sensitivity to significant:		Valuation Method
		Increase in input	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 2017	Market capitalisation rate	Discount rate	Price per square metre
Investment Property	5.25% to 6.25%	8.00% - 15.5%	\$100 to \$3,900

As at 30 June 2016	Market capitalisation rate	Discount rate	Price per square metre
Investment Property	5.5% to 6.5%	8.00% - 14.5%	\$100 to \$2,938

## 8. INCOME TAX

	Note	30 June 2017	30 June 2016
		\$	\$
<b>Reconciliation of Tax Expense and Accounting Profit:</b>			
Accounting Profit before Taxation		145,597,516	167,548,250
<b>Adjusted for:</b>			
Non-Taxable Revaluation of Investment Properties		(133,926,990)	(148,939,892)
Non-Deductible Expenses		19,356,950	1,190,701
Other		(162,524)	(282,085)
<b>Taxable Income</b>		<b>30,864,952</b>	<b>19,516,974</b>
Income Tax using Māori Authority Tax Rate (17.5%)		5,401,366	3,415,469
Adjustments in respect of current income tax of prior years		(5,813)	351,133
Tax effect of Total Temporary Differences arising during the year	19	28,442	49,347
<b>Income Tax Expense</b>		<b>5,423,995</b>	<b>3,815,949</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 8. INCOME TAX (CONTINUED)

	30 June 2017	30 June 2016
	\$	\$
<b>Māori Authority Credits</b>		
At Beginning of Year	6,505,381	3,701,253
Net Tax Payments	5,739,973	2,822,384
Other Debits	(48,225)	-
Resident Withholding Tax	4,282	51,013
Imputation Credits on dividends received	201	707
Imputation Credits on dividends paid	(391,158)	(69,976)
<b>Closing Balance as at 30 June</b>	<b>11,810,454</b>	<b>6,505,381</b>

## 9. CASH AND CASH EQUIVALENTS

	30 June 2017	30 June 2016
	\$	\$
Cash at Bank and in Hand	1,710,252	1,694,308
	<b>1,710,252</b>	<b>1,694,308</b>

## 10. TRADE AND OTHER RECEIVABLES

	30 June 2017	30 June 2016
	\$	\$
Trade Receivables	1,556,777	2,816,841
Provision for Doubtful Debts	(181,016)	(181,016)
Prepayments	780,254	422,116
Accrued Revenue and Other Receivables	325,411	239,794
	<b>2,481,426</b>	<b>3,297,735</b>

## (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 22 (a).

## NOTES TO THE FINANCIAL STATEMENTS

## 11. RELATED PARTY TRANSACTIONS

AMOUNTS OUTSTANDING AT YEAR END:		30 June 2017	30 June 2016
		\$	\$
<b>Current Assets</b>			
RELATED PARTY RECEIVABLES			
<i>Ultimate Parent</i>			
Ngāti Whātua Ōrākei Trust	Trade Receivable	100	213
<i>Associated Trust</i>			
Whai Maia Charitable Trust 1	Advance	106,850	106,850
Whai Maia Charitable Trust 1	Trade Receivable	750	6,821
		<b>107,600</b>	<b>113,671</b>
<i>Members of Ngāti Whātua Ōrākei</i>			
	Housing Loans	336,342	128,265
<b>Non-Current Assets</b>			
<i>Members of Ngāti Whātua Ōrākei</i>	Housing Loans	13,143,597	4,564,113
<b>Current Liabilities</b>			
RELATED PARTY PAYABLES			
<i>Ultimate Parent</i>			
Ngāti Whātua Ōrākei Trust	Advance	1,974,083	4,374,083
<i>Associated Trust</i>			
Whai Maia Charitable Trust 1	Trade Payable	67	1,172
<b>Non Current Liabilities</b>			
RELATED PARTY PAYABLES			
<i>Associated Trust</i>			
Whai Maia Charitable Trust 2	Convertible loan	60,000,000	60,000,000

## NOTES TO THE FINANCIAL STATEMENTS

## 11. RELATED PARTY TRANSACTIONS (CONTINUED)

TRANSACTIONS WITH RELATED PARTIES:	30 June 2017	30 June 2016
	\$	\$
<b>Advances Repaid to:</b>		
Ngāti Whātua Ōrākei Trust	2,400,000	1,761,324
<b>Housing Loans Advanced to:</b>		
Members of Ngāti Whātua Ōrākei (net of repayments)	8,787,561	4,692,378
<b>Property Rental Income Charged to:</b>		
Whai Maia Charitable Trust 1	1,339,738	1,061,329
<b>Interest Charged by:</b>		
Whai Maia Charitable Trust 1	3,000,000	3,000,000
<b>Interest Received from:</b>		
Members of Ngāti Whātua Ōrākei	443,158	65,883
<b>Retirement Unit Purchased from:</b>		
Ngāti Whātua Ōrākei Trust	-	145,110

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

**Convertible Loan**

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

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

## 12. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture	Plant and Equipment	Motor Vehicles	Infrastructure	Total
	\$	\$	\$	\$	\$
At 1 July 2016	93,107	214,976	8,496	302,209	<b>618,788</b>
Additions	27,545	10,903	-	-	<b>38,448</b>
Depreciation Charge	(34,405)	(79,128)	(3,899)	(1,514)	<b>(118,946)</b>
<b>At 30 June 2017</b>	<b>86,247</b>	<b>146,751</b>	<b>4,597</b>	<b>300,695</b>	<b>538,290</b>
Cost	198,853	525,652	20,245	302,840	<b>1,047,590</b>
Accumulated Depreciation	(112,606)	(378,901)	(15,648)	(2,145)	<b>(509,300)</b>
<b>Net Book Value 30 June 2017</b>	<b>86,247</b>	<b>146,751</b>	<b>4,597</b>	<b>300,695</b>	<b>538,290</b>
Cost	171,308	514,749	20,245	302,840	<b>1,009,142</b>
Accumulated Depreciation	(78,201)	(299,773)	(11,749)	-631	<b>(390,354)</b>
<b>Net Book Value 30 June 2016</b>	<b>93,107</b>	<b>214,976</b>	<b>8,496</b>	<b>302,209</b>	<b>618,788</b>

## 13. INTANGIBLE ASSETS

	Software	Total
	\$	\$
At 1 July 2016	39,028	<b>39,028</b>
Additions	1,049	<b>1,049</b>
Amortisation Charge	(24,516)	<b>(24,516)</b>
<b>At 30 June 2017</b>	<b>15,561</b>	<b>15,561</b>
Cost	63,337	<b>63,337</b>
Accumulated Depreciation	(47,776)	<b>(47,776)</b>
<b>Net Book Value 30 June 2017</b>	<b>15,561</b>	<b>15,561</b>

## 14. TRADE AND OTHER PAYABLES

	30 June 2017	30 June 2016
	\$	\$
Trade Payables	477,087	626,186
Accrued Expenses	1,651,527	1,172,909
Other Payables	297,551	178,494
GST Payable	95,668	185,293
Termination Fees in Advance	2,263,274	5,093,335
	4,785,107	7,256,217

## NOTES TO THE FINANCIAL STATEMENTS

## 15. EMPLOYEE BENEFITS

	30 June 2017	30 June 2016
	\$	\$
Wages and Salaries Accrued	461,446	391,165
Holiday Pay Accrued	282,331	266,938
Kiwisaver, PAYE and Withholding tax	74,632	41,380
	<b>818,409</b>	<b>699,483</b>

## 16. REFUNDABLE OCCUPATION RIGHT AGREEMENT

Residents purchase an Occupation Right Agreement ("ORA") issued under the Retirement Village Act 2003. A portion of the ORA is refundable when residents leave. An amount of \$47,172,573, (30 June 2016 : \$46,734,149) 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.

## 17. INTEREST-BEARING LOANS AND BORROWINGS

	30 June 2017 Total Facility	30 June 2016 Total Facility	30 June 2017 Undrawn Facility	30 June 2016 Undrawn Facility	30 June 2017 Net Book Value	30 June 2016 Net Book Value
BNZ	\$	\$	\$	\$	\$	\$
Cash Advance Facility 4 year	37,500,000	37,500,000	-	-	37,500,000	37,500,000
Cash Advance Facility 5 year	62,500,000	62,500,000	25,000,000	25,000,000	37,500,000	37,500,000
	<b>100,000,000</b>	<b>100,000,000</b>	<b>25,000,000</b>	<b>25,000,000</b>	<b>75,000,000</b>	<b>75,000,000</b>
<b>ANZ</b>						
Eastcliffe Bank Loan	5,000,000	5,000,000	-	950,000	5,000,000	4,050,000
Cash Advance Facility 4 year	17,500,000	17,500,000	-	-	17,500,000	17,500,000
Cash Advance Facility 5 year	17,500,000	17,500,000	-	-	17,500,000	17,500,000
	<b>40,000,000</b>	<b>40,000,000</b>	<b>-</b>	<b>950,000</b>	<b>40,000,000</b>	<b>39,050,000</b>
<b>Westpac</b>						
Cash Advance Facility 4.5 year	37,500,000	37,500,000	-	-	37,500,000	37,500,000
Cash Advance Facility 5 year	25,000,000	25,000,000	25,000,000	25,000,000	-	-
Cash Advance Facility 5.5 year	37,500,000	37,500,000	18,450,000	28,100,000	19,050,000	9,400,000
	<b>100,000,000</b>	<b>100,000,000</b>	<b>43,450,000</b>	<b>53,100,000</b>	<b>56,550,000</b>	<b>46,900,000</b>
	<b>240,000,000</b>	<b>240,000,000</b>	<b>68,450,000</b>	<b>79,050,000</b>	<b>171,550,000</b>	<b>160,950,000</b>
Accrued Interest					92,159	321,212
Establishment Fees					(158,918)	(215,506)
<b>Total Net Book Value</b>					<b>171,483,241</b>	<b>161,055,706</b>
Current Portion					5,092,159	321,212
Non-Current Portion					166,391,082	160,734,494
<b>TOTAL NET BOOK VALUE</b>					<b>171,483,241</b>	<b>161,055,706</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 17. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

	30 June 2017	30 June 2016
	\$	\$
<b>Bank facility expiry profile:</b>		
1-2 years	55,000,000	-
2-3 years	97,500,000	55,000,000
3-4 years	87,500,000	97,500,000
4-5 years	-	87,500,000
	<b>240,000,000</b>	<b>240,000,000</b>

On 22 May 2015, the Group established a new loan facility for a total amount of \$185,000,000. This was increased to \$235,000,000 on 22 February 2016. Secured borrowings are via cash advance facility agreements with Bank of New Zealand, Westpac New Zealand Limited and ANZ Bank New Zealand Limited.

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 Orākei residential properties and Eastcliffe on Orākei 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.

## 18. DERIVATIVE FINANCIAL INSTRUMENTS

At 30 June 2017, the Group held interest rate swaps where it pays a fixed rate of interest and receives a variable rate on the notional amount. The notional amount of the interest rate swaps at 30 June 2017 is \$90 million (2016: Nil) with the weighted average term to maturity being 2.66 years. Fair Value of these interest rate swaps as at 30 June 2017 was \$692,627 (2016: Nil). The interest payment frequency on these borrowings is quarterly.

## 19. DEFERRED TAX

	Note	30 June 2017	30 June 2016
		\$	\$
<b>DEFERRED TAX LIABILITY</b>			
<b>At Beginning of Year</b>		<b>3,139,793</b>	<b>3,210,318</b>
Current Period Movement on Deferred Tax	8	28,442	49,347
Reversal of Prior Period Deferred Tax		(428,079)	(119,872)
<b>Total Taxable Temporary Differences as at 30 June</b>		<b>2,740,156</b>	<b>3,139,793</b>
<i>Deferred Tax Liabilities are Attributable to the Following:</i>			
Long Term Leases		2,903,934	2,910,007
Accrued Revenue		391,638	301,596
Employee Benefits		(36,094)	(40,132)
Provision for Doubtful Debts		(31,678)	(31,678)
Deferred Management Fees		(487,644)	-
		<b>2,740,156</b>	<b>3,139,793</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 20. CASH FLOW STATEMENT RECONCILIATION

	2017	2016
	\$	\$
<b>Net Profit for the year</b>	<b>140,173,521</b>	<b>163,732,301</b>
<b>Adjustments for:</b>		
Depreciation of Property, Plant and Equipment	118,946	140,761
Amortisation of Intangible Assets	24,516	5869
Impairment of Inventories	134,197	-
Bad Debts and Doubtful Debts	1,774,658	-
Amortisation of Termination Fee Income	(1,663,129)	(1,364,205)
Amortisation of Borrowing Costs	56,588	13,938
Rent Accrued on Fixed Uplift Leases and Lease Incentives	(514,523)	(321,546)
Rent Recognised on Prepaid Leases	(201,306)	(579,240)
Unrealised Net Loss on Financial Instruments	692,627	-
Gain on Revaluation of Investment Property	(137,460,005)	(153,852,658)
	<b>3,136,090</b>	<b>7,775,220</b>
<b>Changes in assets and liabilities</b>		
Increase in Trade and Other Receivables	(781,771)	(3,273,208)
Increase in Employee Benefit Payable	118,926	71,306
Increase/ (Decrease)in Trade and Other Payables	174,086	(762,239)
(Decrease)/Increase in Tax Payables	(277,332)	990,610
(Decrease)/Increase in Refundable Occupation Rights	(2,349,236)	1,606,110
(Decrease)/Increase in Inventory	7,206,223	(2,512,134)
Decrease in Interest Accruals	(229,053)	(475,579)
Increase in Housing Loans Advanced	(8,775,489)	(4,914,893)
	<b>(4,913,646)</b>	<b>(9,270,027)</b>
<b>Net Cash Outflow From Operating Activities</b>	<b>(1,777,556)</b>	<b>(1,494,807)</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 21. 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 2017 are listed in the table below.

Remuneration includes salary, performance bonuses and other sundry benefits received in their capacity as employees for the year ended 30 June 2017.

	30 June 2017	30 June 2016
<b>Total Remuneration</b>	<b>Number Of Employees</b>	<b>Number Of Employees</b>
560,001-570,000	1	-
530,001-540,000	-	1
340,001-350,000	1	-
300,001-310,000	1	-
290,001-300,000	1	-
280,001-290,000	-	1
270,001-280,000	-	1
260,001-270,000	-	1
190,001-200,000	2	-
170,001-180,000	-	1
150,001-160,000	1	-
140,001-150,000	-	1
130,001-140,000	1	-
120,001-130,000	-	1
110,000-120,000	1	-
	<b>9</b>	<b>7</b>

	30 June 2017	30 June 2016
<b>Directors' Remuneration</b>	<b>\$</b>	<b>\$</b>
Ross Forbes Blackmore (resigned 31 August 2016)	8,333	50,000
Ngarimu Alan Huiroa Blair	50,000	50,000
Joann Precious Kowhai Clark	50,000	50,000
Sir Robert George Mappin Fenwick	50,000	50,000
Rangimarie Hunia (resigned 31 July 2016)	2,900	50,000
Michael Peter Stiassny	90,000	90,000
	<b>251,233</b>	<b>340,000</b>

## NOTES TO THE FINANCIAL STATEMENTS

## 22. 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 2017	30 June 2016
Financial Assets	\$	\$
Cash and Cash Equivalents	1,710,252	1,694,308
Housing Loans	13,479,939	4,692,378
<b>Financial Liabilities</b>		
Interest Bearing Loans and Borrowings	171,550,000	160,950,000
Derivative Financial Instruments	692,627	-
<b>Net Liability</b>	<b>157,052,436</b>	<b>154,563,314</b>

## (b) Credit Risk

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

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

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

## (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 2017. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2017.

## (d) Capital Management

Management considers capital as total equity plus net debt.

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

## NOTES TO THE FINANCIAL STATEMENTS

## 22. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

30 June 2017:	Within 1 year	1-5 years	> 5 years
Financial Assets	\$	\$	\$
Cash and Cash Equivalents	1,710,252	-	-
Trade and Other Receivables	1,701,172	-	-
Housing Loans	336,342	1,345,369	11,798,227
	<b>3,747,766</b>	<b>1,345,369</b>	<b>11,798,227</b>
<b>Financial Liabilities</b>			
Trade and Other Payables	5,603,516	-	-
Refundable Occupation Right Agreements	47,172,573	-	-
Interest Bearing Loans and Borrowings	5,092,159	166,550,000	-
Derivative Financial Instruments	-	692,627	-
	<b>57,868,248</b>	<b>167,242,627</b>	<b>-</b>
<b>Net Liability/(Net Assets)</b>	<b>54,120,482</b>	<b>165,897,258</b>	<b>(11,798,227)</b>

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

30 June 2016:	Within 1 year	1-5 years	> 5 years
Financial Assets	\$	\$	\$
Cash and Cash Equivalents	1,694,308	-	-
Trade and Other Receivables	2,875,619	-	-
Housing Loans	128,265	513,060	4,051,053
	<b>4,698,192</b>	<b>513,060</b>	<b>4,051,053</b>
<b>Financial Liabilities</b>			
Trade and Other Payables	7,955,700	-	-
Refundable Occupation Right Agreements	46,734,149	-	-
Interest Bearing Loans and Borrowings	321,212	160,950,000	-
	<b>55,011,061</b>	<b>160,950,000</b>	<b>-</b>
<b>Net Liability/(Net Assets)</b>	<b>50,312,869</b>	<b>160,436,940</b>	<b>(4,051,053)</b>

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

The contractual maturity of the refundable occupation right agreements 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 occupation right agreement only occurs when a new occupational right agreement is issued to an incoming resident.

## NOTES TO THE FINANCIAL STATEMENTS

### 23. CAPITAL COMMITMENTS

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

	30 June 2017	30 June 2016
	\$	\$
<b>Investment Property</b>		
Acquisition	1,065,240	2,482,200
Refurbishment Programme	97,782	180,244
Eastcliffe Remediation	2,479,338	-
	<b>3,642,360</b>	<b>2,662,444</b>
<b>Inventory</b>		
Kāinga Tuatahi	40,274	1,071,689
<b>Total capital commitments</b>	<b>3,682,634</b>	<b>3,734,133</b>

### 24. EQUITY

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

During the year the Group declared and paid to Ngāti Whātua Ōrākei Trustee Limited gross dividends of \$2,235,186 (30 June 2016: \$399,865). This is inclusive of \$391,158 (30 June 2016: \$69,976) of Māori Authority Credits.

### 25. CONTINGENT LIABILITIES

Under the lease to the New Zealand Defence Force ("NZDF") in relation to the Narrowneck Block, NZDF has 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.

### 26. SUBSEQUENT EVENTS

Subsequent to 30 June 2017 the Group entered into an agreement to purchase 11 properties for a cash consideration of \$16.55 million. Settlement of this transaction occurred on 18 September 2017.

## INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the Shareholder of Ngāti Whātua Ōrākei Whai Rawa Limited



### REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

#### OPINION

We have audited the financial statements of Ngāti Whātua Ōrākei Whai Rawa Limited and its subsidiaries ("the Group") on pages 14 to 38, which comprise the consolidated statement of financial position of the Group as at 30 June 2017, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended of the Group, and the notes to the consolidated financial statements including a summary of significant accounting policies.

In our opinion, the consolidated financial statements on pages 14 to 38 present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2017 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

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

#### BASIS FOR OPINION

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (revised) Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Ernst & Young provides GST advisory services and remuneration benchmarking services to the Group. We have no other relationship with, or interest in Ngāti Whātua Ōrākei Whai Rawa Limited and its subsidiaries.

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.

#### INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

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

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

If we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and, if uncorrected, to take appropriate action to bring the matter to the attention of users for whom our auditor's report was prepared.

#### DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

#### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

A further description of our responsibilities for the audit of the [consolidated] financial statements is located at the External Reporting Board website: <https://www.xrb.govt.nz/standards-for-assurancepractitioners/auditors-responsibilities>. This description forms part of our auditor's report.

Chartered Accountants  
Auckland  
20 September 2017

A member firm of Ernst & Young Global Limited



NGĀTI WHĀTUA ŌRĀKEI