NGĀTI WHĀTUA ŌRĀKEI

WHAI RAWA LIMITED

ANNUAL REPORT 2016

NGĀTI WHĀTUA ŌRĀKEI
WHAI RAWA LIMITED

The Directors hereby present their Report including Financial Statements of the Group for the year ended 30 June 2016.

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

PRINCIPAL ACTIVITIES

Property Owner and Manager.

AUDITOR

The Group's auditor is Ernst & Young.

DIRECTORS

The following Directors held office during the period:

Ross Forbes Blackmore
Ngarimu Alan Huiroa Blair
Joann Precious Kowhai Clark
Robert George Mappin Fenwick
Rangimarie Hunia (Resigned 21 July 2016)
Michael Peter Stiassny

DIRECTORS' DISCLOSURES

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

DONATIONS (KOHA)

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

For and on behalf of the Board of Directors.

DIRECTOR **DIRECTOR**

Dated this 22nd day of September 2016

WE ARE NGĀTI WHĀTUA ŌRĀKEI

HIGHLIGHTS

$15.8M

SINCE THE ESTABLISHMENT OF WHAI RAWA IN FEBRUARY 2013 WHAI RAWA HAS MADE CASH DISTRIBUTIONS OF $15.8M TO THE TRUST AND WHAI MAIA, CONSTRUCTED KĀINGA TUATAHI AND SPENT $5.1M ON REFURBISHING KUPE STREET HOMES AND RECTIFYING HEALTH AND SAFETY ISSUES ON KITEMOANA STREET

$5.2M[1]

OF GROUP DISTRIBUTIONS IN FY16

$5.1M

58 KUPE STREET HOMES NOW REFURBISHED AND COMPLIANCE ISSUES ADDRESSED ON 29 KITEMOANA STREET HOMES, A COMBINED SPEND OF $5.1M SINCE 2014

[1] $3M OF INTEREST TO WML, $1.8M OF TRUST FUNDING AND $400K OF DIVIDENDS (INCLUSIVE OF MAORI AUTHORITY CREDITS)

BUIL

CONTINUATION

CONTINUATION OF THE INTERNSHIP PROGRAM (TE RONGORITO WIRIHANA TE REI, AMALIA REWETI, JESSICA WOOD-WAIKARI, JERRY DANIELS)

SUCCESSFUL

SUCCESSFUL DEFENCE OF NGĀ MANA WHENUA O TĀMAKI MAKAURAU'S RIGHT OF FIRST REFUSAL POSITION IN RESPECT OF THE CROWN LAND RELEASE PROGRAM

PROFITABLE

PROFITABLE PARTICIPATION IN WHENUA HAUMI ROROA O TĀMAKI MAKAURAU LAND PURCHASE OPPORTUNITIES

CONTINUATION

KĀINGA TUATAHI NEARS COMPLETION

LODGED

LODGED FRAMEWORK RESOURCE CONSENT FOR THE FUTURE DEVELOPMENT OF HILLARY BLOCK

FUTURE

FUTURE DIRECTOR PROGRAM (DANE GREY)

HISTORIC

TERMINATION OF HISTORIC JOINT VENTURE FREES UP SUBSTANTIAL QUAY PARK SITE FOR FUTURE DEVELOPMENT

PURCHASE

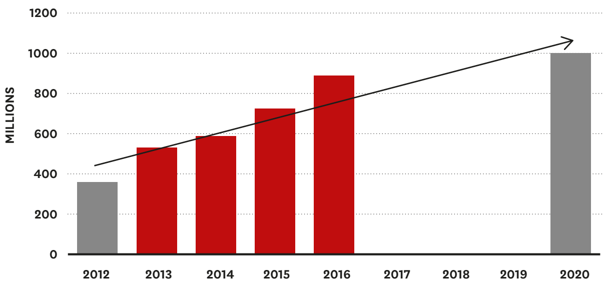
PURCHASE OF SEVEN EX-HOUSING NZ ORAKEI HOMES AND UNCONDITIONAL AGREEMENTS TO PURCHASE TWO MORE

PERFORMANCE

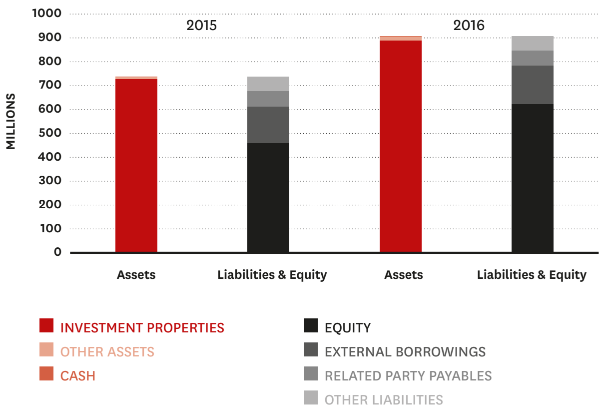
DING

FINANCIAL HIGHLIGHTS

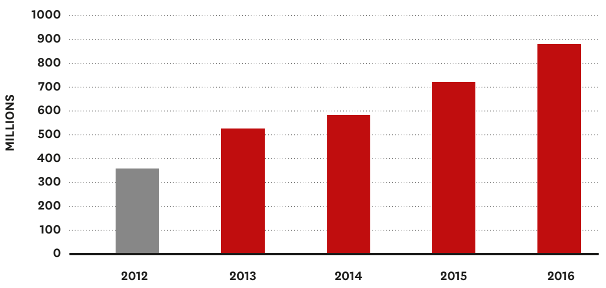
INVESTMENT PROPERTY VALUE WITH TARGET



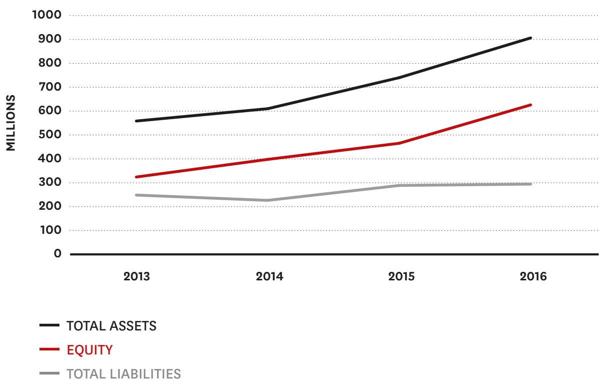
BALANCE SHEET STRUCTURE



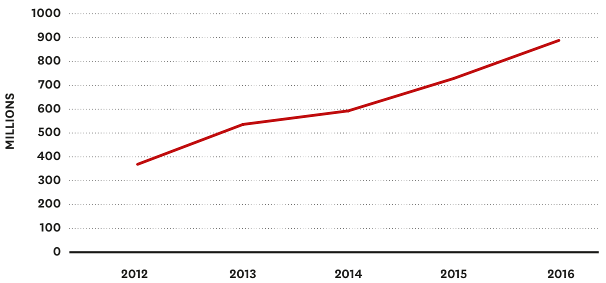
INVESTMENT PROPERTY VALUE



BALANCE SHEET STRUCTURE



INVESTMENT PROPERTY VALUE



FINANCIALS

Consolidated Statement of Comprehensive Income

For the Year Ended 30 June 2016

	NOTE	2016 $	2015 $
Revenue			
Interest and Dividend Revenue		123,096	59,863
Property Rental Revenue		25,855,401	21,727,711
Retirement Village Revenue		5,023,737	6,156,346
Sales		18,283,177	–
Other	4	53,975	53,942
Total Revenue		**49,339,386**	**27,997,862**
Expenses			
Employee Benefits Expense	5	4,188,032	4,086,313
Governance	5	357,634	352,442
Finance Costs	5	9,824,183	10,411,301
Rental Property Expense		3,993,441	4,158,153
Retirement Village Service Expense		2,214,408	1,947,989
Professional Fees	5	2,066,170	2,329,729
Other Expenses	5	646,406	755,637
Depreciation and Amortisation Expense		146,630	121,193
Cost of Sales		12,524,098	–
Impairment of Inventories	6	241,276	1,119,564
Movement in Provision for Doubtful Debts		(30,484)	(13,986)
Total Expenses		**36,171,794**	**25,268,335**
Net Profit before Taxation and Revaluation of Investment Property		**13,167,592**	**2,729,527**
Gain on Revaluation of Investment Property	7	154,380,658	66,696,192
Net Profit before Taxation		**167,548,250**	**69,425,719**
Income Tax Expense	8	3,815,949	527,244
Total Comprehensive Income for the Year		**163,732,301**	**68,898,475**

This statement is to be read in conjunction with notes to the financial statements on page 10 to page 27.

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2016

	NOTE	CONTRIBUTED CAPITAL	RETAINED EARNINGS	TOTAL
At 1 July 2015		222,645,446	236,101,929	458,747,375
Total Comprehensive Income for the year		–	163,732,301	163,732,301
Dividends paid	23	–	(329,889)	(329,889)
At 30 June 2016		**222,645,446**	**399,504,341**	**622,149,787**

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

This statement is to be read in conjunction with notes to the financial statements on page 10 to page 27.

Consolidated Statement of Financial Position

As at 30 June 2016

	NOTE	2016 $	2015 $
Equity		**622,149,787**	**458,747,375**
Current Assets			
Cash and Cash Equivalents	9	1,694,308	3,373,825
Trade and Other Receivables	10	3,297,735	1,482,215
Related Party Receivables	11	113,884	285,250
Housing Loans	11	128,265	–
Inventories	6	7,816,504	5,580,970
Total Current Assets		**13,050,696**	**10,722,260**
Non Current Assets			
Deposit on Investment Property		276,600	756,222
Investment in Joint Venture		17,000	7,000
Investment Property	7	888,593,144	726,174,171
Property, Plant and Equipment	12	618,788	299,860
Housing Loans	11	4,564,113	–
Intangible Assets	13	39,028	31,265
Total Non-Current Assets		**894,108,673**	**727,268,518**
Total Assets		**907,159,369**	**737,990,778**
Current Liabilities			
Tax Payable		1,186,944	132,154
Trade and Other Payables	14	7,256,217	7,535,250
Employee Benefits	15	699,483	628,177
Related Party Loans	11	4,375,255	6,150,065
Refundable Occupation Right Agreements	16	46,734,149	47,800,941
Interest Bearing Loans and Borrowings	17	321,212	796,791
Income in Advance		201,306	557,260
Total Current Liabilities		**60,774,566**	**63,600,638**
Non Current Liabilities			
Deferred Tax Liability	18	3,139,793	3,210,318
Interest Bearing Loans and Borrowings	17	160,734,494	151,848,432
Related Party Loans	11	60,000,000	60,000,000
Income in Advance		360,729	584,015
Total Non-Current Liabilities		**224,235,016**	**215,642,765**
Total Liabilities		**285,009,582**	**279,243,403**
Total Net Assets		**622,149,787**	**458,747,375**

Director ____________________ Director ____________________

This statement is to be read in conjunction with notes to the financial statements on page 10 to page 27.

Consolidated Statement of Cash Flows

For the Year Ended 30 June 2016

	NOTE	2016 $	2015 $
Cash flows from Operating Activities			
Cash was provided from:			
Interest and Dividend Revenue		123,096	83,984
Property Rental Revenue		24,357,161	25,616,864
Retirement Village Revenue		12,490,030	14,113,519
Sales		17,760,192	–
Other		62,627	53,942
Cash was disbursed to:			
Payments to Suppliers		18,166,206	19,166,311
Payments to Employees		4,119,016	3,713,031
Payments for Inventory		15,917,863	5,383,268
Interest Paid		10,336,344	11,566,929
Income Tax Paid		2,833,591	1,923,327
Housing Loans Advanced		4,914,893	–
Net Cash Outflow from Operating Activities	19	**(1,494,807)**	**(1,884,557)**
Cash Flows from Investing Activities			
Cash was provided from:			
Investment Property Sales		–	289,000
Cash was disbursed to:			
Purchase of Property, Plant and Equipment		142,857	134,687
Purchase of Intangible Assets		28,000	34,287
Investment Property		6,960,365	69,656,828
Investment in Joint Venture		10,000	7,000
Net Cash Outflow from Investing Activities		**(7,141,222)**	**(69,543,802)**
Cash Flows from Financing Activities (Net)			
Cash was provided from:			
Proceeds from Borrowings		8,886,062	147,794,083
Cash was disbursed to:			
Repayment of Borrowings		–	80,196,791
Related Party Loans		1,599,661	1,469,582
Dividends Paid		329,889	400,125
Net Cash Inflow from Financing Activities		**6,956,512**	**65,727,585**
Net Decrease in Cash Held		(1,679,517)	(5,700,774)
Cash at Beginning of the Year		3,373,825	9,074,599
Total Cash at end of the Year	9	**(1,694,308)**	**3,373,825**

This statement is to be read in conjunction with notes to the financial statements on page 10 to page 27.

Notes to the Accounts

1. General Information

REPORTING ENTITY

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

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

STATEMENT OF COMPLIANCE

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

BASIS OF PREPARATION

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

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

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

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

GOING CONCERN

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

2. Accounting Policies

CHANGES IN ACCOUNTING POLICY

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

NEW ACCOUNTING STANDARDS

The accounting policies adopted are consistent with those of the previous financial year. None of the new and amended New Zealand Equivalents to International Financial Reporting Standards and interpretations adopted as of 1 July 2015 had any impact on the Group.

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

BASIS OF CONSOLIDATION

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

The consolidated financial statements incorporate the assets and liabilities of wholly owned subsidiaries of Whai Rawa as at 30 June 2016 and the results of those entities for that period. Whai Rawa and its wholly owned subsidiaries are referred to in these financial statements as the Group or the consolidated entity.

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

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

Notes to the Accounts *(continued)*

2. Accounting Policies *(continued)*

The Group consists of the following entities:

SUBSIDIARIES

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

SUBSIDIARIES

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

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

CONVERTIBLE LOAN

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

CASH AND CASH EQUIVALENTS

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

TRADE AND OTHER RECEIVABLES

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

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

HOUSING LOANS

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

PLANT, PROPERTY AND EQUIPMENT

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

Notes to the Accounts *(continued)*

2. Accounting Policies *(continued)*

DEPRECIATION

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

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

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

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

INTANGIBLE ASSETS

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

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

	Expected useful life	Amortisation method
Software	2.5 years	Straight-line

IMPAIRMENT

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

GOODS AND SERVICES TAX

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

SOCIAL ASSETS

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

TRADE AND OTHER PAYABLES

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

PROVISIONS

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

EMPLOYEE ENTITLEMENTS

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

INVESTMENT PROPERTIES

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

INVENTORIES

Inventories are stated at the lower of cost and net realisable value (NRV). NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimate costs necessary to make the sale. Estimates of NRV are based on the most recent evidence available at the time the estimates are made. 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 in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

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

Notes to the Accounts *(continued)*

2. Accounting Policies *(continued)*

LEASES

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

Group as a lessee

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

Group as a lessor

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

CAPITAL MANAGEMENT

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

INTEREST BEARING LOANS AND BORROWINGS

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

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

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

REFUNDABLE OCCUPATION RIGHT AGREEMENTS

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

REVENUE RECOGNITION

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

(i) Rendering of services

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

(ii) Interest revenue

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

(iii) Dividends

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

(iv) Rental revenue

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

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

Notes to the Accounts *(continued)*

(v) Retirement village income

Rendering of services fee include retirement village outgoings and service fees. The residents pay a weekly fee which covers the cost of a proportion of the village outgoings and services 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 8.44 years for the independent units/apartments and 3.84 years for the serviced apartments and care studios.

INCOME TAX

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

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

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

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

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

3. Significant Accounting Judgements, Estimates and Assumptions

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

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

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

INVESTMENT PROPERTY

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

INVENTORIES

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

RETIREMENT VILLAGE INCOME

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

Notes to the Financial Statements

4. Other Revenue

	30 JUNE 2016 $	30 JUNE 2015 $
Rates Reimbursement	–	39,659
Insurance Payout	3,975	14,283
Government Income	50,000	–
	53,975	**53,942**

5. Operating Expenses

	30 JUNE 2016 $	30 JUNE 2015 $
Employee Benefits Expense		
Wages and Salaries	4,082,205	3,991,646
Kiwisaver Contribution	59,238	46,123
Staff Uniforms	1,122	733
Staff Training	8,446	5,658
ACC Levies	19,718	29,491
Fringe Benefit Expense	17,303	12,662
	4,188,032	**4,086,313**
Governance		
Directors Fees	340,000	351,583
Directors Expenses	17,634	859
	357,634	**352,442**
Finance Costs		
Interest Expense	8,886,484	9,960,219
Bank and Line Fees	937,699	451,082
	9,824,183	**10,411,301**
Professional Fees		
Accounting Fees	87,563	149,002
Shared Services	–	55,000
Audit Fees	36,871	54,775
Legal Fees	451,825	860,293
Valuations	140,658	133,608
Other Professional Fees	1,349,253	1,077,051
	2,066,170	**2,329,729**
Other Expenses		
Office Expenses	315,211	283,492
Leases – operating	5,488	9,642
Communication Expense	212,573	188,695
Motor Vehicle/Travel Expenses	20,734	17,782
Recruitment Expense	23,229	99,773
Non-recoverable GST	69,171	156,253
	646,406	**755,637**

Notes to the Financial Statements *(continued)*

6. Inventories

CLASSIFICATION OF INVENTORIES	HELD AT COST OR NET REALISABLE VALUE (NRV)	30 JUNE 2016 $	30 JUNE 2015 $
Work in Progress – Kāinga Tuatahi	**NRV**	7,708,151	4,005,887
Work in Progress – Stormwater Improvements	**Cost**	–	302,840
Land and Buildings held for resale	**Cost**	–	1,163,890
Other	**Cost**	108,353	108,353
Total Inventories at the lower of cost and net realisable value		**7,816,504**	**5,580,970**

An impairment of inventories of $241,276 was recognised in the Consolidated Statement of Comprehensive Income (2015: $1,119,564). This recognises the difference between the estimated total project cost for Kāinga Tuatahi and the net realisable value from the project on completion.

Storm water improvements have been completed and transferred to Property, Plant and Equipment.

There is no Inventory pledged as security for Group borrowing facilities (2015: $288,227).

7. Investment Property

	30 JUNE 2016 $	30 JUNE 2015 $
At beginning of year	**726,174,171**	**588,347,521**
Net Gain from Fair Value Adjustment	154,380,658	66,696,192
Acquisition of Investment Property	7,566,068	68,232,878
Capital Expenditure	150,701	605,742
Disposals	–	(289,000)
Net Gain/(Loss) due to Eastcliffe Units sold	–	1,178,986
Movement in rent accrued on Fixed Uplift Leases and Lease Incentives	321,546	1,401,852
Closing balance as at 30 June	**888,593,144**	**726,174,171**

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 2016.

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

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

	30 JUNE 2016 $	30 JUNE 2015 $
Independent valuation of investment properties	836,203,625	672,625,500
Prepaid lease value	562,035	1,141,275
Refundable occupation right agreements	46,734,149	47,800,941
Termination Fees in Advance	5,093,335	4,606,455
Total Investment Property	**888,593,144**	**726,174,171**

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

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

Notes to the Financial Statements *(continued)*

7. Investment Property *(continued)*

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

The Group considers the following fair value measurement hierarchy levels:

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

Investment property measurements are categorised as Level 3 in the fair value hierarchy. For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the 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; and
- appropriate discount rates derived from recent comparable market transactions reflecting the uncertainty in the amount and timing of cashflows.

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

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

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

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

Notes to the Financial Statements *(continued)*

8. Income Tax

	NOTE	30 JUNE 2016 $	30 JUNE 2015 $
Reconciliation of tax expense and accounting profit:			
Accounting Profit before Taxation		167,548,250	69,425,719
Adjusted for:			
Non-Taxable Revaluation of Investment Properties		(148,939,892)	(61,508,790)
Non-Deductible Expenses		1,190,701	138,988
Other		(282,085)	(160,112)
Taxable Income		**19,516,974**	**7,895,805**
Income Tax using Maori Authority Tax Rate (17.5%)		3,415,469	1,381,765
Adjustments in respect of current income tax of prior years		351,133	38,839
Tax effect of Total Temporary Differences arising during the year	18	49,347	171,834
Reversal of prior period deferred tax		–	(1,065,194)
Income Tax Expense		**3,815,949**	**527,244**

	30 JUNE 2016 $	30 JUNE 2015 $
Maori Authority Credits		
At beginning of year	**3,701,253**	**1,916,423**
Net tax payments	2,822,384	1,853,324
Resident Withholding Tax	51,013	15,557
Imputation Credits on dividends received	707	824
Imputation Credits on dividends paid	(69,976)	(84,875)
Closing balance as at 30 June	**6,505,381**	**3,701,253**

9. Cash and Cash Equivalents

	30 JUNE 2016 $	30 JUNE 2015 $
Cash at Bank and in Hand	1,694,308	3,373,825
	1,694,308	**3,373,825**

10. Trade and Other Receivables

	30 JUNE 2016 $	30 JUNE 2015 $
GST Receivable	–	188,366
Trade Receivables	2,816,841	1,113,302
Provision for Doubtful Debts	(181,016)	(211,500)
Prepayments	422,116	392,047
Accrued Revenue and other receivables	239,794	–
	3,297,735	**1,482,215**

(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 21 (a).

Notes to the Financial Statements *(continued)*

11. Related Party Transactions

		30 JUNE 2016 $	30 JUNE 2015 $
Amounts outstanding at year end:			
Current Assets			
Related Party Receivables			
Whai Maia Charitable Trust 1	**Advance**	106,850	106,850
Whai Maia Charitable Trust 1	**Trade Receivable**	6,821	178,400
Ngāti Whātua Ōrākei Trust	**Trade Receivable**	213	–
		113,884	**285,250**
Members of Ngāti Whatua Ōrākei	**Housing Loans**	**128,265**	**–**
Non Current Assets			
Members of Ngāti Whatua Ōrākei	**Housing Loans**	4,564,113	–
		4,564,113	–
Current Liabilities			
Related Party Payables			
Ngāti Whātua Ōrākei Trust	**Advance**	4,374,083	6,135,407
Whai Maia Charitable Trust 1	**Trade Payable**	1,172	14,658
		4,375,255	**6,150,065**
Non Current Liabilities			
Related Party Payables			
Whai Maia Charitable Trust 2	**Convertible loan**	60,000,000	60,000,000
		60,000,000	**60,000,000**

	30 JUNE 2016 $	30 JUNE 2015 $
Transactions with Related Parties:		
Advances repaid to:		
Ngāti Whātua Ōrākei Trust	1,761,324	1,469,582
Housing Loans Advanced to:		
Members of Ngāti Whātua Ōrākei	4,564,113	–
Property Rental Income Charged to:		
Whai Maia Charitable Trust 1	1,061,329	563,382
Expenses Charged by:		
Whai Maia Charitable Trust 1	–	55,000
Interest Charged by:		
Whai Maia Charitable Trust 1	3,000,000	3,000,000
Interest Received from:		
Members of Ngāti Whātua Ōrākei	65,883	–
Retirement unit sold to:		
Ngāti Whātua Ōrākei Trust	–	185,000
Retirement unit Purchased from:		
Ngāti Whātua Ōrākei Trust	145,110	–

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

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

Notes to the Financial Statements *(continued)*

11. Related Party Transactions *(continued)*

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.

12. Property, Plant and Equipment

	OFFICE FURNITURE	PLANT & EQUIPMENT	MOTOR VEHICLES	INFRASTRUCTURE	TOTAL
At 1 July 2015	34,044	260,516	5,300	–	299,860
Additions	86,716	49,642	6,124	–	142,482
Transfer from Work in Progress	–	–	–	302,840	302,840
Depreciation Charge	(27,654)	(95,182)	(2,928)	(631)	(126,395)
At 30 June 2016	**93,107**	**214,976**	**8,496**	**302,209**	**618,788**
Cost	171,308	514,749	20,245	302,840	1,009,142
Accumulated Depreciation	(78,201)	(299,773)	(11,749)	(631)	(390,354)
Net Book Value 30 June 2016	**93,107**	**214,976**	**8,496**	**302,209**	**618,788**
Cost	84,592	465,107	14,121	–	563,820
Accumulated Depreciation	(50,548)	(204,591)	(8,821)	–	(263,960)
Net Book Value 30 June 2015	**34,044**	**260,516**	**5,300**	**–**	**299,860**

13. Intangible Assets

	SOFTWARE	TOTAL
At 1 July 2015	31,265	31,265
Additions	28,000	28,000
Amortisation Charge	(20,237)	(20,237)
At 30 June 2016	**39,028**	**39,028**
Cost	62,287	62,287
Accumulated Amortisation	(23,259)	(23,259)
Net Book Value 30 June 2016	**39,028**	**39,028**

Notes to the Financial Statements *(continued)*

14. Trade and Other Payables

	30 JUNE 2016 $	30 JUNE 2015 $
Trade Payables	626,186	764,157
Accrued Expenses	1,172,909	2,133,888
Other Payables	178,494	30,750
GST Payable	185,293	–
Termination Fees in Advance	5,093,335	4,606,455
	7,256,217	**7,535,250**

15. Employee Benefits

	30 JUNE 2016 $	30 JUNE 2015 $
Wages and Salaries Accrued	391,165	285,390
Holiday Pay Accrued	266,938	231,595
Kiwisaver, PAYE and Witholding tax	41,380	111,192
	699,483	**628,177**

16. Refundable Occupation Right Agreement

Residents purchase an Occupation Rights Agreement ("ORA") issued under the Retirement Village Act 2003. A portion of the ORA is refundable when residents leave. An amount of $46,734,149, (30 June 2015 : $47,800,941) is shown as a liability on the balance sheet payable by the village operator. Settlement of the refundable deposit only occurs when a new ORA is issued to a new resident.

Notes to the Financial Statements *(continued)*

17. Interest-Bearing Loans and Borrowings

	30 JUNE 2016 TOTAL FACILITY $	30 JUNE 2015 TOTAL FACILITY $	30 JUNE 2016 UNDRAWN FACILITY $	30 JUNE 2015 UNDRAWN FACILITY $	30 JUNE 2016 NET BOOK VALUE $	30 JUNE 2015 NET BOOK VALUE $
BNZ						
Cash Advance Facility 4 year	37,500,000	37,500,000	–	–	37,500,000	37,500,000
Cash Advance Facility 5 year	62,500,000	37,500,000	25,000,000	–	37,500,000	37,500,000
	100,000,000	**75,000,000**	**25,000,000**	**–**	**75,000,000**	**75,000,000**
ANZ						
Eastcliffe Bank Loan	5,000,000	5,000,000	950,000	950,000	4,050,000	4,050,000
Cash Advance Facility 4 year	17,500,000	17,500,000	–	–	17,500,000	17,500,000
Cash Advance Facility 5 year	17,500,000	17,500,000	–	–	17,500,000	17,500,000
	40,000,000	**40,000,000**	**950,000**	**950,000**	**39,050,000**	**39,050,000**
Westpac						
Cash Advance Facility 4.5 year	37,500,000	37,500,000	–	–	37,500,000	37,500,000
Cash Advance Facility 5 year	25,000,000	–	25,000,000	–	–	–
Cash Advance Facility 5.5 year	37,500,000	37,500,000	28,100,000	37,000,000	9,400,000	500,000
	100,000,000	**75,000,000**	**53,100,000**	**37,000,000**	**46,900,000**	**38,000,000**
	240,000,000	**190,000,000**	**79,050,000**	**37,950,000**	**160,950,000**	**152,050,000**
Accrued Interest					321,212	796,791
Establishment fees					(215,506)	(201,568)
Total Net Book Value					**161,055,706**	**152,645,223**
Current Portion					321,212	796,791
Non-Current Portion					160,734,494	151,848,432
Total Net Book Value					**161,055,706**	**152,645,223**

	30 JUNE 2016 $	30 JUNE 2015 $
Bank facility expiry profile:		
3 – 4 years	152,500,000	55,000,000
4 – 5 years	87,500,000	97,500,000
5+ years	–	37,500,000
	240,000,000	**190,000,000**

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

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

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

Notes to the Financial Statements *(continued)*

18. Deferred Tax

	NOTE	30 JUNE 2016 $	30 JUNE 2015 $
Deferred Tax Liability:			
At beginning of year		**3,210,318**	**4,103,678**
Current period movement on deferred tax	8	49,347	171,834
Reversal of prior period deferred tax		(119,872)	(1,065,194)
Total Taxable Temporary Differences as at 30 June		**3,139,793**	**3,210,318**

	30 JUNE 2016 $	30 JUNE 2015 $
Deferred Tax Liabilities are attributable to the following:		
Long term Leases	2,910,007	2,919,317
Accrued Revenue	301,596	245,326
Property, Plant and Equipment	–	168,716
Employee Benefits	(40,132)	(86,029)
Provision for doubtful debts	(31,678)	(37,012)
	3,139,793	**3,210,318**

19. Cash Flow Statement Reconciliation

	30 JUNE 2016 $	30 JUNE 2015 $
Net Profit for the year	163,732,301	68,898,475
Adjustments for:		
Depreciation of Property, Plant and Equipment	140,761	118,171
Amortisation of Intangible Assets	5,869	3,022
Impairment of Inventories	–	1,119,564
Amortisation of Termination Fee Income	(1,364,205)	(1,214,795)
Amortisation of Borrowing Costs	13,938	4,349
Rent accrued on Fixed Uplift Leases and Lease Incentives	(321,546)	(485,543)
Rent recognised on Prepaid Leases	(579,240)	(1,264,160)
Gain on Revaluation of Investment Property	(153,852,658)	(66,696,192)
	7,775,220	**482,891**
Changes in assets and liabilities		
(Increase)/Decrease in Trade and Other Receivables	(3,273,208)	4,210,412
Increase in Employee Benefit Payable	71,306	315,430
(Decrease)/Increase in Trade and Other Payables	(762,239)	228,043
Increase/(Decrease) in Tax Payables	990,610	(1,928,869)
Increase in Refundable Occupation Rights	1,606,110	1,471,897
Increase in Inventory	(2,512,134)	(5,007,378)
Decrease in Interest Accruals	(475,579)	(1,656,983)
Increase in Housing Loans Advanced	(4,914,893)	–
	(9,270,027)	**(2,367,448)**
Net Cash Outflow From Operating Activities	**(1,494,807)**	**(1,884,557)**

Notes to the Financial Statements *(continued)*

20. Key Management Personnel Compensation

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

REMUNERATION OF EMPLOYEES

The overall remuneration structure is designed to deliver rewards that are competitive in the labour markets in which the Group competes for staff. The number of employees of the Group, who received remuneration and other benefits in their capacity as employees, the value of which was in excess of $100,000 and was paid or accrued to those employees in relation to the financial year ended 30 June 2016 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 2016.

TOTAL REMUNERATION	30 JUNE 2016 NUMBER OF EMPLOYEES	30 JUNE 2015 NUMBER OF EMPLOYEES
530,001 – 540,000	1	–
490,001 – 500,000	–	1
280,001 – 290,000	1	–
270,001 – 280,000	1	–
260,001 – 270,000	1	–
250,001 – 260,000	–	1
240,001 – 250,000	–	1
220,001 – 230,000	–	1
170,001 – 180,000	1	–
150,001 – 160,000	–	1
140,001 – 150,000	1	1
120,001 – 130,000	1	–
110,000 – 120,000	–	1
	7	**7**

	30 JUNE 2016 $	30 JUNE 2015 $
Directors Remuneration		
Ross Forbes Blackmore	50,000	50,000
Ngarimu Alan Huiroa Blair	50,000	50,000
Joann Precious Kowhai Clark	50,000	50,000
Robert George Mappin Fenwick	50,000	50,000
Rangimarie Hunia	50,000	50,000
Michael Peter Stiassny	90,000	90,000
	340,000	**340,000**

Notes to the Financial Statements *(continued)*

21. Financial Risk Management

OBJECTIVES AND POLICIES

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

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

The Group has no currency risk.

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

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

RISK EXPOSURES AND RESPONSES

(a) Interest Rate Risk

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

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

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

	30 JUNE 2016 $	30 JUNE 2015 $
Financial Assets		
Cash and Cash Equivalents	1,694,308	3,373,825
Housing Loans	4,692,378	–
Financial Liabilities		
Interest Bearing Loans and Borrowings	160,950,000	152,050,000
Net Liability	**154,563,314**	**148,676,175**

(b) Credit Risk

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

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

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

(c) Liquidity Risk

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

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

The table on the next page reflects all contractually fixed payments and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2016. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2016.

(d) Capital Management

Management considers capital as total equity plus net debt.

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

Notes to the Financial Statements *(continued)*

21. Financial Risk Management *(continued)*

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

30 JUNE 2016:	WITHIN 1 YEAR $	1 – 5 YEARS $	> 5 YEARS $
Financial Assets			
Cash and Cash Equivalents	1,694,308	–	–
Trade and Other Receivables	3,297,735	–	–
Housing Loans	–	–	4,692,378
	4,992,043	**–**	**4,692,378**
Financial Liabilities			
Trade and Other Payables	7,955,700	–	–
Refundable Occupation Right Agreements	46,734,149	–	–
Interest Bearing Loans and Borrowings	321,212	160,950,000	–
	55,011,061	**160,950,000**	**–**
Net Liability	**50,019,018**	**160,950,000**	**(4,692,378)**

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

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

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

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

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

Notes to the Financial Statements *(continued)*

22. Capital Commitments

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

	30 JUNE 2016	30 JUNE 2015
Investment Property		
Acquisition	2,482,200	7,006,236
Refurbishment programme	180,244	71,108
	2,662,444	**7,077,344**
Inventory		
Kāinga Tuatahi	1,071,689	9,222,764
Total capital commitments	**3,734,133**	**16,300,108**

23. Equity

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

During the year the Group declared and paid to Ngāti Whātua Ōrākei Trustee Limited gross dividends of $399,865 (30 June 2015: $485,000). This is inclusive of $69,976 (30 June 2015: $84,875) of Māori Authority Credits.

24. Contingent Liabilities

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

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

25. Subsequent Events

In August 2016 the Group declared and paid to Ngāti Whātua Ōrākei Trustee Limited a gross dividend of $2,235,186. This is inclusive of $391,157 of Māori Authority Credits.

Independent Auditor's Report

Building a better working world

Chartered Accountants

To the Shareholder of Ngāti Whātua Ōrākei Whai Rawa Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the group financial statements of Ngāti Whātua Ōrākei Whai Rawa Limited and its subsidiaries (" the Group") on pages 6 to 27, which comprise the statement of financial position of the Group as at 30 June 2016, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended of the Group, and a summary of significant accounting policies and other explanatory information.

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

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The directors are responsible on behalf of the company for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we have considered the internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

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

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

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

OPINION

In our opinion, the financial statements on pages 6 to 27 present fairly, in all material respects, the financial position of the Group as at 30 June 2016 and the financial performance and cash flows of the Group for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

Ernst & Young

22 September 2016
Auckland

A member firm of Ernst & Young Global Limited

Directory

For the Year Ended 30 June 2016

REGISTERED OFFICE

29 Dockside Lane
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DIRECTORS

Ngarimu Alan Huiroa Blair
Joann Precious Kowhai Clark
Robert George Mappin Fenwick
Michael Peter Stiassny

COMPANY NUMBER

678327

AUDITOR

Ernst & Young
Auckland
New Zealand

BANKS

ANZ National Bank Limited
Auckland
New Zealand

Bank Of New Zealand
Auckland
New Zealand

Westpac New Zealand Limited
Auckland
New Zealand

COMMENCED TRADING UNDER NEW STRUCTURE

1 February 2013

NATURE OF BUSINESS

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

BUSINESS LOCATION

29 Dockside Lane
Auckland 1010

NGA033 10/16
insightcreative.co.nz

WE ARE
NGĀTI WHĀTUA ŌRĀKEI

NGATIWHATUAORAKEI.COM

NGĀTI WHĀTUA ŌRĀKEI
WHAI RAWA LIMITED