NGĀTI WHĀTUA ŌRĀKEI
WHAI RAWA LIMITED

Annual Report 2019

TE PAI ME TE WHAI RAWA

Ngāti Whātua Ōrākei
Whai Rawa Ltd
Annual Report 2019

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E tū ngā uri o Tūperiri

Tāmaki Makaurau e ngūnguru nei!

Our tupuna were experts at understanding the cycles and connections in nature. The cyclical patterns of tide and time, seasons and stars. This guided them across oceans and is an innovative, entrepreneurial spark still being expressed today by Whai Rawa.

Whai Rawa also takes a strategic, future forward view. One that navigates cycles of investment and advancement to provide stability and opportunity.

Whai Rawa stands at the threshold of a new season and cycle, to harness a new tide, Te Tai Whanake.

The incoming tide speaks to prosperity, te pai me te whai rawa.

Highl

TOI TUPU

2,202

whānau enrolled in Toi Tupu Savings & Investment Scheme.

EQUITY

+4.9%

Increased equity by 4.9% from $831.6 million to $872.2 million

TOTAL ASSETS

+5.5%

Increased total assets by 5.5% from $1.15 billion to $1.2 billion

CASH DISTRIBUTIONS

$12m

Cash distributions to the Trust and Whai Maia

WHĀNAU INTERNS

5 NWO summer interns

$1.1m

deposited in to
Toi Tupu accounts

ights

of the year ended 30 June, 2019

ONEONEROA DEVELOPMENT

13 houses under construction for Stage 1 of the Oneoneroa development on the North Shore

TOTAL NET PROFIT

$18.1m*

Total Net Profit of $18.1 million*

*before taxation, fair value adjustments and share of associates earnings

DIVERSITY IN THE WORK PLACE

60% women

4 staff who whakapapa to
Ngāti Whātua Ōrākei

COMMUNICATIONS & CHANNELS

9 fortnightly
e-pānui delivered

Michael Stiassny
Chairman
Ngāti Whātua Ōrākei
Whai Rawa Limited

Chairman's Report

Tēnā koutou katoa,

Earlier this year, *The New Zealand Herald's* 'Iwi Power' series highlighted the fact that Ngāti Whātua Ōrākei is one of the three most commercially successful in Aotearoa.

That success has been hard won and is a credit to all who have been at the helm of the hapū to protect the assets. Growth has been sustainable by taking a long-term view – by leveraging years of plenty, while prudently managing the assets in leaner times – and by balancing the needs of now with those of tomorrow.

The past 12 months have also been about achieving balance. Whai Rawa has carefully navigated the turning of the tide and the challenges inherent in a restrained property market, while laying the foundations for significant new projects, and exploring opportunities to diversify the commercial portfolio.

Solid results

In the past year, our asset portfolio grew by 5.5%. Given the property market is relatively flat having fallen from the sustained highs of the past few years, this is a strong result.

A significant contributor to our underlying returns was our rental revenue at Quay Park – Te Tōangaroa, where we are close to completing what we can expect to be a promising rent review cycle with increased contracted annual rents. To date, 16 ground rentals have been agreed. This is positive for Ngāti Whātua Ōrākei, locking in significant and reliable commercial returns which provides security as we look to diversify elsewhere. For the majority of the leases at Quay Park – Te Tōangaroa, the land value increase has had a direct flow-on effect on the level of the ground rental returned. These rents are reviewed every seven years with the next review set to take place in 2025.

Looking ahead, we retain confidence in the robust fundamentals evidenced in the commercial property market and believe there is still good opportunity in residential property. However, this year has highlighted for us the need to diversify our commercial portfolio, and we have made great early strides in this regard.

Diversification driving growth

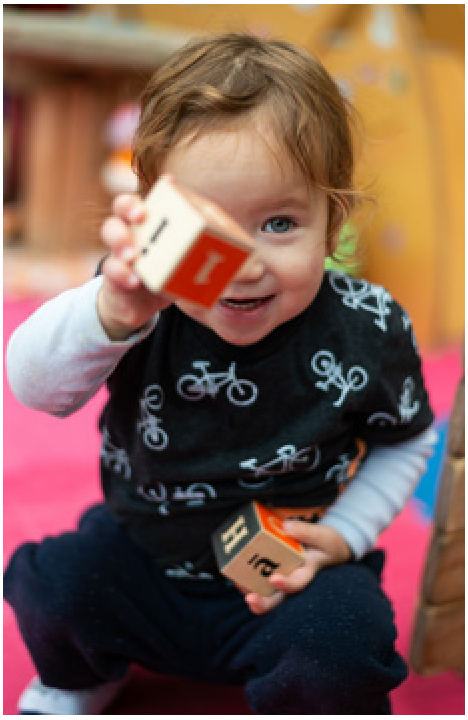
The Ngāti Whātua Ōrākei Trust has set Whai Rawa ambitious targets in its latest five-year plan, designed to accelerate the delivery of important housing and social initiatives for whānau. In developing a commercial plan to achieve these targets, we have identified that diversification of the portfolio is needed and have moved quickly to establish Ngāti Whātua Ōrākei Tourism. Our vision for Ngāti Whātua Ōrākei Tourism is to become a significant player in Aotearoa's largest export sector; delivering authentic experiences, producing strong commercial returns, and developing opportunities for whānau.

In order to achieve the set targets, Whai Rawa will be seeking endorsement from whānau to reset our Loan to Value Ratio (LVR). A prudent increase in LVR will allow Whai Rawa to move more quickly to diversify our commercial portfolio, while still delivering the returns necessary to fund important whānau projects, including Kāinga Tuarua. Whānau will be invited to vote on this measure at a Special General Meeting planned for mid 2020.

Seeking an Eastcliffe resolution

A key challenge for Whai Rawa this year has been the resident-led legal dispute at Eastcliffe Retirement Village in Ōrākei. This has been frustrating for us and, as publicly stated, it is our position that Whai Rawa has gone above and beyond legal requirements, has always acted fairly, with due care to affected residents and in accordance to our values of manaakitanga and kaitiakitanga.

Whai Rawa has a responsibility to protect and grow the commercial interests of the hapū, and we are prepared to vigorously defend these legal claims. It is our intention to achieve a timely resolution at Eastcliffe, with the wellbeing of residents and whānau front and centre.



Increasing engagement with whānau

Everything Whai Rawa does is governed by the mandate of protecting and growing the asset base of this hāpu to deliver positive outcomes for whānau. The focus on delivery of results has sometimes been at the cost of telling the story of what we are doing and why.

We acknowledge we could, should and will engage more frequently with whānau.

Over the last six months, Whai Rawa has reset its approach to communication and engagement and as a result, has received much positive feedback. It is a good start and we will continue to explore ways to communicate with whānau, ensuring that everyone understands why we're doing what we're doing, what the results will be, and how that will help deliver a better future for all.

Acknowledging the team

I'd like to once again thank the Board, our CEO Andrew Crocker, and the talented Whai Rawa team that keep the waka moving forward. The year has not been without challenges, but they have been adeptly navigated.

We look forward to the year ahead as we develop new opportunities, forge fresh paths and capitalise on the momentum that has been built across the organisation to ensure Ngāti Whātua Ōrākei continues to move forward at pace.

Mauri ora and Shalom,

Michael Stiassny

Chairman

Ngāti Whātua Ōrākei Whai Rawa Limited

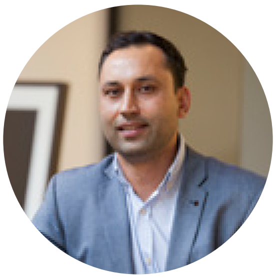
Our Board

Michael Stiassny
Chair

As one of New Zealand's most respected directors, Michael is a strong advocate for Māori development and has strived to bring about positive and lasting change for the hapū since joining as Chair in 2013.

His passion for Ngāti Whātua Ōrākei goes well beyond his position as Chair, and his influence on Whai Rawa has led to both growth for the organisation and the professional development of his fellow directors. A key focus for Michael has been the need to prepare Whai Rawa for succession.

A former president and current Fellow of the Institute of Directors (FInstD), Michael is also a chartered accountant, a lawyer, and a director for several public and private companies. He served on the board for Vector Limited for 16 years and is currently a chairman for Tower Limited.



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.

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 a Director for Manaaki Whenua Landcare Research, as well as Member of the Board of Trustees at Sir Peter Blake Trust, on the Board of the National Science Challenge, and Chair of the Settlement Protection Team.

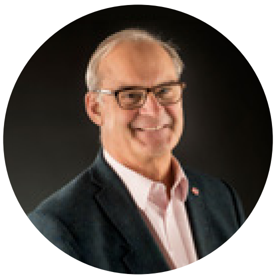
He is passionate about Auckland tribal histories, kaitiakitanga, and taking care of our environment for a better New Zealand.

Precious Clark
Whānau Director

Utilising her impressive background in law and Māori studies, Precious Clark is the Managing Director of Maurea Consulting Ltd, an organisation that shares Māori culture globally so that it shapes and informs a modern world. She is also the creator of Te Kaa, a unique Māori cultural competency training programme that aims to bring the Māori culture to a business environment.

Precious is a Director of the Auckland Regional Amenities Funding Board, 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 also 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.



Sir Rob Fenwick

Independent Director

Known as a conservation hero by New Zealand media, Sir Rob Fenwick is an experienced businessman and company director passionate about promoting sustainable development.

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

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

Sir Rob is 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. He was recently appointed as Executive Director at Vincent Capital Limited, a property funding lender.

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.

In addition to four CEO roles in central and local government, the real estate and property sector, he has held a range of property and business-related directorships. 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.

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.

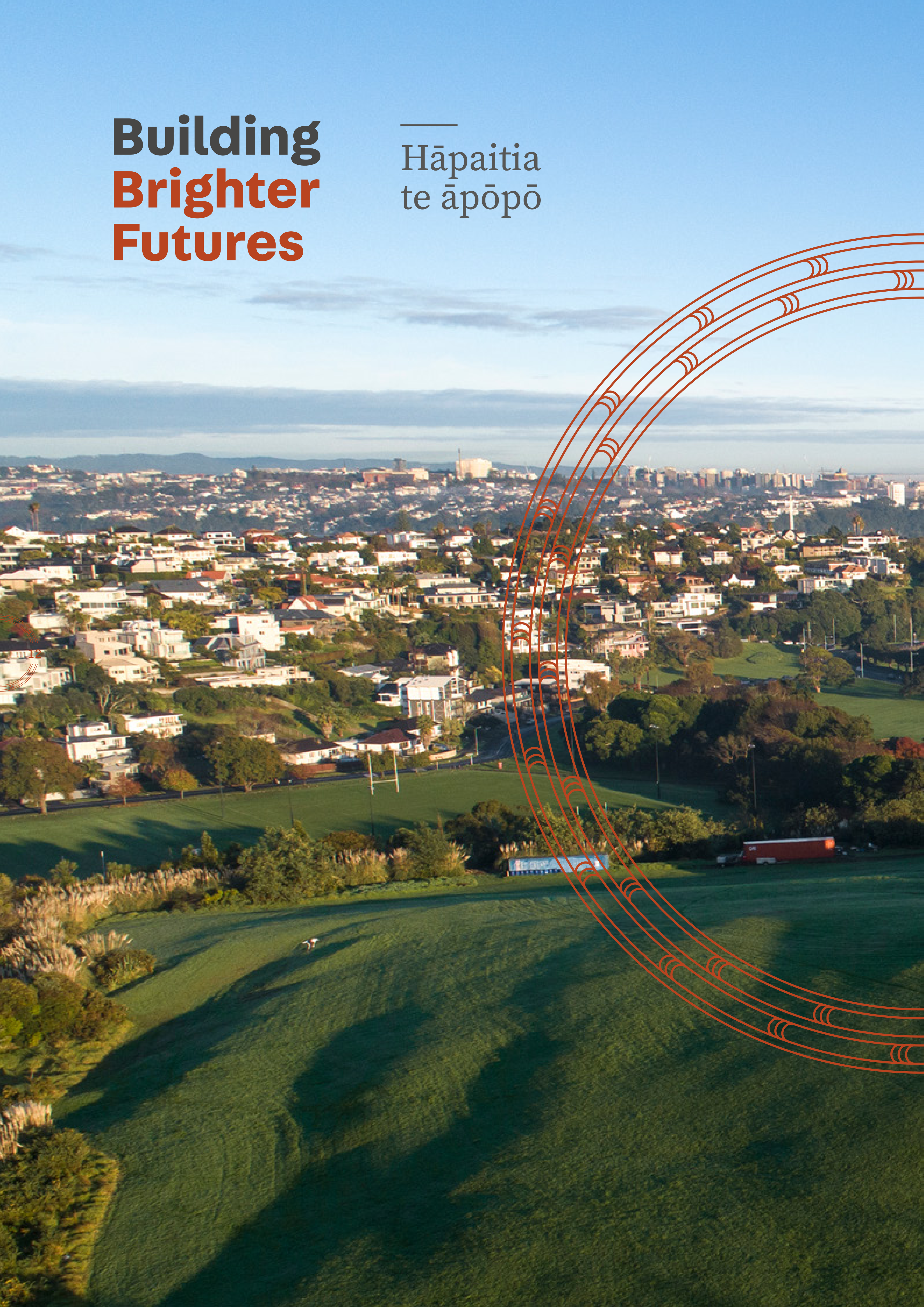
Her commitment to making legal services more accessible to the public led to her founding Ture.co.nz, an online platform that provides a place for the public to connect with New Zealand lawyers. She also produces a podcast called NZFREELAW.

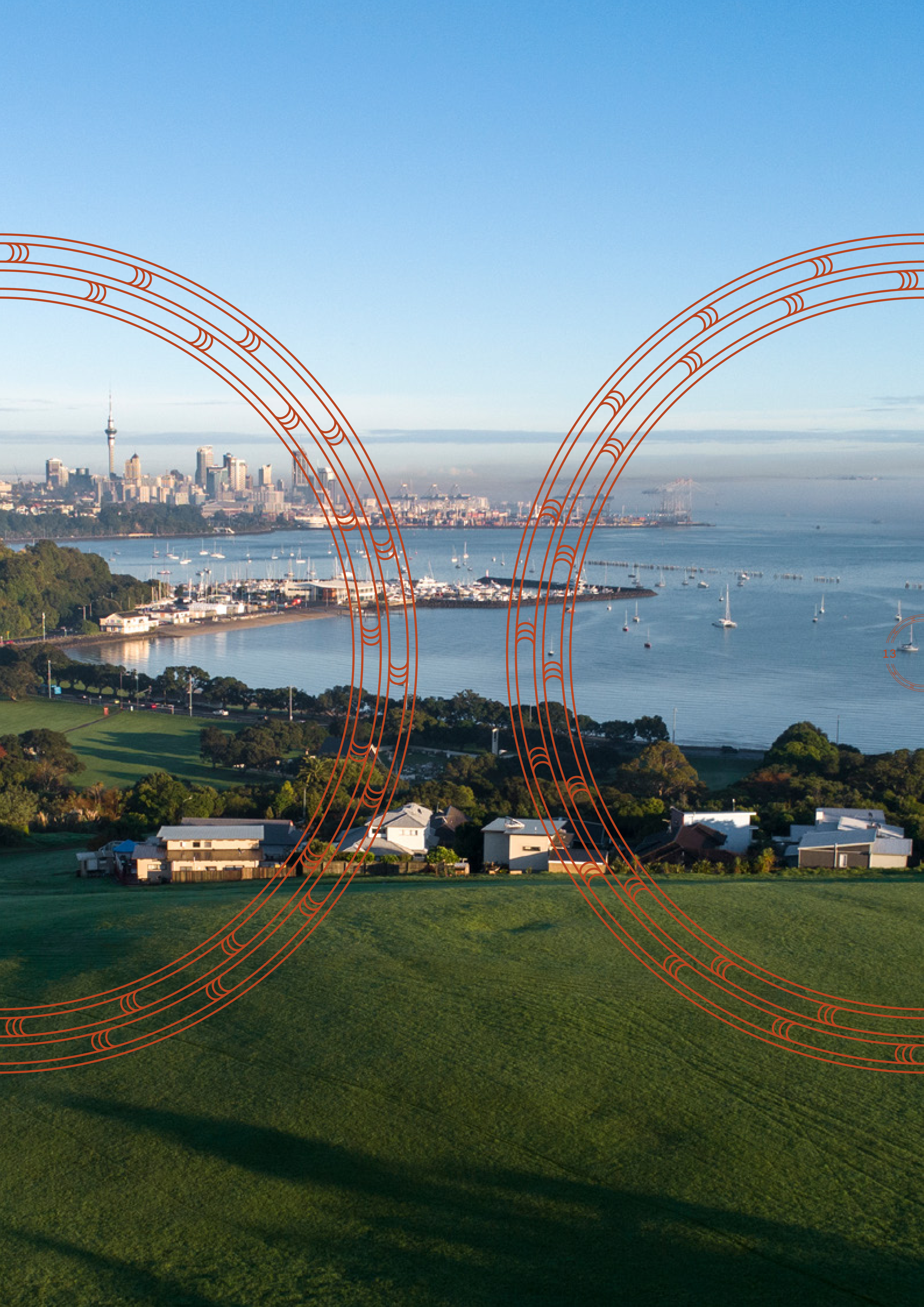
In addition to her contributions in New Zealand, Julia is also making her mark internationally. In 2017, Julia led the development of a LEARNX Impact Award winning online risk management programme. She also presented, as General Counsel for Te Wānanga o Aotearoa, on intellectual property at the World Indigenous People Conference in Toronto.

She is Chair for the board of Kia Puawai Limited.

Building Brighter Futures

Hāpaitia te āpōpō





Andrew Crocker
Chief Executive Officer
Ngāti Whātua Ōrākei
Whai Rawa Limited

CEO's Report

Tēnā koutou katoa,

It has been an exciting year for Whai Rawa. We have made significant progress with existing asset development; we have launched promising new business ventures; we have transformed our commercial operations; and most importantly, we have continued to commit to initiatives that deliver positive outcomes for whānau.

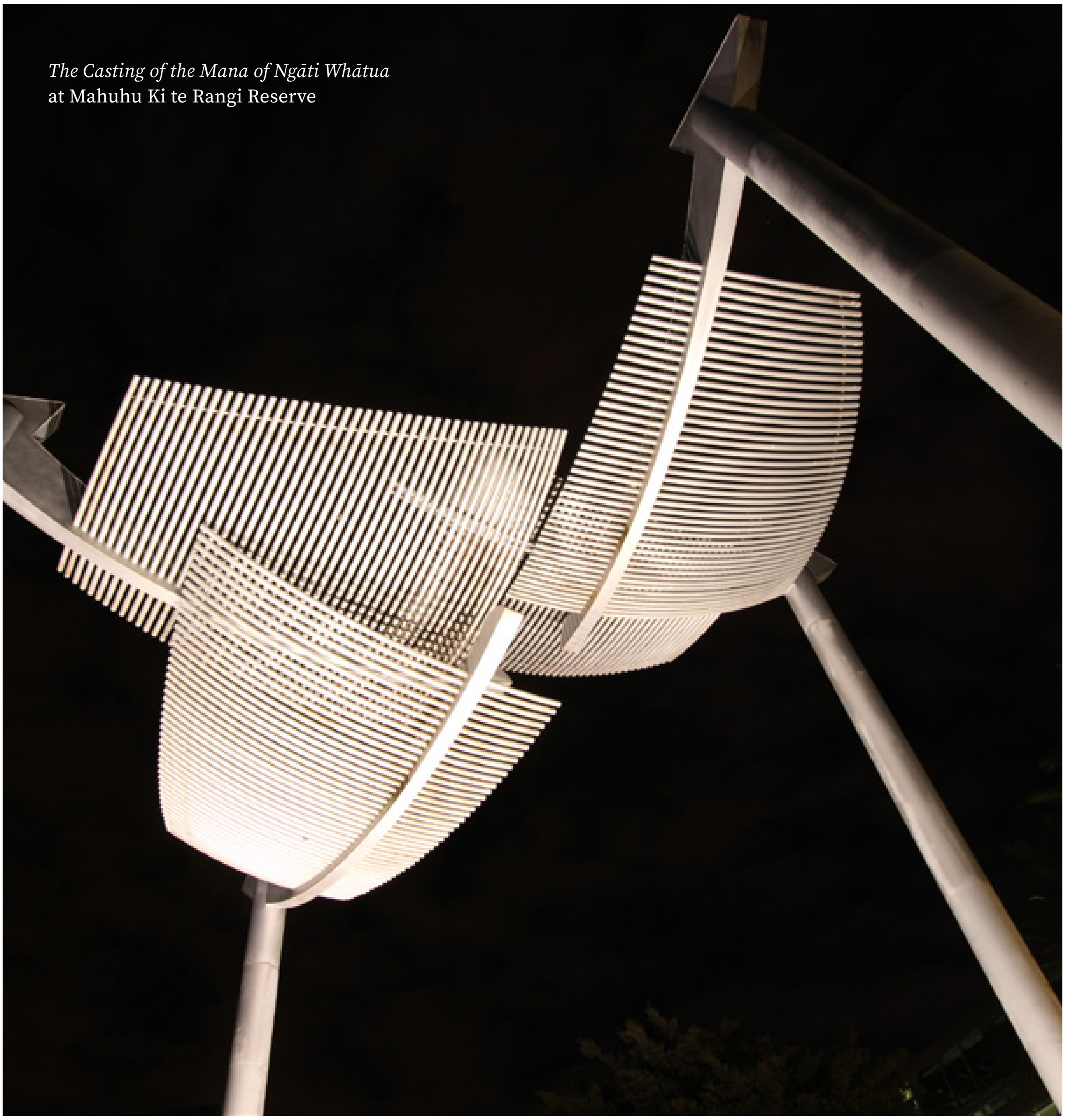
The year has had its share of challenges, ebbs and flows but we have listened and taken the lessons we have learned to guide us in the future.

Pakihi

Our commercial operations have been encouraging, especially in light of the softening property market. In particular, the very successful resolution of the Quay Park rent reviews ensures we will continue to get strong returns from our biggest single asset.

In negotiating these reviews, I found myself reflecting on many occasions on the foresight of esteemed hapū leaders who were instrumental in securing Te Tōangaroa – Quay Park for Ngāti Whātua Ōrakei. Their astuteness and dedication have rightfully given the hapū the ability to control the future.

In continuing their legacy, Whai Rawa is working on a masterplan for the redevelopment of Te Tōangaroa. This plan will present a vision of a precinct that truly plants a flag for Ngāti Whātua Ōrākei in the heart of Tāmaki Makaurau. We have held hīkoi around the precinct so whānau can see and feel the whenua themselves and provide their feedback about how we can better celebrate the heritage of the area while increasing its commercial value. With further whānau and stakeholder consultation we hope to see a vision come to fruition over coming years.



The Casting of the Mana of Ngāti Whātua
at Mahuhu Ki te Rangi Reserve

Te Tōangaroa, the historical name for the wider Quay Park area, means "the dragging of the waka". It takes many people to drag a waka to shore, working together in careful unison, and pulling in the same direction. For us to secure the future Tāmaki deserves, we, along with those who share our vision, need to pull together.

We are also working closely with Auckland Council to align with and inform the Central City Masterplan, with the intention of consciously weaving the idea of true partnership with iwi into the fabric of our central city.

Oneoneroa

This year has also seen us begin the construction and marketing of our development at Oneoneroa (formerly referred to as Navy lands). This is the first development project that Whai Rawa has managed end-to-end, through our development operation Ngāti Whātua Ōrākei Properties. We have already received significant interest from locals, prospective buyers, media and property professionals, and we're expecting strong sales when the first properties are listed early 2020.

We are eagerly anticipating the coming year as our Oneoneroa development goes on sale and buyers start to move into their new homes. Our intention is to leave a lasting legacy in that community and create a powerful brand as people come to appreciate what it means to own a quality, Ngāti Whātua Ōrākei Properties home.

Building communities:
13 houses are underway at our Oneoneroa Development

Property Development

Our Kōwhai Ridge joint venture development project with Fletcher Living on Moire Road in Massey is also nearing completion. It has been delivered to an exemplary standard, attracted strong sales, and has to-date delivered returns of $3.9m for Whai Rawa.

As Michael noted, our Eastcliffe Retirement Village has presented challenges. However, it remains a wonderful community for residents and we expect it to make a healthy ongoing contribution to Whai Rawa's revenues when the current issues are resolved.

Investment

The year ahead will also see the first of our tourism initiatives come to life and we are keen to showcase our manaakitanga as ahi kaa on a larger scale.

These commercial initiatives are key to Whai Rawa delivering on the asset growth targets and diversification strategy outlined in the Ngāti Whātua Ōrākei five-year plan.

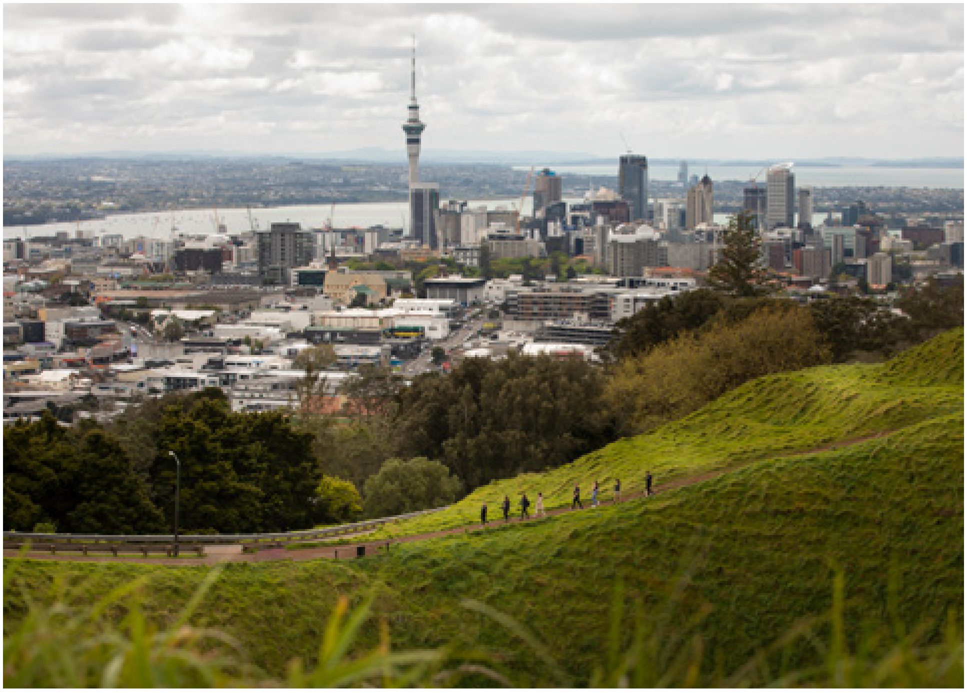
We remain resolute and passionate in our commitment to deliver on our mandate of protecting and growing the assets of Ngāti Whātua Ōrākei. We are continually encouraged by the positive services such as Toi Ora (our hapū Health Insurance plan), Toi Tupu (our hapū Savings and Investment Scheme) and Papakainga housing that careful management of iwi assets helps enable. Through our commercial efforts, we intend to continue the expansion of these services in the year ahead.

Kaimahi

New additions to the Whai Rawa team have deepened the experience and capability we already have and brought new skills to ensure we maintain and enhance our performance. Our new Chief Financial Officer, Sam Hansen, formerly CFO of the Tamaki Redevelopment Company has significant commercial and social housing expertise, which suits our mahi perfectly.

Annie Dundas joined us as General Manager of our new tourism operation, Ngāti Whātua Ōrākei Tourism, following eight very successful years at the helm of Hawkes Bay Tourism. She has brought ambition matching our own to establish Tāmaki Makaurau as not just a gateway for manuhiri to see the rest of the country, but a world-class attraction in its own right.

Hariata Ngatai joined the team as our first full time marketing and communications specialist. Her experience in local government, the tourism and construction industries has already seen the quality and frequency of our kōrero with whānau and other stakeholders greatly improve.



Ngā Mihi

For the year that's been, I would like to thank my passionate team, the Whai Rawa Board, and our whānau who make this role so rewarding.

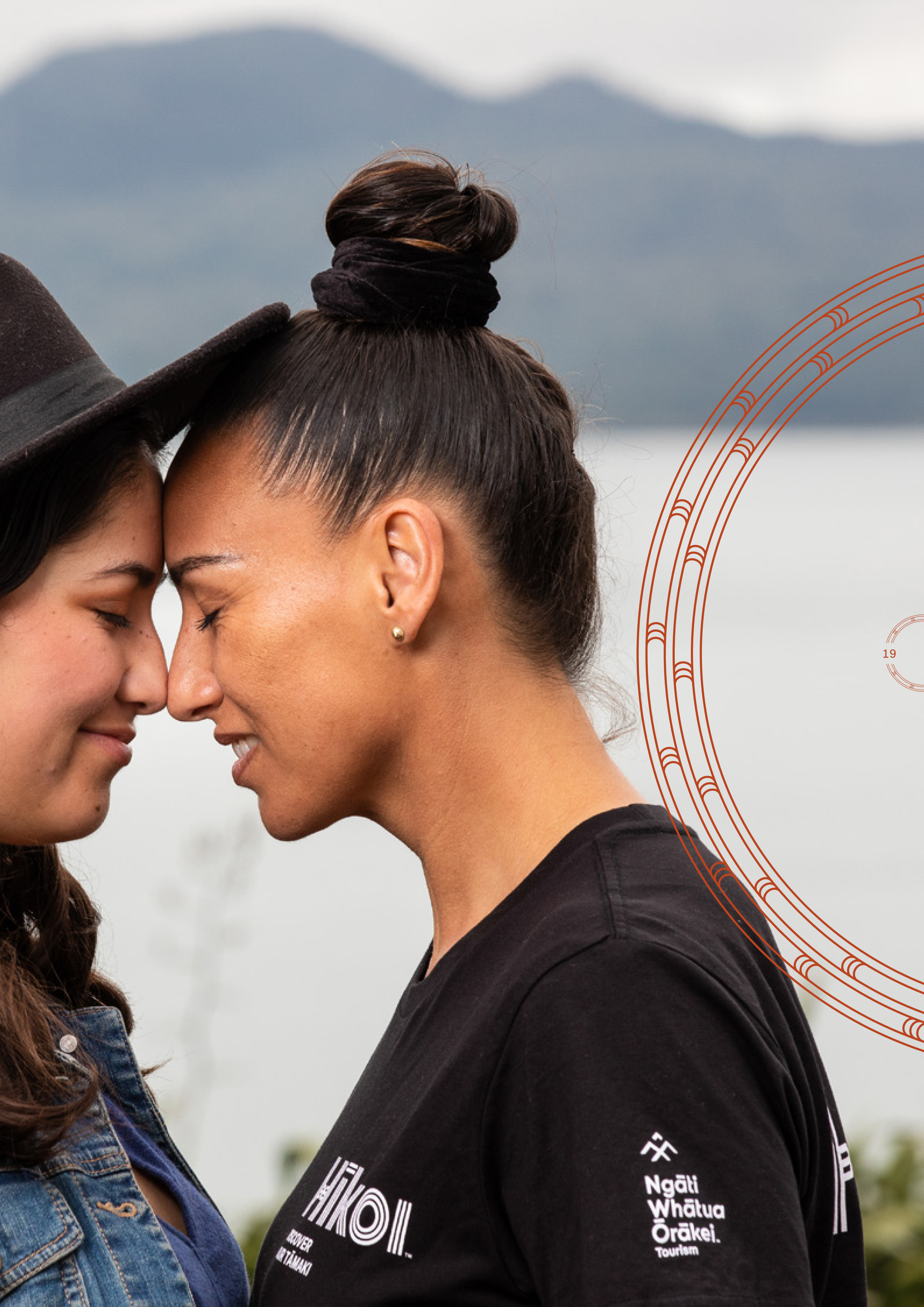
We have an exciting year ahead and I'm looking forward to updating you all as we progress our plans over the coming months.

Ngā manaakitanga,

Andrew Crocker
Chief Executive Officer
Ngāti Whātua Ōrākei Whai Rawa Limited

Building Experiences

Manaakitia ngā tāngata


Hīkoi
DISCOVER
OUR TĀMAKI
Ngāti
Whātua
Ōrākei.
Tourism

Ngāti Whātua Ōrākei Tourism

This year Whai Rawa officially launched our tourism operation; Ngāti Whātua Ōrākei Tourism. The launch of this venture was the culmination of years of careful planning, market research, and extensive consultation.

Our decision to move into tourism was driven by the recognition that as our hāpu develops we need to diversify our commercial interests, and those interests should align closely with our mātāpono. We saw in tourism an attractive avenue to provide employment, opportunity and commercial returns for NWO, while demonstrating through our mahi core values such as ahi kaa, rangatiratanga and manaakitanga.

To lead this new venture, we appointed Annie Dundas, whose experience heading Hawke's Bay Tourism and running the North American operation of Tourism New Zealand puts her among the leading commercial tourism experts in Aotearoa.

Rangatiratanga

Our first initiative under the Ngāti Whātua Ōrākei Tourism banner was to take the reins of Tāmaki Hīkoi, the tour company managed for the last ten years by Ngāti Whātua Ōrākei Whai Maia.

Tāmaki Hīkoi presents an exciting opportunity to take visitors, from near and far, on a journey with us as we deliver kōrero, historical and modern, about our home, Tāmaki Makaurau, while driving a commercial return and generating employment opportunities for whānau.

In recent months we have redeveloped the branding for the product Hīkoi, updated the marketing material, revamped the tour offerings and pricing, and invested further in staffing and training. These efforts have seen encouraging early returns with tour bookings up and new contracts signed with key travel sellers. Positive Trip Advisor reviews tell us that our manuhiri love the experiences we are sharing.

Ahi Kaa

We are working hard to raise the profile of Ngāti Whātua Ōrākei in the tourism sector and fly the flag for our hāpu as ahi kaa and business leaders in central Tāmaki Makaurau.

We are also working alongside Emirates Team New Zealand and America's Cup 2021 organisers to secure rights to host an official fan zone at Takaparawhau. This is an incredible opportunity to showcase our culture, our tourism credentials and our manaakitanga to a national and global audience.

Whai Rawa
Commercial growth

With tourism now being Aotearoa's leading export, and Tāmaki Makaurau serving as the gateway for most manuhiri to our country, we see a substantial opportunity to leverage our position as ahi kaa by investing in initiatives that carry our waka forward while enriching our shared rohe.

Annie and the Ngāti Whātua Ōrākei Tourism team has begun the process of assessing a number of commercial tourism opportunities, many based locally and some with nationwide scope. We are looking to invest in attractions that are equal parts influential, profitable and enrich the cultural landscape of the areas they operate in. Our focus for the year ahead will be transitioning from a fact-finding phase into actively investing in ventures that meet our criteria.

Throughout this journey, we aim to keep whānau informed, engaged and aware of opportunities to participate directly in our tourism activities.

Ngāti Whātua Ōrākei Tourism

Stats

AUCKLAND VISITOR SPEND

$8268.2m

YE May 2019

AUCKLAND VISITOR NIGHTS

7,501,779

+2.21% YE May 2019

AUCKLAND CRUISE EXPENDITURE

$176m

2017/2018

AUCKLAND CRUISE SHIP VISITS

135 Port visits | **151** Port days

+42%

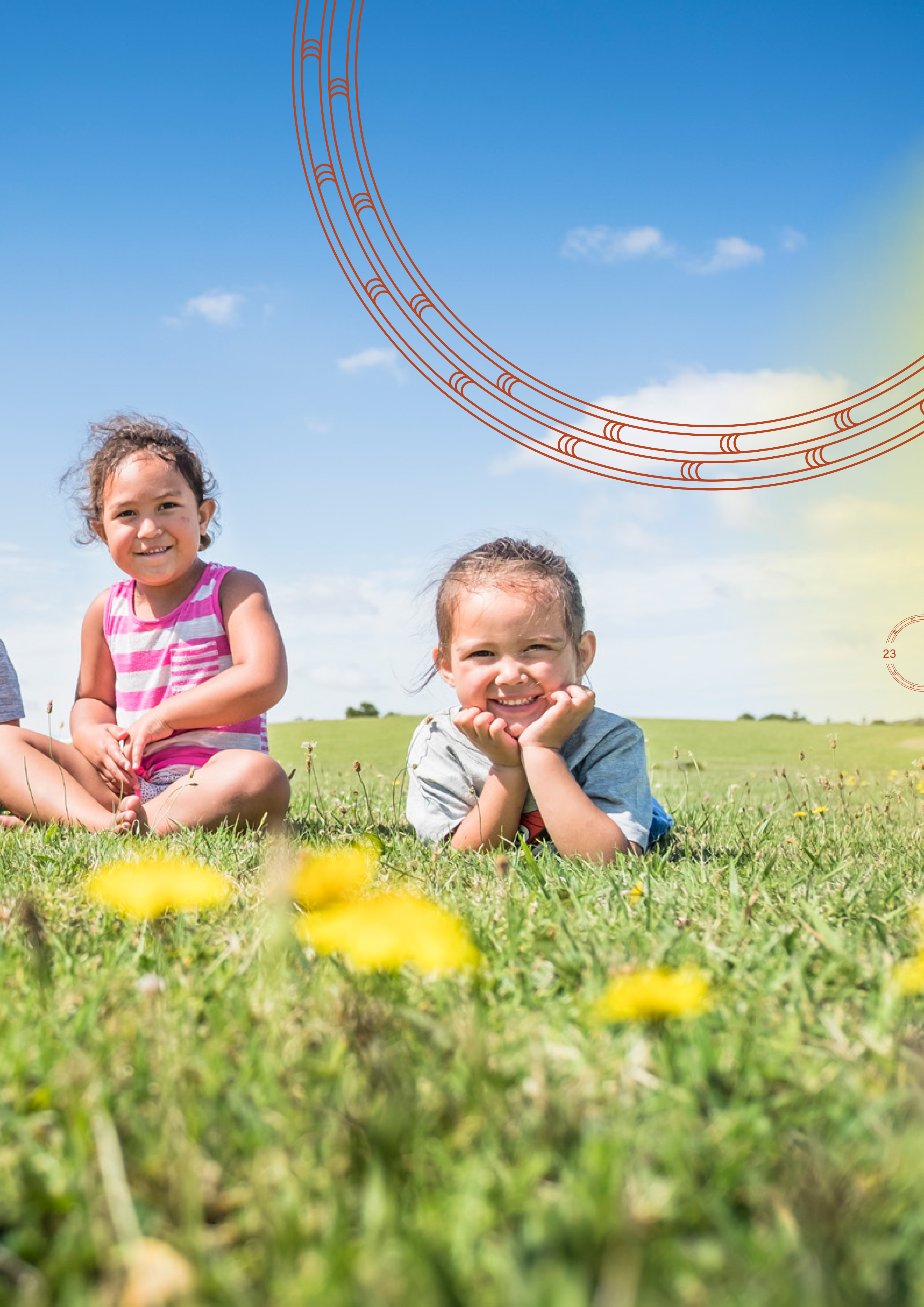
MBIE predict international visitor arrivals to grow 42% over the next 6 years to reach 5.1m per annum by 2024.

+$10.9bn

Visitor spend is expected to grow from $39.1bn in 2018 to $50bn per year by 2025.

Building Futures for our whānau

Ka tū pari toka toka, ka horo pari oneone



Toi Tupu

E tapatahi ana a Ngāti Whātua Ōrākei ki te whakawhanaketanga o ngā uri o Tuperiri o nāianei, o anamata hoki. Mā te kōkiri i a Toi Tupu, he kaupapa penapena me te haumi, me tētahi hōtaka whakawhanake moni, e tūmanako ana ka tupu tētahi ahurea penapena me te haumi i waenganui i te hapū. Ki te piri mai koe, ka kite koe i ō moni e tupu ana i te taha o ngā rawa o te hapū me te whanake o tō māramatanga me ō mātauranga penapena me te moni.

Ko te kōkiritanga o tēnei hōtaka e hāngai ana ki te tirohanga whānui o Ngāti Whātua Ōrākei – Kia Rere Arorangi te Kāhu Pōkere ki ngā taumata tiketike. E hāngai ana hoki ki ngā mātāpono o te tino rangatiratanga, te mana taurite, te kotahitanga me te kaitiakitanga.

Kei a koe te tikanga mēnā rānei koe ka whai i a Toi Tupu. Engari, ko tō mātou tūmanako, ka āta whakaarotia e koe tēnei kaupapa, ā, mēnā e tika ana mōu, ka whāia e koe, ā, ka puta he hua ki a koe.

Toi Tupu is an investment scheme we launched in early 2018 to encourage a culture of savings and investment within the hapū. The 'Toi Tupu Savings and Investment' scheme is a way to support all members of Ngāti Whātua Ōrākei living in New Zealand and abroad.

Distributions from the Ngāti Whātua Ōrākei Trust are given to each registered member that enrols, and these are reinvested into Whai Rawa on their behalf as paid-up term deposits. We wanted to ensure whānau are thinking about their futures and what long-term saving and investing can mean for them and their goals. Whether that's buying their first kāinga, putting their tamariki through university or being financially secure in retirement.

The delivery of this programme is consistent with the vision of Ngāti Whātua Ōrākei – Kia Rere Arorangi te Kāhu Pōkere ki ngā taumata tiketike. It is also in keeping with the mātāpono of tino rangatiratanga, mana taurite, kotahitanga and kaitiakitanga.

Whātua investing in Whātua

Enrolment and participation in Toi Tupu is voluntary, but our hope is for members to consider the opportunity, enrol and benefit from the initiative for many years to come.

After launching in early 2018, we were pleased to see 2202 members enrolled into the Toi Tupu Scheme by the end of the year. This comprised almost half of all registered members of Ngāti Whātua Ōrākei (49.61% of a then 4439 total), an excellent result for its inaugural year.

Each enrolled member received a distribution of $606.06 ($500 + $106.06 attached Maori Authority Credits (MAC's)) with tax being deducted to account for their individual tax rates.

The Trust distributed $1,080,686.05 to Toi Tupu members' accounts in 2018.

Earlier in the year we also introduced a financial literacy series in our fortnightly e-newsletter, which breaks down investment and finance. The purpose of the series is to provide whānau with a solid understanding of why we have implemented this programme and encourage them to start applying the concepts of saving and investment to their every-day lives.

We wanted to ensure that all our whānau knew about the Toi Tupu initiative available to them and understood what it was all about. After sharing the 'Kete Pūtea' series in Tukuna and on the Facebook page, we experienced a surge in enrolments before the intake closed for the year with 303 new Toi Tupu sign ups (13% increase in 2018).

There were 2485 members (50% of a 4974-membership total) eligible for a distribution in 2019. The Trust will make a distribution of $606.06 (incl. MAC's) in the upcoming financial year to all eligible members.

It has been encouraging to see members take up the opportunity, not only for themselves but for their tamariki. In June 2019, 43.5% of Toi Tupu members were under-18.

In September we introduced an online Toi Tupu portal so that whānau have all the information they need right at their fingertips, and they can track their accounts and update their details. It's also an opportunity for whānau to watch their money grow and reap the benefits of a long-term investment.

Kiran Pollock: From Finance Intern to Finance & Toi Tupu Assistant

Kiran Pollock joined Whai Rawa as a Finance Intern in the summer of 2018 and hasn't looked back. Now the Finance & Toi Tupu Assistant, Kiran reflects on the journey that lead him down a new career path.

After graduating with a Bachelor of Teaching (Early Childhood Education) at Unitec and spending time as a teacher, Kiran left teaching in 2016 and decided to pursue his passion. He enrolled for a Bachelor of Law/Bachelor of Commerce conjoint degree at the University of Auckland where he is currently completing his studies.

A registered member of Ngāti Whātua Ōrākei, Kiran was brought on board to help administer, manage and plan for the success of the Toi Tupu initiative. He is the go-to for whānau pātai about the scheme, as well as assisting with the processes, policies, enrolments and applications for withdrawals. Kiran jumped straight into the internship and saw it as an opportunity to demonstrate his skills and capabilities, as well as learning as much as possible from our team.

He became such an invaluable asset to the team that, when his internship concluded, we offered him the opportunity to continue the work he had been doing by coming on board as the Finance & Toi Tupu Assistant.

For Kiran, it's been a rewarding journey that he says offers an opportunity to work on a better future for the hapū.

"As a registered member of the hapū, I am lucky to have had the education grants supporting me through my tertiary study and this internship opening up a new career path. Putting my time and effort into working on a better future for our people seemed like a good way to give back."

Kiran's advice for whānau considering taking up similar opportunities?

"There are many opportunities for future employment that you may never have heard of or considered. If you are willing to put in the time and effort, if you ask questions and actively engage, there will always be someone willing to share their knowledge."

Toi Ora

Funds generated from Whai Rawa's commercial activity are used to support the hapū's development goals. One of those key goals is improving the health and wellbeing of our people. Today, free comprehensive health insurance cover is offered to all registered Ngāti Whātua Ōrākei hapū members to empower our whānau when using the health system and to remove existing or perceived barriers to quality healthcare and healthcare options.

Since introducing the Ngāti Whātua Ōrākei Health Insurance Cover in April 2018, we have seen 3,331 hapū members enrolled within the first year, of which 1,531 are tamariki. This is 70% of our 4,753 strong membership base covered by the initiative in New Zealand and we hope to extend the programme's coverage to whānau based in Australia soon.

Whānau housing

We are excited that planning for Kāinga Tuarua is underway, as we're actively exploring land options for stage two of papakāinga housing.

Last year, Ngāti Whātua Ōrākei, along with the University of Otago and the National Science Challenge developed a whānau survey focused specifically on housing and community.

The survey, which took responses from 305 whānau, was designed to provide more understanding about current and future housing aspirations of the Ngāti Whātua Ōrākei membership.

Our previous hapū housing strategy survey, Whātua Āhurutanga, identified seven key objectives and the responses from the 2018 Whānau Housing Survey have provided us with invaluable data to inform our plans to meet those objectives.

We also delved deeper with specific questions around need, current housing profiles, and affordability, which was a level of detail that was not captured in the initial strategy.

The results of this survey and Whātua Āhurutanga are being considered, alongside extensive member consultation, in our development plans for the next stage of papakāinga housing.

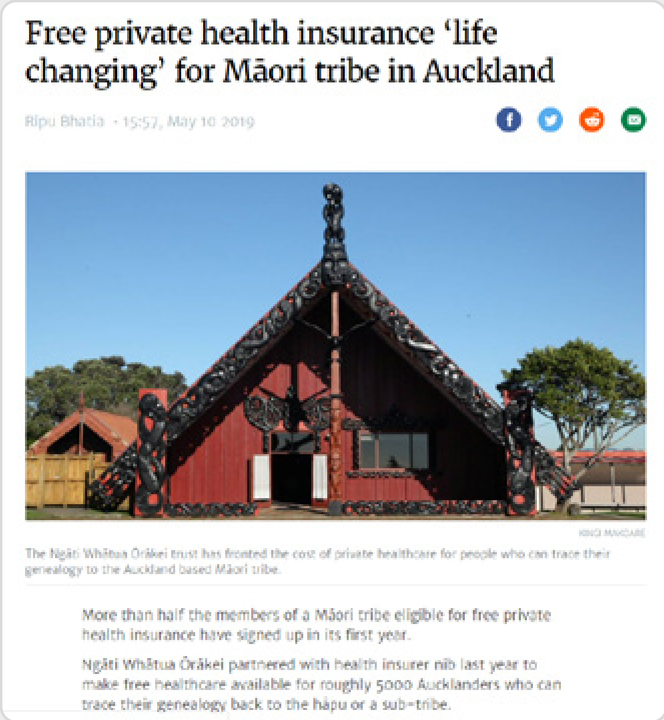
In July, we began conducting site testing on Kupe Street for papakāinga housing as well as Atareta Street for more kaumātua housing. The results of these tests will help to inform us with the next stage and design of the development.

Toi Ora in the news

stuff

Free private health insurance 'life changing' for Māori tribe in Auckland

https://www.stuff.co.nz/national/health/112554249/free-private-health-insurance-life-changing-for-mori-tribe-in-auckland


Free private health insurance 'life changing' for Māori tribe in Auckland

Ripu Bhatia • 15:57, May 10 2019

The Ngāti Whātua Ōrākei trust has fronted the cost of private healthcare for people who can trace their genealogy to the Auckland based Māori tribe.

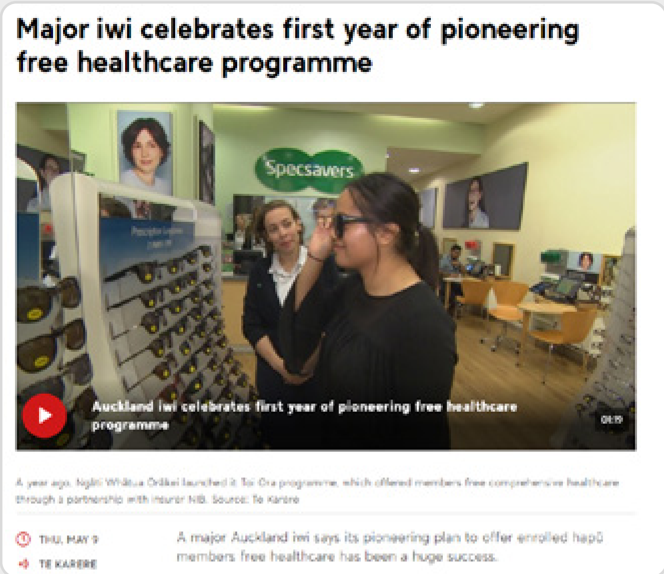
More than half the members of a Māori tribe eligible for free private health insurance have signed up in its first year.

Ngāti Whātua Ōrākei partnered with health insurer nib last year to make free healthcare available for roughly 5000 Aucklanders who can trace their genealogy back to the hāpu or a sub-tribe.

tvnz 1

Major iwi celebrates first year of pioneering free healthcare programme

https://www.tvnz.co.nz/one-news/new-zealand/major-iwi-celebrates-first-year-pioneering-free-healthcare-programme


Major iwi celebrates first year of pioneering free healthcare programme

A year ago, Ngāti Whātua Ōrākei launched it Toi Ora programme, which offered members free comprehensive healthcare through a partnership with insurer NIB. Source: Te Karere

THU, MAY 9

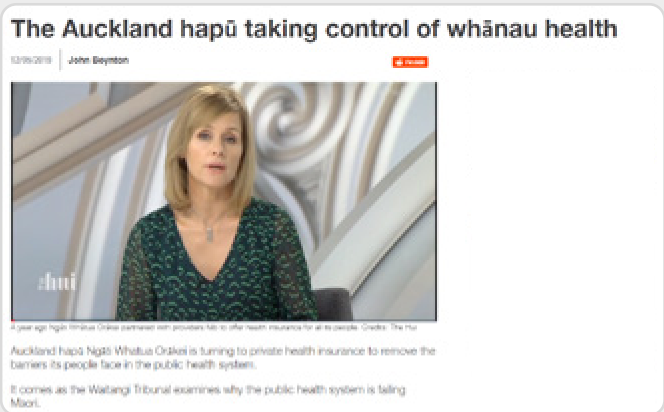
TE KARERE

A major Auckland iwi says its pioneering plan to offer enrolled hapū members free healthcare has been a huge success.

Newshub.

The Auckland hapū taking control of whānau health

https://www.newshub.co.nz/home/shows/2019/05/the-auckland-hap-taking-control-of-wh-nau-health.html


The Auckland hapū taking control of whānau health

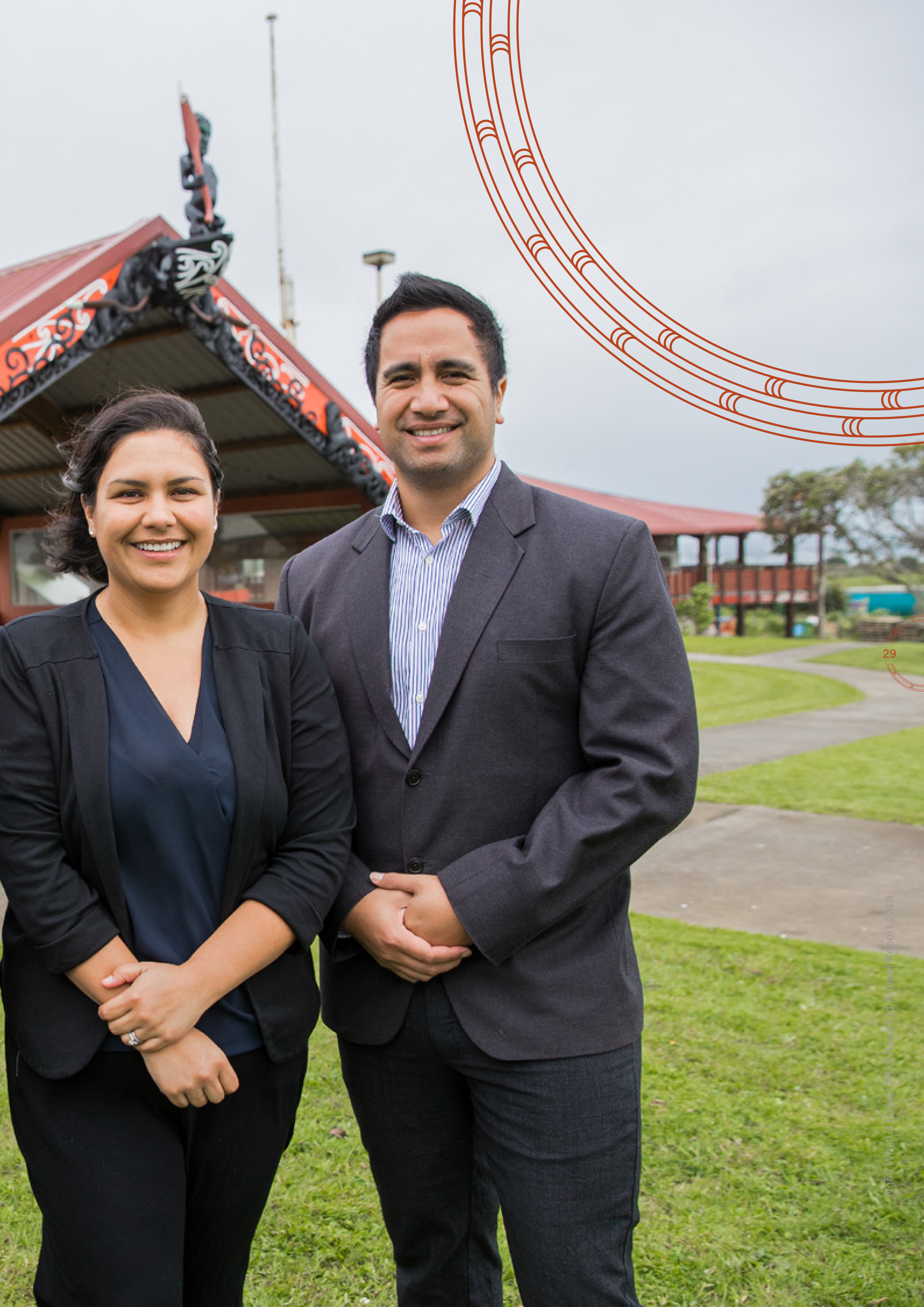
John Boynton

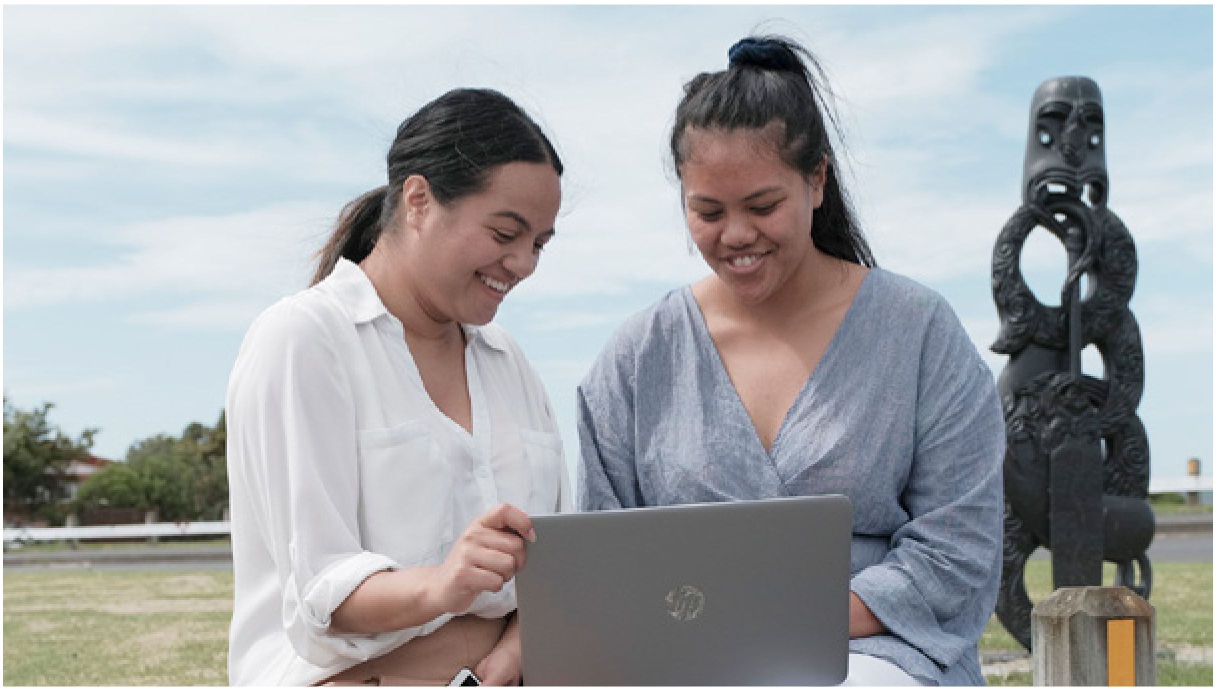
Auckland hapū Ngāti Whātua Ōrākei is turning to private health insurance to remove the barriers its people face in the public health system.

It comes as the Waitangi Tribunal examines why the public health system is failing Māori.

Building Future Leaders

Ākina ngā rangatira mō āpōpō





Future Directors

As kaitiaki of a more than a billion-dollar asset base, we take our role of stewarding our resources seriously, and part of this is developing our rangatahi to one day take the reins. We acknowledge and understand our responsibility to foster the personal growth of our people, in order for them to lead the next generations forward, building a better future for the hapū.

With that in mind, we created the Future Director programme in 2015 to grow the talent pool of our younger generation by building their leadership skills and equipping them with board and governance experience. 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.

After our inaugural Future Director, Dane Grey, finished his two-year tenure in 2017, we appointed two more Future Directors to the programme, Stacey Perillo and Te Arepa Morehu.

Stacey and Te Arepa have been a huge asset to the team and have demonstrated significant personal and professional growth during their tenure. We thank them for their time, dedication and valuable contribution during their directorships and wish them a fond farewell. We look forward to following their haerenga as they embark on their next chapter.

We also look forward to supporting Otene Hopa and Faiz Salim's growth and development over the next two years.

Interns

In line with our mission to grow the skills and talent within our hapū, we also offer a number of internship opportunities for whānau to get involved in.

In the last two years, we have run internships within Whai Rawa to help us develop whānau initiatives including Toi Tupu (p24–25) and Toi Ora (p26–27). Our interns were selected from within the hapū and were instrumental in the development and implementation of these initiatives.

We have also collaborated with some of our long-standing development partners to offer internships and apprenticeships in areas such as construction and engineering. For whānau keen on engineering, our partner Aurecon offer three-month internships that coincide with university summer break, allowing students to start after their exam period in November/December and work through until university resumes in February/March.

In addition, we have placed one of our rangatahi studying marketing in an internship at the DDB Group, one of New Zealand's leading full-service communications agencies.

Communications with whānau

A key objective for us this year has been implementing a communications programme to open up channels for kōrero with whānau. We acknowledge many whānau have requested clear and timely communication from us and we have committed to being more transparent and frequent in our communication efforts.

Following the hui in February, we introduced a fortnightly newsletter, Tukuna, a Facebook page and a LinkedIn page. We have used all three platforms to inform members about our developments and whānau initiatives, as well as introducing an educational financial literacy series as part of our Toi Tupu initiative (p24). So far, the response from whānau has been overwhelmingly positive.

We will continue to use these platforms to communicate with whānau in a timely and informative manner to ensure members are kept up to date on our ventures and are allowed the opportunity to feedback. We will also use these channels, in addition to kanohi ki te kanohi hui, as part of our consultation process with whānau on property developments, including more papakāinga housing.

We are working on a new website to host information on our activities for members and the public to have quick and easy access to. The website is interactive, with a map of all our developments and FAQ pages for each of the sites.

As our communication efforts continue, we acknowledge there is always room for improvement and we welcome feedback from whānau.

Building Prosperous Futures

Ngā tirohanga

Financial Overview Performance Against Plan

The financial overview provides a summary of the financial results for the year ended 30 June 2019 compared with those outlined in the Trust approved Annual Plan. Please refer to the accompanying notes and accounting policies as set out in the financial statements for a full understanding of the basis on which the financial results are determined.

The Ngāti Whātua Ōrākei Trust Deed requires the Annual Report to include a comparison of performance against the Annual Plan, along with the Consolidated Financial Statements.

Solid operating performance

In the 2019 financial year, revenue was $47.5 million, $1.7 million (3.5%) lower than the Plan. The lower performance is mainly due to lower sales at Eastcliffe Retirement Village. This was offset by the positive outcome of the 7-yearly Quay Park rent reviews.

The Total expenses for the 2019 financial year were $29.4 million, which was $11.2 million (27.6%) lower than the Plan. This was a result of lower spend in arbitration costs than expected for the Quay Park rent reviews, lower Whai Rawa office costs, and lower borrowings and falling interest rates reducing the finance costs. A further portion of the savings were related to timing. The purchase of the Kupe Street Tranche 2 from Kainga Ora (formerly Housing New Zealand) has been delayed to the 2020 Financial year meaning the spend for any future work on those properties will now be spent in 2020. The upgrade programme on existing stock is well underway but some costs that were expected in the 2019 financial year will be incurred in 2020. The costs for the Quay Park rent reviews still to be resolved are also expected in 2020. Marketing and Branding expenses for the North Shore development will also be incurred in 2020. Expenses for the year include $1.7 million for costs in relation to the Eastcliffe Kahu apartment, a project that has since been cancelled in response to consultation with whānau.

The Net Profit before taxation, fair value adjustments and share of associates earnings was $18.1 million which was $9.6 million (112.9%) more than the Plan. This represents the operating earnings before non-cash adjustments and taxation.

The share of profit from the Moire Road Joint Venture was $3.9m (57.8%) better than planned in the year. The year-end revaluation of investment property was slightly ahead of plan. The revaluation increase represented a lower increase than prior years indicating a slow down in the property market. The loss on the value of interest rates swaps of $2.7 million resulted from lower interest rates than forecast.

The total comprehensive income for the year was $44.3 million, which is $16.4 million (58.8%) ahead of plan.

Statement of Financial Performance

	Actual $m	Plan $m	Variance %
Income	**47.5**	**49.2**	**(3.5%)**
Expenses	**29.4**	**40.6**	**27.6%**
Net profit before taxation, fair value adjustments, and investments in associates	**18.1**	**8.5**	**112.9%**
Share of Profit of Moire Road Joint Venture	3.9	2.5	57.8%
Gain on Revaluation of Investment Property	28.2	23.0	18.4%
Unrealised Net loss on Financial Instruments	(2.7)	0.0	(100.0%)
Net Profit before Taxation	**47.5**	**34.0**	**39.7%**
Income Tax Expense	**3.1**	**6.2**	**(50.0%)**
Total Comprehensive Income for the year	**44.3**	**27.9**	**58.8%**

Prudent Cash flow management

The cash outflow from operating activities was $2.7 million which was $51.4 million better than budget. The positive performance to Plan was primarily due to lower costs and the slower development activity on the North Shore compared to Plan in the year.

The cash outflow from investing activities was $13.9 million and was $1.3 million better than the Plan as the purchase of Kupe Street ridge Tranche 2 from Kainga Ora has been delayed until 2020. This was offset by the decision to not sell any Orakei properties outside of the papakāinga in the year.

Financing cash inflows were $17.3 million and lower than planned as borrowings were not required to fund expenditure. The borrowings increased by $24.8 million in the year which was $58 million lower than planned.

Statement of Cash flows

	Actual $m	Plan $m	Variance %
Cash flow from operations	(2.7)	(54.1)	95.0%
Cash flow from investing activities	(13.2)	(14.5)	9.0%
Cash from financing activities	17.3	69.0	74.9%
Net increase in cash held	**1.4**	**0.3**	
Cash at the beginning of the year	2.6	2.6	
Total cash at the End of the year	**4.0**	**2.9**	

Strong Balance Sheet maintained

The Balance Sheet remains robust with borrowing levels $58million lower than planned due to less development activity and prudent capital management. The assets growth from revaluation is largely in line with the Plan with a small increase across the portfolio. The lower assets compared to the Plan represent the slower investment in development on the North Shore.

The long-term debt ratio is 20.5% compared to a plan of 25.4%. The long-term debt ratio measures the proportion of capital contributed by the shareholders and by previous earnings versus that contributed by debt. The positive long-term debt ratio performance indicates Whai Rawa is still positioned strongly for growth opportunities.

Statement of Financial Position

	Actual	Plan	Variance
	$m	$m	%
Current Assets	22.6	16.1	40.3
Non-current Assets	1,195.0	1,240.9	(3.7%)
Total Assets	**1,217.6**	**1,257.0**	**(3.1%)**
External Borrowings	224.6	282.6	20.5%
Other Liabilities	120.8	123.4	2.1%
Total Liabilities	**345.4**	**406.0**	**14.9%**
Net Assets	**872.2**	**851.0**	**2.5%**

Ngāti Whātua Ōrākei Whai Rawa Limited and Subsidiaries

Financial Statements

For the Year Ended 30 June 2019

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Company Directory

For the Year Ended 30 June 2019

Registered Office	29 Dockside Lane Auckland 1010
Directors	Joann Precious Kowhai Clark Julia Anne Steenson Michael Peter Stiassny Ngarimu Alan Huiroa Blair Robert Lindsay Hutchison Sir Robert George Mappin Fenwick
Company Number	678327
Auditor	Ernst & Young Auckland New Zealand
Banks	ANZ National Bank Limited Auckland New Zealand Bank Of New Zealand Auckland New Zealand Westpac New Zealand Limited Auckland New Zealand ASB Bank Limited Auckland New Zealand
Commenced Trading under New Structure	1 February 2013
Nature of Business	To actively manage and grow the assets and investments of the Ngāti Whātua Ōrākei Trust
Business Location	29 Dockside Lane Auckland 1010

Annual Report

The Directors hereby present their Report including Financial Statements of the Group for the year ended 30 June 2019.

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

Principal Activities:

Ngāti Whātua Ōrākei Whai Rawa Limited and its subsidiaries, is involved in the ownership, development and management of property assets for the benefit of the Ngati Whatua iwi.

Auditor

The Group's auditor is Ernst & Young.

Directors

The following Directors held office during the period:

Joann Precious Kowhai Clark

Julia Anne Steenson

Michael Peter Stiassny

Ngarimu Alan Huiroa Blair

Robert Lindsay Hutchison

Sir Robert George Mappin Fenwick

Directors' disclosures

- Ngāti Whātua Ōrākei Whai Rawa Limited and its subsidiaries are required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests register for Ngāti Whātua Ōrākei Whai Rawa Limited and its subsidiaries is available for inspection during usual business hours at the Whai Rawa offices, 29 Dockside Lane, Auckland 1010.
- In the year to 30 June 2019, Sir Robert George Mappin Fenwick was appointed Chair of Fonterra's Sustainability Advisory Panel.
- 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 25th day of September 2019

Consolidated Statement Of Comprehensive Income

For the Year Ended 30 June 2019

	Note	2019	2018
		$	$
Revenue			
Property Rental Revenue		42,167,928	27,159,158
Retirement Village Revenue		4,630,841	4,994,053
Property Sales		-	432,169
Interest and Dividend Revenue		543,231	532,902
Other	4	106,948	240,159
Total Revenue		**47,448,948**	**33,358,441**
Expenses			
Employee Benefits Expense	5	5,083,974	4,867,727
Governance	5	341,776	371,734
Finance Costs	5	12,072,399	9,688,772
Rental Property Expense		4,113,764	4,971,807
Retirement Village Service Expense		1,871,422	2,053,871
Cost of Sales		55,370	391,718
Professional Fees	5	2,487,450	2,331,192
Depreciation and Amortisation Expense		115,351	107,843
Impairment of Inventories	6	-	95,466
Investment Property - Work in Progress Write Off		1,743,446	-
Provision for Doubtful Debts		52,000	(8,995)
Other Expenses	5	1,434,917	1,192,391
Total Expenses		**29,371,869**	**26,063,526**
Net Profit before taxation, fair value adjustments and investments in associates		**18,077,079**	**7,294,915**
Share of Profit in Associates	9	3,931,051	-
Gain on Revaluation of Investment Property	7	28,189,513	79,270,977
Unrealised Net Loss on Financial Instruments		(2,706,977)	(599,555)
Net Profit before taxation		**47,490,666**	**85,966,337**
Income Tax Expense	8	3,149,925	1,240,238
Total Comprehensive Income for the year		**44,340,741**	**84,726,099**

This statement is to be read in conjunction with notes to the accounts and financial statements on page 45 to page 76.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2019

	Note	Contributed Capital	Retained Earnings	Total
At 1 July 2018		222,645,446	608,965,933	831,611,379
Total Comprehensive Income for the year		-	44,340,741	44,340,741
Dividends paid	25	-	(3,787,731)	(3,787,731)
At 30 June 2019		**222,645,446**	**649,518,943**	**872,164,389**

	Note	Contributed Capital	Retained Earnings	Total
At 1 July 2017		222,645,446	537,833,834	760,479,280
Total Comprehensive Income for the year		-	84,726,099	84,726,099
Dividends paid	25	-	(13,594,000)	(13,594,000)
At 30 June 2018		**222,645,446**	**608,965,933**	**831,611,379**

This statement is to be read in conjunction with notes to the accounts and financial statements on page 45 to page 76.

Consolidated Statement of Financial Position

As at 30 June 2019

	Note	2019 $	2018 $
Equity		**872,164,389**	**831,611,379**
Current Assets			
Cash and Cash Equivalents	10	3,987,734	2,551,616
Trade and Other Receivables	11	7,422,131	1,780,405
Income Tax Receivable		1,390,592	454,321
Related Party Receivables	12	3,951,169	568,051
Housing Loans	12	325,714	325,845
Inventories	6	5,469,161	-
Total Current Assets		**22,546,501**	**5,680,238**
Non-Current Assets			
Investment Property	7	1,090,568,350	1,063,067,231
Inventories	6	76,953,776	72,465,223
Investment in Associates	9	14,279,771	-
Investment in Joint Venture		17,000	17,000
Housing Loans	12	12,358,880	12,708,873
Property, Plant and Equipment	13	837,019	572,677
Intangible Assets	14	-	1,210
Total Non-Current Assets		**1,195,014,796**	**1,148,832,214**
Total Assets		**1,217,561,297**	**1,154,512,452**
Current Liabilities			
RWT Payable - Toi Tupu		22,840	-
Trade and Other Payables	15	4,087,758	3,230,011
Employee Benefits	16	822,824	736,959
Related Party Loans	12	7,899,943	9,520,272
Toi Tupu Deposits	12	646,048	592,203
Refundable Occupation Right Agreements	17	36,093,843	41,140,297
Interest Bearing Loans and Borrowings	18	92,500,605	55,064,825
Income in Advance		2,974,948	3,693,889
Total Current Liabilities		**145,048,809**	**113,978,456**
Non-Current Liabilities			
Interest Bearing Loans and Borrowings	18	132,104,645	144,758,611
Fair value of Derivative Financial Instruments	19	3,999,159	1,292,182
Related Party Loans	12	60,000,000	60,000,000
Toi Tupu Deposits	12	1,682,907	-
Deferred Tax Liability	20	2,561,388	2,844,431
Income in Advance		-	27,393
Total Non-Current Liabilities		**200,348,099**	**208,922,617**
Total Liabilities		**345,396,908**	**322,901,073**
TOTAL NET ASSETS		**872,164,389**	**831,611,379**

Director
Date: 25 September 2019

Director
Date: 25 September 2019

This statement is to be read in conjunction with notes to the accounts and financial statements on page 45 to page 76.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2019

	Note	2019	2018
Cash Flows from Operating Activities		**$**	**$**
Cash was provided from:			
Interest and Dividend Revenue		543,231	543,307
Property Rental Revenue		35,565,903	30,497,897
Retirement Village Revenue and Occupation Right Agreements Proceeds		5,815,057	8,512,765
Sales		-	1,126,692
Other		140,079	240,159
Housing Loans Repaid		343,529	655,573
Total cash provided from operating activities		42,407,799	41,576,393
Cash was disbursed to:			
Payments to Suppliers		15,926,823	23,442,349
Payments to Employees		5,142,441	4,949,178
Payments for Inventory		8,199,920	1,950,663
Interest Paid		11,435,690	9,760,192
Income Tax Paid		4,350,730	2,899,026
Total cash disbursed to operating activities		45,055,604	43,001,408
Net Cash Outflow from Operating Activities	21	**(2,647,805)**	**(1,425,015)**
Cash Flows from Investing Activities			
Cash was disbursed to:			
Purchase of Property, Plant and Equipment		378,485	127,879
Investment Property		471,663	20,168,525
Development of Investment Property		2,001,752	182,040
Investment in Associates	9	10,348,720	-
Total cash disbursed to investing activities		13,200,620	20,478,444
Net Cash Outflow from Investing Activities		**(13,200,620)**	**(20,478,444)**
Cash Flows from Financing Activities			
Cash was provided from:			
Proceeds from Borrowings		24,800,000	28,350,000
Total cash provided from financing activities		24,800,000	28,350,000
Cash was disbursed to:			
Related Party Loans		6,265,457	3,542,677
Dividends Paid		1,250,000	2,062,500
Total cash disbursed to financing activities		7,515,457	5,605,177
Net Cash Inflow from Financing Activities		**17,284,543**	**22,744,823**
Net Increase in Cash Held		1,436,118	841,364
Cash at Beginning of the Year		2,551,616	1,710,252
Total Cash at End of the Year	10	**3,987,734**	**2,551,616**

This statement is to be read in conjunction with notes to the accounts and financial statements on page 45 to page 76.

Notes to the Accounts

As at 30 June 2019

1. GENERAL INFORMATION

Reporting Entity

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

The ultimate parent is Ngāti Whātua Ōrākei Trust.

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

Statement of Compliance

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

Basis of Preparation

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

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

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

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

Going Concern

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

Notes to the Accounts

As at 30 June 2019

2. ACCOUNTING POLICIES

Changes in Accounting Policy

There have been no changes in accounting policies over the period of operation except as outlined below. Certain comparatives have been restated where needed to conform to current year classification and presentation. The Group applied NZ IFRS 9 and NZ IFRS 15 for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are disclosed below.

NZ IFRS 9 Financial Instruments is effective for annual periods beginning on or after 1 July 2018. NZ IFRS 9 addresses the classification and measurement of financial assets and financial liabilities and replaces the NZ IAS 39 requirements for hedge accounting. The implementation of NZ IFRS 9 has resulted in changes to accounting policies as follows:

Classification and measurement
From 1 July 2018, The Group classifies its financial assets in the following measurement categories:
- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The classification of financial instruments has not resulted in any reclassification between measurement categories for the Group's financial assets and liabilities compared with prior reporting periods.

Impairment
Under NZ IFRS 9, on initial recognition of a financial asset, the Group assesses on a forward- looking basis, the expected credit loss associated with its financial assets carried at amortised cost.
For trade receivables, the simplified approach to measuring expected credit loss is adopted, which uses a lifetime expected loss allowance.
Based on an assessment carried out, the impairment loss on financial assets was immaterial. As a result, there have been no measurement changes required to these financial statements by NZ IFRS 9.

NZ IFRS 15 Revenue from Contracts with Customers is effective for annual reporting periods beginning on or after 1 July 2018. It replaces the revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts. NZ IFRS 15 establishes a five-step model for revenue recognition, which is centered on identifying the performance obligations in a contract and recognising revenue when each performance obligation is satisfied. The Group has considered the new guidance and identified the main performance obligations for each of its key revenue streams. For all revenue streams in scope of NZ IFRS 15 there were no changes in timing of revenue recognition. The new standard does not apply to rental income, which is recognised under NZ IAS 17.

Retirement Village Revenue includes rest home, hospital and service fee charges are governed by care admission agreements between individual care residents and Eastcliffe Ōrākei Retirement Village. Village fees are detailed within each village resident's occupation right agreement and relate to the operating costs of the village. There were no material impacts for the Group in relation to the accounting or disclosures, due to the nature of the transactions. Care Fees and Village fees continue to be accounted for under NZ IFRS 15, as they relate to "Pay as you go" fees. Deferred management fee revenue is not impacted as it is covered currently by NZ IAS 17-Leases.

Notes to the Accounts
As at 30 June 2019

2. ACCOUNTING POLICIES (Continued)

Basis of Consolidation

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

The consolidated financial statements incorporate the assets and liabilities of wholly owned subsidiaries of Whai Rawa as at 30 June 2019 and the results of those entities for that period. Whai Rawa and its wholly owned subsidiaries are referred to in these financial statements as the Group or the consolidated entity.

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

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

The Group consists of the following entities:

Subsidiaries

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

Notes to the Accounts
As at 30 June 2019

2. ACCOUNTING POLICIES (Continued)

Subsidiaries

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

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

Associates

Associates are all entities over which the group has significant influence. Significant influence is the power to participate in the financial and operating policy decision of the investee, but not control or joint control. Investments in associates are accounted for using equity method of accounting.

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the group's share of the post-acquisition profits or losses of the associate in profit or loss and the group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment.
The carrying amount of equity-accounted investments is tested for impairment.

Convertible Loan

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

Cash and Cash Equivalents

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

Trade and Other Receivables

Trade receivables, which generally have terms payable on the 20th of the month following, are recognised and carried at original invoice amount (fair value) less any impairment losses for any uncollectible amounts. Trade receivables, have terms payable on the 20th of the month following, are not significant on an individual basis and are initially recognised at fair value and subsequently measured at amortised cost using the effective interest rate, less an allowance for impairment.

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

Housing Loans

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

2. ACCOUNTING POLICIES (Continued)

Plant, Property and Equipment

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

Depreciation

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

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

	Expected useful life
Property Improvements	5 years
Motor Vehicles	5 years
Office Equipment	2–15 years
Plant and Equipment	5–10 years
Infrastructure	200 years

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

Intangible Assets

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

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

	Expected useful life	Amortisation method
Software	2.5 years	Straight-line

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.

Notes to the Accounts

As at 30 June 2019

2. ACCOUNTING POLICIES (Continued)

Trade and Other Payables

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

Toi Tupu Deposits

Toi Tupu Deposits are a savings and investment scheme implemented by the Group to allow registered Ngāti Whātua Ōrākei members to save amounts distributed to them by Ngāti Whātua Ōrākei Trust.

Toi Tupu deposits are classified as both current and non-current liabilities. Members have the right to withdraw their deposits after 12 months in the scheme, if they are over the age of 18 and have completed a financial literacy course.

Provisions

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

Employee Entitlements

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

Investment Properties

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

2. ACCOUNTING POLICIES (Continued)

Inventories

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

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 Consolidated Statement of Comprehensive Income on a straight-line basis over the term of the lease. Lease incentives received are recognised in the Consolidated 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 Consolidated 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 Consolidated Statement of Financial Position under current and non-current liabilities.

Notes to the Accounts

As at 30 June 2019

2. ACCOUNTING POLICIES (Continued)

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.

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.

2. ACCOUNTING POLICIES (Continued)

Refundable Occupation Right Agreements

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

Revenue Recognition

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

(i) Interest revenue

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

(ii) Dividends

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

(iii) Rental revenue

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

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

Notes to the Accounts

As at 30 June 2019

2. ACCOUNTING POLICIES (Continued)

(iv) Retirement village income

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

Village Contribution fee is a fee payable by all the residents living in independent units/apartments, serviced apartments and studios for the right to use the common facilities. The Village Contribution fee is recognised in the Consolidated Statement of Comprehensive Income over the average expected length of stay of residents, which is 8.6 years (2018: 8.7 years) for the independent units/apartments and 4.2 years (2018: 4.2 years) for the serviced apartments and care studios.

(v) Land development and resale

The group develops and sells residential properties. Revenue is recognised when control over the property has been transferred to the customer. The properties have generally no alternative use for the group due to contractual restrictions. However, an enforceable right to payment does not arise until legal title has passed to the customer. Therefore, revenue is recognised at a point in time when the legal title has passed to the customer.

The revenue is measured at the transaction price agreed under the contract. In most cases, the consideration is due when legal title has been transferred. While deferred payment terms may be agreed in rare circumstances, the deferral never exceeds twelve months. The transaction price is therefore not adjusted for the effects of a significant financing component.

Income Tax

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Investment Property

Investment properties are carried at fair value, which has been determined based on valuations performed by external valuers. Refer to Note 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
As at 30 June 2019

4. OTHER REVENUE	**2019**	**2018**
	$	$
Other	106,948	240,159
	106,948	240,159

5. OPERATING EXPENSES	**2019**	**2018**
	$	$
Employee Benefits Expense		
Wages and Salaries	4,966,134	4,758,134
Kiwisaver Contribution	58,985	68,628
ACC Levies	41,556	26,914
Other Staff Costs	17,299	14,051
	5,083,974	4,867,727
Governance		
Directors Fees	340,000	343,973
Directors Expenses	1,776	27,761
	341,776	371,734
Finance Costs		
Interest Expense on Bank Facilities	6,719,737	5,087,818
Interest on Related Party Convertible Loan	3,000,000	3,000,000
Bank and Line Fees	1,546,868	1,312,918
Interest Expense on Interest Rate Swaps	745,613	288,036
Interest Expense on Toi Tupu Deposits	41,056	-
Use of Money Interest - IRD	19,125	-
	12,072,399	9,688,772
Professional Fees		
Accounting Fees	10,770	19,683
Audit Fees	105,740	72,481
Legal Fees	738,284	615,609
Valuations	485,712	303,413
Other Professional Fees (including Masterplanning, Rent Review, Toi Tupu, Feasibility, Tax and Treasury compliance)	1,146,944	1,320,006
	2,487,450	2,331,192
Other Expenses		
Office Expenses	465,825	452,070
Leases - operating	5,622	8,316
Communication Expense	630,650	513,594
Motor Vehicle/Travel Expenses	21,421	61,215
Recruitment Expense	171,160	64,954
Non-Recoverable GST	140,239	92,242
	1,434,917	1,192,391

6. INVENTORIES	2019	2018
	$	$
Classification of Inventories		
Current Assets		
Work in Progress - Hillary Development	3,411,565	-
Work in Progress - Roberts Avenue	2,057,596	-
	5,469,161	**-**
Non Current Assets		
Work in Progress - Hillary Development	60,522,471	57,189,719
Work in Progress - Laurel Street Development	11,653,389	11,653,139
Work in Progress - Roberts Avenue	4,777,916	3,622,365
	76,953,776	**72,465,223**
Total Inventories at the lower of cost and net realisable value	**82,422,937**	**72,465,223**

There was no impairment of inventories recognised in the Consolidated Statement of Comprehensive Income (2018: $95,466). This recognises the difference between the estimated total project cost and the net realisable value from the project on completion.

The Work in Progress Inventory of $82,422,937 (2018: $72,465,223) is pledged as security for Group borrowing facilities.

7. INVESTMENT PROPERTY	2019	2018
	$	$
At beginning of year	**1,063,067,231**	**965,170,145**
Net Gain from Fair Value Adjustment	28,189,513	79,270,977
Temporary accommodation to residents	692,501	1,026,388
Acquisition of Investment Property	-	20,228,200
Capital Expenditure	471,663	59,448
Work in progress - Eastcliffe Apartments	257,386	182,040
Transfer of Investment Property to Inventories	(2,020,000)	(2,977,947)
Movement in rent accrued on Fixed Uplift Leases and Lease Incentives	(89,944)	107,980
Closing balance as at 30 June	**1,090,568,350**	**1,063,067,231**

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 2019.

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

As at 30 June 2019

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:

	2019	2018
	$	$
Independent valuation of investment properties	1,052,273,425	1,020,479,593
Investment Property work in progress	439,426	182,040
Prepaid lease value	27,392	194,057
Refundable occupation right agreements	36,093,843	41,140,297
Termination Fees in Advance	1,734,264	1,071,243
Total Investment Property	**1,090,568,350**	**1,063,067,231**

Investment property includes investment property work in progress of $439,426 (2018: $182,040), which has been fair valued at cost.

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

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

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

The Group considers the following fair value measurement hierarchy levels:

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

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

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

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

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

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

As at 30 June 2018	Market capitalisation rate	Discount Rate	Price per square metre
Investment Property	5.00% to 8.00%	7.75%–14.5%	$25 to $3,750

Notes To The Financial Statements
As at 30 June 2019

8. INCOME TAX	Note	2019	2018
		$	$
Reconciliation of tax expense and accounting profit:			
Accounting Profit before Taxation		47,490,666	85,966,337
Adjusted for:			
Non-Taxable Revaluation of Investment Properties		(28,783,648)	(78,110,855)
Non-Deductible Expenses		1,195,099	3,644,574
Other		938,078	(624,992)
Tax Losses – Kainga Developments		80,166	-
Taxable Income		**20,920,361**	**10,875,064**
Income Tax using Maori Authority Tax Rate (17.5%)		3,661,063	1,903,136
Tax effect of Total Temporary Differences arising during the year	20	-	104,275
Adjustments in respect of current income tax of prior years		50,248	(767,173)
Prior period deferred tax adjustment		(276,711)	-
Prior period recognition of losses	20	(284,675)	-
Income Tax Expense		**3,149,925**	**1,240,238**

		2019	2018
		$	$
Maori Authority Credits			
At beginning of year		13,960,654	11,810,454
Net tax payments		4,350,730	2,893,086
Resident Withholding Tax		381	6,220
Imputation Credits on dividends paid	25	(803,458)	(749,106)
Other debits		(13,768)	-
Prior period adjustment		(84,341)	-
Closing balance as at 30 June		**17,410,198**	**13,960,654**

9. INVESTMENT IN ASSOCIATES

The Group has formed a partnership, Moire Road Limited Partnership, with Fletcher Residential Limited to acquire and develop property located at 73–89 Moire Road and once developed, sell the individual houses or saleable units.

The Group holds a 49% stake in the partnership.

Two of the Group's senior management staff are directors on the board of Moire Road Limited Partnership. No directors fees are paid in relation to these appointments, but the skills and experience of these directors are being utilised to protect and grow the Group's investment.

The partnership has a balance date of 30 June 2019. The financial information for equity accounting purposes has been extracted from audited accounts for the period to 30 June 2019.

Summary Financial Information

The information below reflects the full amounts in the financial statements of Moire Road Limited Partnership (and not the group's share of those amounts) before adjustments to align the accounting policies with those of the group.

	2019
Statement of Financial Position - Moire Road Limited Partnership	**$**
Current assets	49,268,991
Total assets	49,268,991
Current liabilities	20,126,602
Shareholders' equity	29,142,389
Total equity and liabilities	49,268,991
The Group's ownership	49%
The Group's share of shareholders' equity	14,279,771
Carrying value of investment	14,279,771

	2019
Statement of Comprehensive Income - Moire Road Limited Partnership	**$**
Sales	48,401,454
Cost of goods sold	(37,647,600)
Gross Margin	10,753,854
Management fees	(1,917,865)
Selling Expenses	(547,500)
Other Expenses	(265,937)
Total expenses	(2,731,302)
Profit for the year (continuing operations)	**8,022,552**
Total comprehensive income for the year (continuing operations)	**8,022,552**
Group's share of profit for the year	3,931,051

The associate had no contingent liabilities or capital commitments as at 30 June 2019 (2018: Nil)

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

Notes To The Financial Statements

As at 30 June 2019

10. CASH AND CASH EQUIVALENTS	2019	2018
	$	$
Cash at Bank	3,987,734	2,551,616
	3,987,734	**2,551,616**

11. TRADE AND OTHER RECEIVABLES	2019	2018
	$	$
Trade Receivables	2,751,012	812,031
Provision for Doubtful Debts	(222,000)	(170,000)
Prepayments	831,710	929,764
Accrued Revenue and other receivables	4,061,409	208,610
	7,422,131	**1,780,405**

(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 23 (a).

Notes To The Financial Statements

As at 30 June 2019

12. RELATED PARTY TRANSACTIONS		**2019**	**2018**
		$	**$**
Amounts outstanding at year end:			
Current Assets			
Related Party Receivables			
Ultimate Parent			
Ngāti Whātua Ōrākei Trust	**Trade Receivable**	1,251,125	150,420
Associated Trust			
Whai Maia Charitable Trust 1	**Advance**	106,850	106,850
Whai Maia Charitable Trust 1	**Trade Receivable**	2,593,194	310,781
		2,700,044	417,631
Members of Ngāti Whātua Ōrākei	**Housing Loans**	325,714	325,845
Non Current Assets			
Members of Ngāti Whātua Ōrākei	**Housing Loans**	12,358,880	12,708,873
Current Liabilities			
Related Party Payables			
Ultimate Parent			
Ngāti Whātua Ōrākei Trust	**Advance**	7,899,943	9,520,272
Associated Trust			
Whai Maia Charitable Trust 1	**Trade Payable**	-	-
Members of Ngāti Whātua Ōrākei	**Toi Tupu Deposits**	646,048	592,203
Non Current Liabilities			
Related Party Payables			
Associated Trust			
Whai Maia Charitable Trust 2	**Convertible loan**	60,000,000	60,000,000
Members of Ngāti Whātua Ōrākei	**Toi Tupu Deposits**	1,682,907	-

Notes To The Financial Statements
As at 30 June 2019

12. RELATED PARTY TRANSACTIONS (Continued)	2019 $	2018 $
Transactions with Related Parties:		
Advances Received from/(Repaid to):		
Ngāti Whātua Ōrākei Trust (net of repayments)	(1,620,329)	7,546,189
Toi Tupu Deposits Received from:		
Members of Ngāti Whātua Ōrākei	1,736,752	592,203
Housing Loans (Repaid by)/Advanced to:		
Members of Ngāti Whātua Ōrākei (net of repayments)	(350,124)	(445,221)
Property Rental Income Charged to:		
Whai Maia Charitable Trust 1	1,444,167	1,361,039
Interest Charged by:		
Whai Maia Charitable Trust 2	3,000,000	3,000,000
Housing Loan Interest Received from:		
Members of Ngāti Whātua Ōrākei	495,861	472,780

During the period there has been no impairment or write off of related party balances.

All advances are unsecured, repayable on demand and interest free except for the convertible loan.

Convertible Loan

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

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

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

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

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

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

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

13. PROPERTY, PLANT AND EQUIPMENT	Office Furniture	Plant and Equipment	Motor Vehicles	Infrastructure	Total
At 1 July 2018	144,757	126,961	1,778	299,181	572,677
Disposals	(2,470)	-	-	-	(2,470)
Additions	277,332	97,324	6,299	-	380,955
Depreciation Charge	(58,152)	(51,902)	(2,575)	(1,514)	(114,143)
At 30 June 2019	**361,467**	**172,383**	**5,502**	**297,667**	**837,019**
Cost	563,003	661,567	26,544	302,840	1,553,954
Accumulated Depreciation	(201,536)	(489,184)	(21,042)	(5,173)	(716,935)
Net Book Value 30 June 2019	**361,467**	**172,383**	**5,502**	**297,667**	**837,019**
Cost	288,141	564,243	20,245	302,840	1,175,469
Accumulated Depreciation	(143,384)	(437,282)	(18,467)	(3,659)	(602,792)
Net Book Value 30 June 2018	**144,757**	**126,961**	**1,778**	**299,181**	**572,677**

14. INTANGIBLE ASSETS	Software	Total
At 1 July 2018	1,210	1,210
Amortisation Charge	(1,210)	(1,210)
At 30 June 2019	**-**	**-**
Cost	63,337	63,337
Accumulated Amortisation	(63,337)	(63,337)
Net Book Value 30 June 2019	**0**	**0**

Notes To The Financial Statements

As at 30 June 2019

15. TRADE AND OTHER PAYABLES	2019	2018
	$	$
Trade Payables	789,289	705,910
Accrued Expenses	1,436,066	1,059,691
Other Payables	10,788	459,616
GST Payable	117,351	(66,449)
Termination Fees in Advance	1,734,264	1,071,243
	4,087,758	**3,230,011**

16. EMPLOYEE BENEFITS	2019	2018
	$	$
Wages and Salaries Accrued	98,028	357,267
Holiday Pay Accrued	362,096	303,981
Kiwisaver, PAYE and Withholding tax	79,874	75,711
Other	282,826	-
	822,824	**736,959**

17. 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 $36,093,843 (30 June 2018 : $41,140,297) is shown as a liability on the balance sheet payable by the village operator. Settlement of the refundable deposit generally occurs when a new ORA is issued to a new resident.

Notes To The Financial Statements
As at 30 June 2019

18. INTEREST-BEARING LOANS AND BORROWINGS

	Maturity	30 June 2019 Total Facility $	30 June 2018 Total Facility $	30 June 2019 Undrawn Facility $	30 June 2018 Undrawn Facility $	30 June 2019 Net Book Value $	30 June 2018 Net Book Value $
BNZ							
Bank Facility	25/5/2019	-	37,500,000	-	-	-	37,500,000
Bank Facility	25/5/2020	37,500,000	37,500,000	-	16,600,000	37,500,000	20,900,000
Bank Facility	23/2/2021	25,000,000	25,000,000	2,300,000	25,000,000	22,700,000	-
Bank Facility	14/12/2021	37,500,000	-	37,500,000	-	-	-
		100,000,000	100,000,000	39,800,000	41,600,000	60,200,000	58,400,000
ANZ							
Bank Facility	25/5/2019	-	17,500,000	-	-		17,500,000
Bank Facility	25/5/2020	17,500,000	17,500,000	-	3,500,000	17,500,000	14,000,000
Bank Facility	21/12/2021	30,000,000	30,000,000	30,000,000	25,000,000	-	5,000,000
Bank Facility	24/5/2022	17,500,000	-	17,500,000		-	-
		65,000,000	65,000,000	47,500,000	28,500,000	17,500,000	36,500,000
Westpac							
Bank Facility	22/11/2019	37,500,000	37,500,000	-	-	37,500,000	37,500,000
Bank Facility	22/11/2020	37,500,000	37,500,000	-	20,000,000	37,500,000	17,500,000
Bank Facility	21/2/2021	25,000,000	25,000,000	3,000,000	25,000,000	22,000,000	-
Bank Facility	10/12/2021	30,000,000	30,000,000	30,000,000	30,000,000	-	-
		130,000,000	130,000,000	33,000,000	75,000,000	97,000,000	55,000,000
ASB							
Bank Facility	30/4/2021	50,000,000	50,000,000	-	-	50,000,000	50,000,000
		345,000,000	345,000,000	120,300,000	145,100,000	224,700,000	199,900,000
Accrued Interest						91,759	77,242
Establishment fees						(186,509)	(153,806)
Total Net Book Value						**224,605,250**	**199,823,436**
Current Portion						92,500,605	55,064,825
Non-Current Portion						132,104,645	144,758,611
Total Net Book Value						**224,605,250**	**199,823,436**

Notes To The Financial Statements

As at 30 June 2019

18. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

	2019	2018
	$	$
Bank facility expiry profile:		
Less than 1 year	92,500,000	55,000,000
1-2 years	137,500,000	92,500,000
2-3 years	115,000,000	137,500,000
3-4 years	-	60,000,000
	345,000,000	**345,000,000**

Secured borrowings are via cash advance facility agreements with Bank of New Zealand, Westpac New Zealand Limited, ANZ Bank New Zealand Limited and ASB Bank Limited. Further funding for expiring Westpac facility tranche of $37,500,000, dated 22 November 2019 has been secured, the new facility has an effective date from 22 November 2019 to 22 May 2023.

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

19. DERIVATIVE FINANCIAL INSTRUMENTS

At 30 June 2019, 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 2019 is $100 million (2018: $90 million) with the weighted average term to maturity being 3.11 years (2018: 1.66 years). Fair Value of these interest rate swaps as at 30 June 2019 was a liability of $3,999,159 (2018: $1,292,182). The interest payment frequency on these borrowings is quarterly.

Notes To The Financial Statements
As at 30 June 2019

20. DEFERRED TAX	Note	2019	2018
		$	$
Deferred Tax Liability:			
At beginning of year		**2,844,431**	**2,740,156**
Current period movement on deferred tax		278,343	104,275
Prior period deferred tax adjustment		(561,386)	-
Total Taxable Temporary Differences as at 30 June		**2,561,388**	**2,844,431**

	2019	2018
	$	$
Deferred Tax Liabilities are attributable to the following:		
Long Term Leases	2,891,789	2,897,861
Accrued Revenue	394,798	410,534
Employee Benefits	(108,531)	(44,537)
Provision for Doubtful Debts	(38,850)	(29,750)
Deferred Management Fees	(303,488)	(389,677)
Deriviatives	(699,853)	-
Accrued rent income	710,198	-
Kainga Tax Losses	(284,675)	-
	2,561,388	**2,844,431**

Notes To The Financial Statements

As at 30 June 2019

21. CASH FLOW STATEMENT RECONCILIATION	Note	2019	2018
		$	$
Total Comprehensive Income for the year		**44,340,741**	**84,726,099**
Adjustments for:			
Depreciation of Property, Plant and Equipment		114,142	93,492
Amortisation of Intangible Assets		1,210	14,351
Investment Property – Work in Progress Write Off		1,744,365	-
Impairment of Inventories		-	95,466
Bad Debts and Doubtful Debts		52,000	(8,995)
Amortisation of Termination Fee Income		(1,367,059)	(1,686,861)
Amortisation of Borrowing Costs		(43,032)	65,112
Rent accrued on Fixed Uplift Leases and Lease Incentives		89,944	(107,980)
Rent recognised on Prepaid Leases		(166,668)	(166,668)
Share in profit of associates		(3,931,051)	-
Unrealised Net Loss on Financial Instruments		2,706,977	599,555
Gain on Revaluation of Investment Property		(28,882,015)	(79,891,365)
		14,659,554	3,732,206
Changes in assets and liabilities			
Decrease/(Increase) in Trade and Other Receivables		(5,295,341)	1,048,188
Increase/(Decrease) in Employee Benefit Payable		85,866	(81,517)
Increase/(Decrease) in Trade and Other Payables		(312,029)	2,514,698
Increase/(Decrease) in Tax Payables		(913,367)	(1,658,788)
Increase/(Decrease) in Deferred Tax		(283,043)	-
Increase/(Decrease) in Refundable Occupation Rights		(3,016,374)	(5,943,447)
Decrease/(Increase) in Inventory		(7,937,714)	(1,406,658)
Increase/(Decrease) in Interest Accruals		14,518	(74,917)
Decrease/(Increase) in Housing Loans Advanced		350,125	445,220
		(17,307,359)	(5,157,221)
Net Cash Outflow From Operating Activities		**(2,647,805)**	**(1,425,015)**

22. 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 2019 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 2019.

Total Remuneration	**2019 Number Of Employees**	**2018 Number Of Employees**
470,001–480,000	1	-
440,001–450,000	-	1
430,001–440,000	1	-
400,001–410,000	-	1
190,001–200,000	1	2
180,001–190,000	1	-
170,001–180,000	3	2
160,001–170,000	1	1
140,001–150,000	1	-
130,001–140,000	1	1
120,001–130,000	-	1
110,001–120,000	1	1
100,000–110,000	2	3
	13	**13**

Directors Remuneration	**2019 $**	**2018 $**
Joann Precious Kowhai Clark	50,000	50,000
Julia Anne Steenson	50,000	53,973
Michael Peter Stiassny	90,000	90,000
Ngarimu Alan Huiroa Blair	50,000	50,000
Robert Lindsay Hutchison	50,000	50,000
Sir Robert George Mappin Fenwick	50,000	50,000
	340,000	**343,973**

Notes To The Financial Statements
As at 30 June 2019

23. FINANCIAL RISK MANAGEMENT

Objectives and Policies

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

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

The main risks arising from the Group's financial instruments are interest rate risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed.

Risk Exposures and Responses

(a) Interest Rate Risk

The Group's exposure to market interest rates relates primarily to the Group's long-term debt obligations, the Toi Tupu Deposits and the Housing Loans. (The level of debt and terms are disclosed in Note 18).

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:

	2019	2018
	$	$
Financial Assets		
Cash and Cash Equivalents	3,987,734	2,551,616
Housing Loans	12,684,594	13,034,718
Total Financial Assets	**16,672,328**	**15,586,334**
Financial Liabilities		
Toi Tupu Deposits	2,328,955	592,203
Interest Bearing Loans and Borrowings	224,700,000	199,900,000
Derivative Financial Instruments	3,999,159	1,292,182
Total Financial Liabilities	**231,028,114**	**201,784,385**
Net Liability	**214,355,786**	**186,198,051**

All financial assets and financial liabilities of the Group are classified at amortised cost except for interest rate swaps which are classified as fair value through profit and loss.

23. FINANCIAL RISK MANAGEMENT (Continued)

(b) Credit Risk

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

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

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

For Housing Loans the Group obtains in the form of guarantee, a first ranking mortgage against the leasehold title, which can be called upon if the counterparty is in default under the terms of the agreement.

(c) Liquidity Risk

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

The change in freehold property values referred to in Note 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 2019. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2019.

(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

As at 30 June 2019

23. FINANCIAL RISK MANAGEMENT (Continued)

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

30 June 2019:	Within 1 year	1-5 years	> 5 years
	$	$	$
Financial Assets			
Cash and Cash Equivalents	3,987,734	-	-
Trade and Other Receivables	6,590,421	-	-
Housing Loans	325,714	1,302,856	11,056,024
	10,903,869	1,302,856	11,056,024
Financial Liabilities			
Trade and Other Payables	4,910,582	-	-
Refundable Occupation Right Agreements	36,093,843	-	-
Toi Tupu Deposits	646,048	1,682,907	-
Interest Bearing Loans and Borrowings	92,591,759	132,200,000	-
Derivative Financial Instruments	-	3,999,159	-
	134,242,232	137,882,066	-
Net Liability/(Net Assets)	**123,338,363**	**136,579,210**	**(11,056,024)**

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

30 June 2018:	Within 1 year	1-5 years	> 5 years
	$	$	$
Financial Assets			
Cash and Cash Equivalents	2,551,616	-	-
Trade and Other Receivables	850,641	-	-
Housing Loans	325,845	1,303,380	11,405,492
	3,728,102	1,303,380	11,405,492
Financial Liabilities			
Trade and Other Payables	3,966,970	-	-
Refundable Occupation Right Agreements	41,140,297	-	-
Toi Tupu Deposits	592,203	-	-
Interest Bearing Loans & Borrowings	55,077,242	144,900,000	-
Derivative Financial Instruments	180,956	1,111,226	-
	100,957,668	146,011,226	-
Net Liability/(Net Assets)	**97,229,566**	**144,707,846**	**(11,405,492)**

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 12 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 generally occurs when a new occupational right agreement is issued to an incoming resident.

24. CAPITAL COMMITMENTS	2019	2018
Contracted capital commitments at the end of the year in respect of:	**$**	**$**
Investment Property – Refurbishment Programme	279,673	461,165
Inventory – Hillary Development	9,413,438	-
Total capital commitments	**9,693,111**	**461,165**

Non-cancellable operating lease commitments as lessee

The group has entered into commercial leases on commercial office property and office equipment. The group has the option, under some of the leases to extend the terms of the lease by three years.

	2019	2018
	$	**$**
Future operating lease commitments not provided for in the financial statements and payable:		
Not later than one year	148,917	137,930
Later than one year and not later than five years	591,620	563,270
Later than five years	99,151	239,968
Total non-cancellable operating lease commitments	**839,688**	**941,168**

Non-cancellable operating lease contracts as lessor

Future minimum rentals receivable under non-cancellable operating leases as at 30 June 2019 are as follows.

The amounts below are the minimum rents receivable on lease contracts where Whai Rawa is landlord, from balance date until lease expiry. The calculation assumes rents stay at current levels through-out the term, with the exception of fixed increases specified in the lease. The leases in Quay Park form the majority of this rent and they expire on 2 August 2146. The actual rental received in the future is likely to differ from these amounts due to rent review provisions and other changes to the leases.

	2019	2018
Leases	**$**	**$**
Within one year	37,367,595	29,670,584
Between one and five years	123,031,927	99,742,383
After more than five years	3,113,975,306	2,068,662,000
	3,274,374,828	2,198,074,967

25. EQUITY

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

During the year the Group declared to Ngāti Whātua Ōrākei Trustee Limited gross dividends of $4,591,188 (30 June 2018: $14,343,106). This is inclusive of $803,458 (30 June 2018: $749,106) of Maori Authority Credits. Total net dividend distributed to the Trust of $3,787,731 for the year ending 30 June 2019 (2018: $13,594,000).

Notes To The Financial Statements
As at 30 June 2019

26. CONTINGENT LIABILITIES

New Zealand Defence Force

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

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

Eastcliffe Retirement Village Legal Claim

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

The Group will defend the action. It is not practical at this stage of the legal proceedings to estimate the potential outcome of this claim and whether a significant liability will arise. The potential undiscounted amount of the total payments that the group could be required to make if there was an adverse decision related to the proceedings and claim is estimated to be $16,346,841 of which $4,501,246 is already recorded as a liability under the Refundable Occupation Right Agreements. The contractual obligation under the Refundable Occupation Rights Agreement of $4,501,246 will be paid regardless of the outcome of the legal proceedings, therefore the potential addition liability is $11,845,595.

27. SUBSEQUENT EVENTS

There were no events subsequent to balance date that would affect the financial statements.

Building a better working world

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 (the "Company") and its subsidiaries (together the "Group") on pages 41 to 76, which comprise the consolidated statement of financial position of the Group as at 30 June 2019, 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 41 to 76 present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2019 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 remuneration advisory services to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

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.

When we read the Annual Report, 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.

Auditor's Report

Directors' responsibilities for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board website: https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7/. This description forms part of our auditor's report.

Ernst & Young

Ernst & Young

Chartered Accountants
Auckland
25 September 2019

NGĀTI WHĀTUA ŌRĀKEI
WHAI RAWA LIMITED