NGĀTI WHĀTUA ŌRĀKEI

WHAI RAWA LIMITED

Building Futures

Annual Report 2018

Contents

We're building futures to fulfil the aspirations of our tūpuna and sustain and enable our mokopuna and whānau to soar and fly to the highest heights, for generations to come.
To soar to the highest heights
Kia rere arorangi te kāhu pōkere ki ngā taumata tiketike

Building Brighter Futures

Hāpaitia te āpōpō

Tēnā koutou katoa

We are pleased to provide you with the Ngāti Whātua Ōrākei Whai Rawa Limited (Whai Rawa) Annual Report for the year ended 30 June 2018.

Reflecting on the past year, it is pleasing to see not only the continued growth of hapū assets through prudent investment and property diversification strategies, but also the successful launch of two major, innovative initiatives for whānau, the Toi Ora (health insurance) and Toi Tupu (savings and investment) schemes.

While there are direct, immediate benefits to members from participating in these schemes in terms of improvements to personal health and financial security, importantly they also lay the strongest foundation for those enhanced outcomes to become inter-generational.

The development of these schemes are the embodiment of Whai Rawa's vision to balance the needs of 'now' with those of 'tomorrow'.

Highlights of the year ended 30 June 2018, include:

Increased total assets by

% 10 ↑ from $ 1.05 billion ↑ to $ 1.15 billion

Increased equity by

% 9 ↑ from $ 760 million ↑ to $ 832 million

Cash distributions to the Trust and Whai Maia of

$ 8.9 million

Net profit before taxation and fair value adjustments of

$ 7.29 million

Launching Toi Tupu (savings & investment) & Toi Ora (health insurance) schemes to benefit whānau

Significant progress in our land investment strategy including ongoing improvement of existing housing stock

Steady development on the former NZDF lands and a new apartment block at Eastcliffe Retirement Village

Flourishing Future Directors and Intern programmes

Toi Ora (Health Insurance) and Toi Tupu (Savings and Investment) initiatives launched

Toi Ora and Toi Tupu

Individually and collectively, these schemes are considered ground-breaking in first nations communities around the world. Designed to have a direct and positive impact on the lives of whānau now and into the future, Toi Ora and Toi Tupu put Ngāti Whātua Ōrākei in the driver's seat, providing all members with the opportunity to take control and positively influence their lives in terms of health and financial security.

Homes for whānau

Our focus on building and upgrading homes for whānau continued at pace this year. The 68 former Housing New Zealand houses that make up the majority of the Ōrākei Papakāinga have gradually been brought up to standard and ongoing maintenance schedules planned. The first tranche of Kupe Street homes purchased under an Exclusivity Agreement with Housing New Zealand has been settled with further homes to be acquired over the next five years.

A post occupancy review of the globally recognised Kāinga Tuatahi development has begun so we can learn the lessons and ensure that Kāinga Tuarua is an even greater success for the hapū. Continuous improvement is our goal and we remain committed to setting the standard for quality, eco-friendly and energy-efficient homes for whānau.

Building communities

Whai Rawa continues to make steady progress on major property development projects. Development on the former New Zealand Defence Force lands on the North Shore is continuing with community engagement and the relocation of vacant homes to sites around the North Island being a key focus this year. Earthworks have begun at Belmont's Hillary development, while remediation is nearly complete on the Roberts Avenue site in Bayswater.

Necessity is said to be the mother of invention, and the new Kahu Apartment development at Eastcliffe Retirement Village proves the rule. The weathertightness issues and subsequent demolition of six blocks in 2017 was a tragedy for the affected residents. While taking the opportunity to develop a masterplan for the site, Whai Rawa determined that completion of planning, consenting and building would take too long and that an alternative solution be sought for affected residents in the shortest possible time. The new Klein-designed Kahu block is the exciting response to that brief.

Artist's impression of Hillary Development, Belmont

The faces of the future

Our successful Future Directors and internship programmes have again been well subscribed in 2018. It is gratifying to see the calibre of talent within Ngāti Whātua Ōrākei who want to learn not just about governance, but the various ways in which they can potentially assist to drive the future success of Ngāti Whātua Ōrākei.

In this year's Annual Report, we asked our 'faces of the future' to describe their experiences at Whai Rawa in their own words. Their stories make for interesting reading and reinforce the Board's view that the value of these mentorship programmes goes well beyond the role they play in terms of succession planning and self-determination; they instil confidence, ambition and resolve in our future leaders.

Quay Park

The Quay Park lands are the jewel in the Ngāti Whātua Ōrākei property investment crown. This land can never be sold and income is derived from ground lease rental that is negotiated with lessees every seven years. Ground rent reviews are currently underway and will be concluded in the next financial year.

Forging the future

The year ahead will be dominated by construction. Whai Rawa will develop two sites on the North Shore. Eastcliffe's development will progress in various stages of construction, with masterplanning well advanced for the balance of the Eastcliffe Retirement Village and Quay Park.

These are the building projects that pave the way to expanding the asset base, and in doing so forge a positive future for the entire hapū.

It has been a busy and successful year at Whai Rawa – that is only possible through the commitment and determination of the directors and management team. Thank you for your dedication.

Mauri ora, and Shalom
Michael Stiassny
CHAIRMAN

Te Mana Whakahaere

Board of Directors

Michael Stiassny
Chair

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

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

A fellow and past president of The Institute of Directors in New Zealand (Inc.) (FInstD), Michael has a 40 year strong background in financial consultancy, is a leading corporate governance practitioner and now specialises in strategic advisory and issues resolution.

A Chartered Accountant and lawyer, Michael is a director of a number of public and private companies.

Sir Rob Fenwick
Independent Director

Sir Rob Fenwick is an experienced businessman and company director whose business interests have been closely aligned with sustainable development. He has long standing connections with Ngāti Whātua Ōrākei.

He is a Fellow of the Institute of Directors, a founder of Sustainable Business Council and a director of Te Papa Tongarewa, two national science challenges, Predator Free 2050 and The Kiwi Trust.

In 2016, Rob became a Knight Companion of the New Zealand Order of Merit for services to the environment, and was one of 3 finalists for New Zealander of the Year. This followed his recognition in 2015 as the recipient of the Sir Peter Blake Medal for outstanding leadership contributions to New Zealand.

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

Precious Clark
Whānau Director

Precious runs her company Maurea Consulting Ltd which delivers Te Kaa, a training programme that ignites your Maori cultural competency. Precious led the development of Whātua Ahurutanga, our housing strategy. She is passionate about our reo and tikanga, education, housing and innovation in social media.

Ngarimu Blair
Trust Representative Director

Ngarimu is the Deputy Chair, Chair of the Settlement Protection Team and the Trust's appointee to Whai Rawa Limited. He was elected to the Trust in 2006 and is active across many kaupapa. He is passionate about Auckland tribal histories and kaitiakitanga.

Julia Steenson
Whānau Director

Julia was appointed to Whai Rawa in June 2017 and is a business woman with a background in law, finance and project management. As General Counsel for Te Wānanga o Aotearoa, she recently presented on Intellectual Property at the World Indigenous People Conference in Toronto. Julia also lead the development of an online risk programme that won two awards at the 2017 LEARNX Impact Awards in Australia. Prior to this, Julia worked in Corporate and Commercial banking in London and Auckland. Julia is also Chair of Kia Puawai Ltd, part of the Annah Stretton Foundation.

Rob Hutchinson
Independent Director

Rob Hutchison served as Chief Executive Officer of Ngāti Whātua Ōrākei Whai Rawa Limited from 2012 - 2017. Hutchison had been instrumental in growing the iwi's asset base from $356 million in 2012 to close to $1 billion today. He has also held positions with Jones Lang La Salle and Colliers International. He now runs his own consultancy business Waitea Property Advisory. He is of Scottish ancestry and has had a very impressive career in property. He served as Valuer General and Chief Executive of the North Shore City Council and was a Judge for the Property Council NZ awards for many years.

Building Future Leaders

Ākina ngā rangatira mō āpōpō

At Whai Rawa, our vision extends well beyond meeting the financial needs of the hapū. We have undertaken to grow the skills and talent within the hapū to take over these responsibilities. Self-determination begins with both identifying and then successfully developing new leaders in meaningful ways.

Te Arepa Morehu (left) and Stacey Perillo (right)

Future Directors' programme

In the three years since the Whai Rawa Future Directors' programme was established, it has attracted highly talented and ambitious whānau who want to contribute to the future success of the hapū. Stacey Perillo and Te Arepa Morehu are currently making valuable contributions at the Board table and in return, learning about all aspects of governance.

The Future Directors' programme is a 2 year programme that identifies and develops our future leaders by placing them on to the Whai Rawa Board alongside our Directors giving them exposure and insights to governance. It is an expectation that the Future Directors' are supported in their governance aspirations through mentoring and professional development pathways. The Future Directors' programme is designed to help develop the next generation of Ngāti Whātua Ōrākei Directors, kia ākina ngā rangatira mō āpōpō.

Stacey Perillo

I had no idea what to expect coming into the Future Directors' programme. I remember being slightly nervous sitting alongside respected business leaders as well as fluent speakers of Te Reo Māori (something I want to be able to do before I die) and to be honest I still am sometimes.

I have learnt that we can't take the assets we have for granted. We need to think about the future and what we are leaving for generations to come.

I have welcomed the opportunity to learn from – and about – the different people and entities that make up Ngāti Whātua Ōrākei. I also enjoy being able to voice my opinions on important kaupapa such as Kāinga, Toi Tupu and Toi Ora.

Attending the week long Institute of Directors Company Directors' Course was a privilege. It has provided me with a strong framework to guide good governance practice. My view now is that one of the biggest governance challenges is to avoid complacency and always be thinking about what could be around the corner in every decision you make.

I think we are extremely lucky to have the likes of Sir Rob Fenwick, Michael Stiassny, Rob Hutchison and Andrew Crocker (CEO) sitting on the WRL board and helping to manage our asset base alongside our whānau directors and employees.

Although these people will eventually move on, I believe their mana and haututanga will remain part of this organisation's culture. This will continue to drive a very bright future for Ngāti Whātua Ōrākei from a commercial perspective.

From a people perspective, if history has taught us anything it is that we are stronger as a people together. I truly believe that the future success of our tribe relies on our ability to put aside self-interest and focus our efforts on strategies that generate the best possible outcomes for whānau.

My reasons for joining the Future Directors' programme were to learn more about the inner workings of our hapū organisations and hopefully add value, rather than with thoughts of pursuing a governance career. However, I now feel sad that this experience will soon come to an end. I have really enjoyed the satisfaction that comes from working somewhere that you know will benefit your whānau and people you love.

Te Arepa Morehu

He whakamānawa tāku te noho i runga i te poari o Whai Rawa. It has been a great honour sitting on the Whai Rawa board. I have learnt many things to do with Ngāti Whātua Ōrākei that I wasn't privy to previously. It has given me some great insights into some of the big decisions that are made on behalf of the hapū.

A part of the Future Directors' programme that I find really interesting is observing the dynamics of a board – the different perspectives of people working together for the better of the company. There are many opinions and ideas, but ultimately it is how you gain alignment that will lead to an outcome or decision.

Not having previous board experience, one of the biggest challenges I faced while on the Whai Rawa board was getting up to speed. Sitting in the first couple of board meetings and seeing the depth of knowledge that everyone else had around particular topics and the networks they had gained over time was daunting. Attending multiple Institute of Directors' courses has helped me understand some of the challenges faced in governance. I also have greater insights into board best practice which I can now utilise to contribute to the board meetings.

In my view, one of the best decisions made by Ngāti Whātua Ōrākei was to create opportunities such as the Future Director programme to build up the skill pool in the governance arena. Through my personal growth in the last year of being a future director I have realised that governance is an area that I want to explore further.

Noho i te wharau o hāneanea.

Summer intern programme

This year, we also welcomed three interns – Selwyn-Roimata Teua, Shakela Salim and Waimarie Hunia – into the Whai Rawa offices. Over the summer, they turned their hands and minds to a wide range of tasks. They learned as they went; not just specific new skills, but also about themselves, their drivers and future ambitions. Each young woman impressed with their capacity to dig deep. We enjoyed watching their confidence grow as they accepted challenges, mastered new skills, and succeeded in surpassing their own expectations.

Here's what they had to say about their experience.

Selwyn-Roimata Teua (left) and Shakela Salim (right)

Selwyn-Roimata Teua
Bachelor of Business, AUT – Marketing and Design major

Being part of the intern programme has been nothing short of enjoyable and full of many learnings. As interns, we come into new spaces to see a different aspect of the workforce. You learn to be independent in your work and how to manage competing priorities as well as just making things happen when they need to!

I have learnt how to better communicate with people I am working with and how to approach different situations. Being in an unfamiliar work environment, I've been able to develop new skills that will benefit me now and in the future.

For me, the most enjoyable part of this whole experience has been the "doing". Being able to do for our people what many could only dream about. Having the chance to learn and grow alongside the other interns has been a bonus as well.

I think this internship has definitely given me more of a push to face things head on. Taking on challenges that I never would have before and diving in the deep end, even when I'm not completely sure.

In life, my biggest aspiration is to be an inspiration for those who may be watching. It is really important to me that I can pave a way for those younger than me. I also aspire to be able to show people opportunities aren't to be wasted. To show that any and everything is possible, if you really want it.

Shakela Salim
Bachelor of Commerce / Bachelor of Arts – The University of Auckland

Ko Shakela Salim tōku ingoa, he uri ahau nō te whānau Cullen me te whānau Kepateaweawe, tēnei te tuku mihi ki ngā uri o Tuperiri.

My summer internship with Ngāti Whātua Ōrākei was an opportunity filled with great learnings and knowledge. I had the privilege to work and experience the field of business in our very own subsidiary – a once in a lifetime experience.

The most enjoyable part was being able to work on something that I am passionate about: I was involved in two ground-breaking initiatives Toi Tupu (our very own savings and investment scheme) and Toi Ora (free health insurance for our people). A highlight was being involved in the planning phase because it allowed me to bring my existing skillsets to whānau-centric projects. Let's see what else is yet to follow!

I learned many things over the course of the internship, from having to learn and recite my whakapapa in five minutes and sitting in a board room sharing my opinion on programmes and projects for whānau, right through to planning events at a moment's notice.

It made the feeling of being uncomfortable the new comfortable. All of which were testing and better yet a lesson at the same time. To work in a corporate structure that lets you embrace your culture but also teach you many practical skills about business is an experience that cannot be exchanged!

I was able to learn a plethora of new skillsets and knowledge through my internship at Whai Rawa Ltd which have been added to my kete. I'm excited to see what the future has in store for ngā uri o Ngāti Whātua Ōrākei.

Tū mai ngā uri o Ngāti Whātua Ōrākei!

Waimarie Hunia
Bachelor of Arts / Bachelor of Law – The University of Auckland.

He uri ahau nō Tuperiri, i tupu ake ahau ki waenga i ngā parirau o te kāhupōkere i te papakāinga o Ōrākei.

Anei ahau, tetahi o ngā uri o Tautoko Morehu raua ko Pikiteora Morehu. Ko Waimarie Hunia ahau.

As a school leaver the internship programme was an opportunity for me to get some insights in an office environment.

My favourite part of the intern programme was the induction week. We were welcomed with a whakatau at the office, giving me the opportunity to not only meet the members of staff but to also meet my fellow interns, half of whom I already knew and others that I had yet to meet. Over the course of the week we got back to our roots with a hīkoi and history of the maunga, an excursion to the Hillary development on the North Shore and the Glen Innes health services. It is amazing to see the amount of influence we have over our assets and what those assets in turn return to us.

In our first week we were hosted by the Whai Rawa Board for lunch, we were able to see first hand the drivers and goals for them and what it means for us.

My internship has prepared me for the year ahead by teaching me about time management and responsibility. Being part of the first group of interns, I was determined to give it my best. I was a part of the Residential team that manages the information for the assets so a key part of the role was to learn a CRE system that enables large datasets to be reported.

The programme has made me feel more confident and it has given me an insight into what Whai Maia and Whai Rawa do for our hapū.

Waimarie Hunia

Building Future Communities

Te whakatupu hapori

Property development is Whai Rawa's core asset growth strategy. Over the past year, steady progress has been made developing the ex-New Zealand Defence Force sites on the North Shore. And, in the wake of the Eastcliffe Retirement Village weathertightness issues noted in 2017, a new development is now underway to house affected residents.

Artist's impression of Roberts Avenue, Bayswater

North Shore – Hillary & Roberts Avenue Developments

Sustained community engagement has been the focus of North Shore development in FY18. We have worked constructively with the New Zealand Defence Force (NZDF) to develop a carefully timed relocation plan for vacant homes as around 40 houses are surrendered each year. This response was borne out of our desire to have as little environmental impact as possible: relocating empty houses avoids the need for potentially site-contaminating demolition. Former NZDF houses are now located the length and breadth of the North Island. Where appropriate, site materials such as topsoil etc. are being reused and recycled.

Hillary Development

The first stage of the Hillary Development in Belmont has now commenced with earthworks and remediation activities underway. The building of the first 37 new homes is due to commence in early 2019. When complete, the Hillary development will comprise 300 to 400 new homes

Roberts Avenue

Earthworks and land remediation is nearly completed on the 33-lot Roberts Avenue development in Bayswater. Civil works and construction of the three level walk-up apartments is due to commence early next year with completion anticipated in 2020.

Artist's impression of Kau Apartments

Eastcliffe Retirement Village – Kahu Apartments

As a result of the weathertightness issues and subsequent demolition of six blocks, master-planning for the redevelopment of Eastcliffe Retirement Village is currently being undertaken by Warren & Mahoney. Given the process of design and consenting is likely to take some time, Whai Rawa is expediting development of one block to provide a permanent option as quickly as possible for affected residents.

The new concept has been designed by specialist architectural firm, Klein. The Kahu apartments will be situated on the current carpark off Kupe Street, with a northwesterly aspect taking full advantage of views across Auckland City and the Waitemata Harbour.

The apartments will feature quality materials, spacious floor plans and privacy from next phase development, as well as being future-proofed to enable residents to stay in their homes longer e.g. bathrooms that are designed to meet changing mobility needs. All apartments will also include large decks, undercover carparks and improved storage that were not available in the old town houses and apartments. Earthworks have begun and construction is due for completion in 2020.

Ka tū pari toka toka, ka horo pari oneone

Building Futures for our Whānau

Shelter is a basic human need that leads to better health and prosperity. As part of Whai Rawa's mandate, we want to see as many whānau as possible have access to healthy homes on our traditional lands throughout the Ōrākei Papakāinga.

We have a number of different projects and programmes underway to build quality housing stock and significantly upgrade existing houses that fall below the standards we wish for whānau. Each year, progress towards these goals is made and FY18 has been no exception.

Residential Compliance Programme

There are 68 former Housing New Zealand (HNZ) houses throughout the Ōrākei Papakāinga (primarily along Kupe Street), known as the 'residential' stock. These houses were purchased in 1996 and leased back to HNZ until 2013 when Whai Rawa took over their management. These homes are now leased by Whai Rawa to Whai Maia and then on to hapū members.

In many cases these houses were in poor condition and over the past four years, Whai Rawa has focused on assessing and upgrading them.

Over time, we have developed a set of Housing Sandards that go beyond mere compliance; it is our intention to ensure that Ngāti Whatua Ōrākei delivers on its commitment to Whātua Āhurutanga – warm, dry, safe and healthy homes for our members. The Kupe Street properties have gradually been brought up to standard and ongoing maintenance schedules developed.

As a result, anecdotal evidence suggests that the better living conditions are leading to improved health and general welfare for whānau tenants and their tamariki.

Annual Report 2018
Ngāti Whātua Ōrākei Whai Rawa Limited

Kupe Street Properties

Kupe Street is our ancesteral heartland and that cultural significance drives Whai Rawa to acquire as much land as possible along the ridge. While this programme is capital intensive, it is a fundamental part of our land investment strategy.

This year, through an Exclusivity Agreement with Housing New Zealand (HNZ), we settled the purchase of our first tranche of properties on Kupe Street. The balance of properties are to be acquired from HNZ over the next five years.

We acknowledge that many Ngāti Whātua Ōrākei whānau are current HNZ tenants living in these houses. Our desire is to keep disruption to a minimum and we will continue to keep tenants informed as the acquisition process progresses in the coming years.

The Kupe Street lands provide us with a rich canvas to realise the aspirations and vision of Ngāti Whātua Ōrākei and its members, and ensure our mana is protected.

High Value Properties

In 2015, Whai Rawa negotiated the purchase from Housing New Zealand of seven individual properties within the original Orākei block. These properties were acquired directly at market value.

These run down properties were not fit for habitation and have remained vacant while Whai Rawa has assessed the feasibility of development opportunities for these sites in the current market.

Kāinga Tuatahi

Kāinga Tuatahi has been hailed as a stellar medium density Papakāinga housing development, gaining award recognition in Aotearoa and on the global stage. With 30 homes and more than 140 whānau now living there, our focus in FY18 has been to formally evaluate the development by conducting a post occupancy review of the processes for Kāinga. It is our intention to follow a path of continuous improvement – ensuring that new papakāinga housing builds on the success of this initial development.

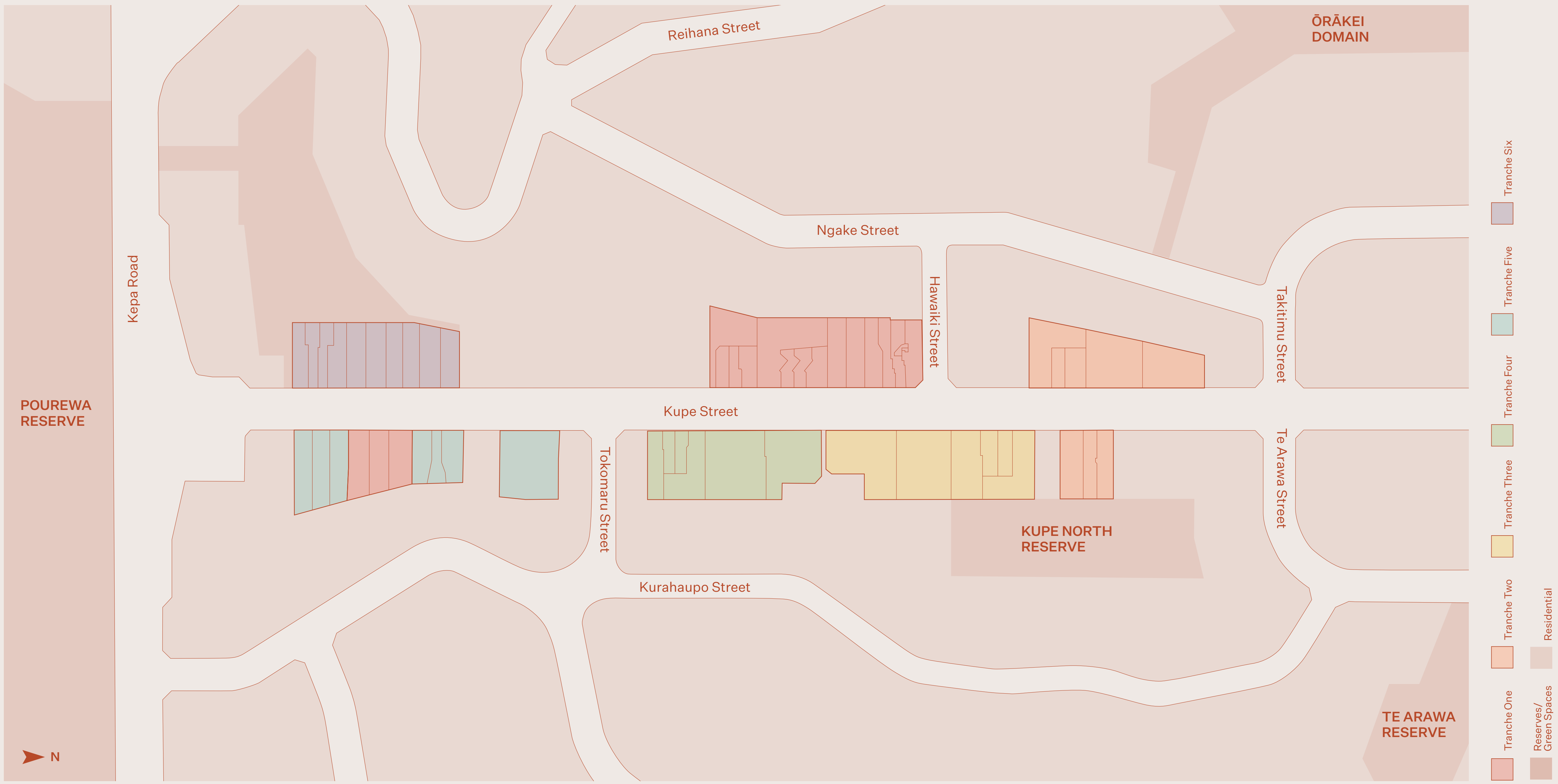
We have partnered with the National Science Challenge and Otago University to assist in this piece of work with the findings being avilable in FY19.

Kāinga Tuarua

The iwi is now focused on replicating and improving on the success of the Kāinga Tuatahi housing development. A range of affordable, quality housing will be built over the coming years.

Although it does not directly contribute to the commercial growth of the asset portfolio, hapū housing on the papakāinga will remain a major focus for Whai Rawa. With a clear direction to increase new housing stock in Ōrākei, we are continuing to assess other lands and financial models for Kāinga Tuarua and beyond.

Orākei Papakāinga
Housing New Zealand Acquisitions



Ngā tirohanga

Building Prosperous Futures

Toi Ora

E tapatahi ana a Ngāti Whātua Ōrākei ki te oranga me te hauora o ngā uri o Tuperiri. I raro i te maru o tana hōtaka Toi Ora, e tukua ana e Ngāti Whātua Ōrākei he inihua hauora ki ana mema katoa.

Improving the health and wellbeing of our people is something of utmost importance, so that as a hapū we can flourish. We looked at various ways to empower our whanau when using the health system and to remove existing or perceived barriers to quality health care and health care options.

As a result, in 2017 Ngāti Whātua Ōrākei committed to provide private health insurance for all members of the hapū. On 4 April 2018, we were proud to launch Toi Ora, offering free private health insurance to all hapū members and – for a limited period during sign up – full coverage of pre-existing conditions.

The Toi Ora offering has been designed by Ngāti Whātua Ōrākei for Ngāti Whātua Ōrākei in partnership with nib NZ.

The Ngāti Whātua Ōrākei Health Insurance plan is a comprehensive insurance plan that covers:

Importantly, all insurance premiums and any excess payments are met by the hapū.

The scheme also aims to encourage members to take control and influence their own health improvements through the use of personalised proactive wellness tools, such as nib's myhealthHQ online wellness portal.

The portal will allow identification of health trends among the hapū to enable relevant and appropriate interventions to the health challenges members face.

Over time, a health management and intervention programme will also be implemented for Ngāti Whātua Ōrākei members to track and manage their own health and improve the collective health of the hapū.

EVERYDAY	→ 60% Covered 40% You pay →	An everyday option to assist with some day-to-day health costs like GP visits, dental, physiotherapy and optical costs (co-payment)
SPECIALIST	→ 100% Covered →	A specialist option which covers specialist consultations and diagnostic procedures that don't require hospitalisation (fully covered)
BASE	→ 100% Covered →	Base cover for surgical and medical (non-surgical e.g. cancer treatment) hospitalisation (fully covered)

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Toi Tupu

Ko Toi Tupu tētahi kaupapa e whai wāhi ai ngā mema o Ngāti Whātua Ōrākei ki te penapena i ngā moni e tohaina ana ki a rātou e te Uepū. Mō ia Mema ka rēhita, ka whakaritea he pūtea moni mā rātou, ā, hei te 30 o Pipiri 2018 ka raua he moni ki roto rā e te Uepū.

Ngāti Whātua Ōrākei
Toi Tupu

Improving financial security, building financial literacy and providing registered hapū members with a unique opportunity to have a hand in growing the fortunes of Ngāti Whātua Ōrākei is at the heart of Toi Tupu, the inaugural Ngāti Whātua Ōrākei savings and investment scheme.

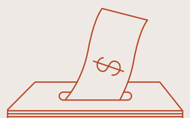
Registered Ngāti Whātua Ōrākei members that choose to participate in Toi Tupu will have an interest-bearing term deposit set up in their name and receive an annual contribution of approximately $500 after tax.

Interest earned will be considerably higher than the market rate and the term deposit will be invested by the Ngāti Whātua Ōrākei group of companies in their business activities.

In the coming months, we will be developing information material to help improve hapū members' financial literacy skills, together with providing information about the Ngāti Whātua Ōrākei asset base. Our aim is to have as many members as possible actively engaged in understanding how Whai Rawa operates and builds the financial strength of the hapū.

Whātua investing in Whātua

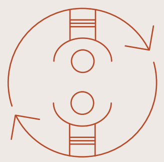
How does Toi Tupu work?



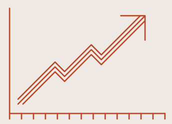
A term deposit account will be created for each enrolled member

Each enrolled member will receive a $500 deposit after tax*

(*Depending on your tax rate)



Term deposit invested back into whātua

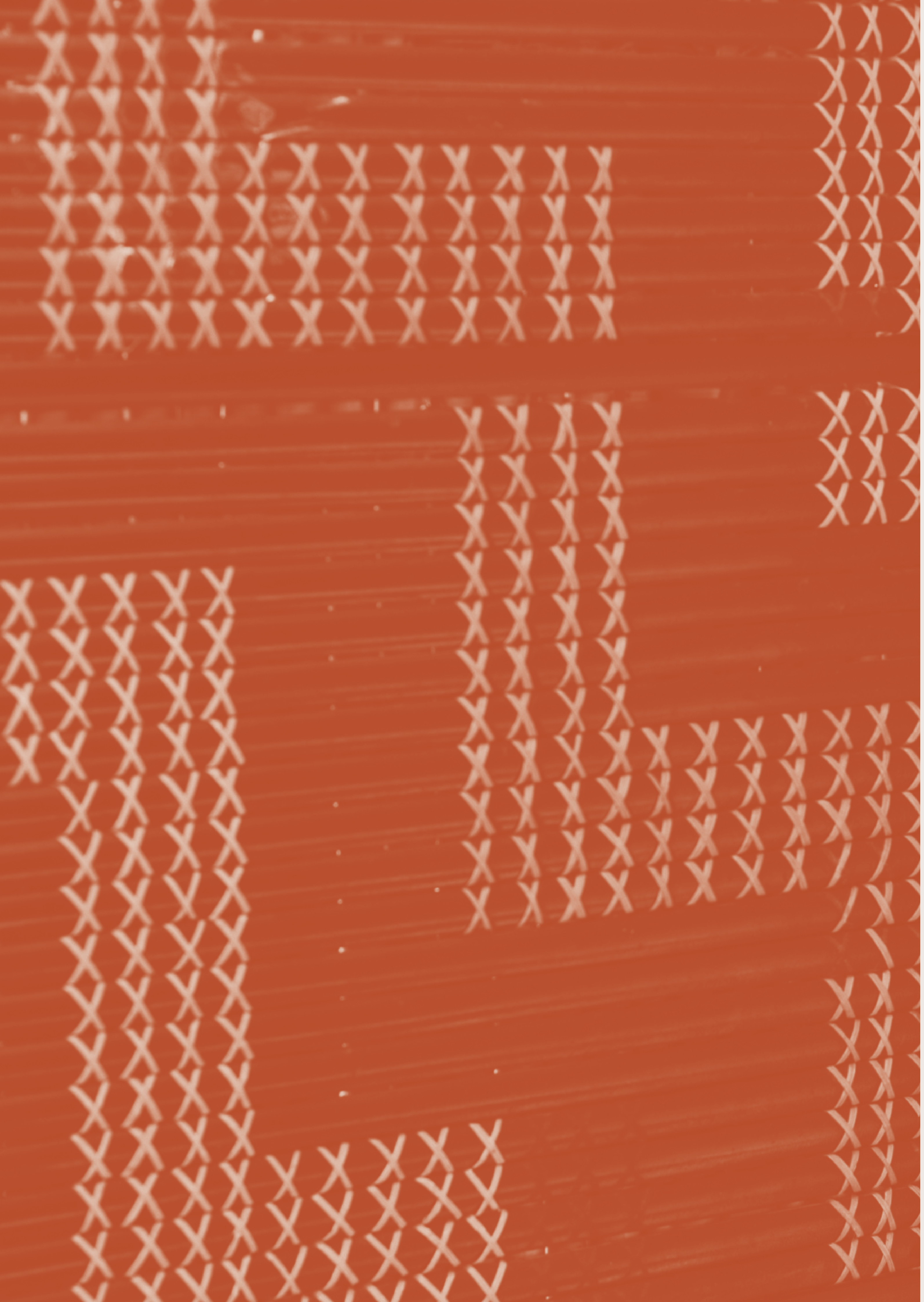


Interest on deposit

Year 1
2% above BKBM

Year 2
4% above BKBM

Members cannot make deposits | Under 18 cannot withdraw | Opt in



Financial Statements

For the Year Ended 30 June 2018

Company Directory

(For the Year Ended 30 June 2018)

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

(For the Year Ended 30 June 2018)

The Directors hereby present their Report including Financial Statements of the Group for the year ended 30 June 2018.

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:

Joann Precious Kowhai Clark
Julia Anne Steenson
Michael Peter Stiassny
Ngarimu Alan Huiroa Blair
Robert Lindsay Hutchison (Appointed 1 July 2017)
Sir Robert George Mappin Fenwick

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 28th day of September 2018

Consolidated Statement of Comprehensive Income

(For the Year Ended 30 June 2018)	Note	2018	2017
		$	$
Revenue			
Interest and Dividend Revenue		532,902	495,734
Property Rental Revenue		27,159,158	25,289,495
Retirement Village Revenue		4,994,053	5,284,925
Sales		432,169	12,949,506
Other	4	240,159	279,633
Total Revenue		**33,358,441**	**44,299,293**
Expenses			
Employee Benefits Expense	5	4,867,727	4,735,075
Governance	5	371,734	255,594
Finance Costs	5	9,688,772	9,088,045
Rental Property Expense		4,971,807	4,329,808
Retirement Village Service Expense		2,053,871	2,015,246
Professional Fees	5	2,331,192	1,095,068
Other Expenses	5	1,192,391	993,183
Depreciation and Amortisation Expense		107,843	143,462
Cost of Sales		391,718	12,525,547
Impairment of Inventories	6	95,466	134,197
Bad Debts and Doubtful Debts		(8,995)	1,774,658
Total Expenses		**26,063,526**	**37,089,883**
Net Profit before taxation and fair value adjustments		**7,294,915**	**7,209,410**
Gain on Revaluation of Investment Property	7	79,270,977	139,080,733
Unrealised Net Loss on Financial Instruments		(599,555)	(692,627)
Net Profit before taxation		**85,966,337**	**145,597,516**
Income Tax Expense	8	1,240,238	5,423,995
Total Comprehensive Income for the year		**84,726,099**	**140,173,521**

This statement is to be read in conjunction with notes to the financial statements on page 42 to page 58.

Consolidated Statement of Changes in Equity

(For the Year Ended 30 June 2018)	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	24	-	(13,594,000)	(13,594,000)
At 30 June 2018		**222,645,446**	**608,965,933**	**831,611,379**
At 1 July 2016		222,645,446	399,504,341	622,149,787
Total Comprehensive Income for the year		-	140,173,521	140,173,521
Dividends paid	24	-	(1,844,028)	(1,844,028)
At 30 June 2017		**222,645,446**	**537,833,834**	**760,479,280**

This statement is to be read in conjunction with notes to the financial statements on page 42 to page 58.

Consolidated Statement of Financial Position

(As at 30 June 2018)	Note	2018 $	2017 $
Equity		**831,611,379**	**760,479,280**
Current Assets			
Cash and Cash Equivalents	9	2,551,616	1,710,252
Trade and Other Receivables	10	1,780,405	2,481,426
Tax Asset		454,321	-
Related Party Receivables	11	568,051	107,700
Housing Loans	11	325,845	336,342
Inventories	6	-	164,391
Total Current Assets		**5,680,238**	**4,800,111**
Non-Current Assets			
Deposit on Investment Property		-	119,124
Investment in Joint Venture		17,000	17,000
Inventories	6	72,465,223	68,011,693
Investment Property	7	1,063,067,231	965,170,145
Property, Plant and Equipment	12	572,677	538,290
Housing Loans	11	12,708,873	13,143,597
Intangible Assets	13	1,210	15,561
Total Non-Current Assets		**1,148,832,214**	**1,047,015,410**
Total Assets		**1,154,512,452**	**1,051,815,521**
Current Liabilities			
Tax Payable		-	1,309,249
Trade and Other Payables	14	3,230,011	4,785,107
Employee Benefits	15	736,959	818,409
Related Party Loans	11	9,520,272	1,974,150
Refundable Occupation Right Agreements	16	41,140,297	47,172,573
Toi Tupu Deposits	11	592,203	-
Interest Bearing Loans and Borrowings	17	55,064,825	5,092,159
Income in Advance		3,693,889	166,668
Total Current Liabilities		**113,978,456**	**61,318,315**
Non-Current Liabilities			
Deferred Tax Liability	19	2,844,431	2,740,156
Interest Bearing Loans and Borrowings	17	144,758,611	166,391,082
Fair value of Derivative Financial Instruments	18	1,292,182	692,627
Related Party Loans	11	60,000,000	60,000,000
Income in Advance		27,393	194,061
Total Non-Current Liabilities		**208,922,617**	**230,017,926**
Total Liabilities		**322,901,073**	**291,336,241**
TOTAL NET ASSETS		**831,611,379**	**760,479,280**

Director

Director

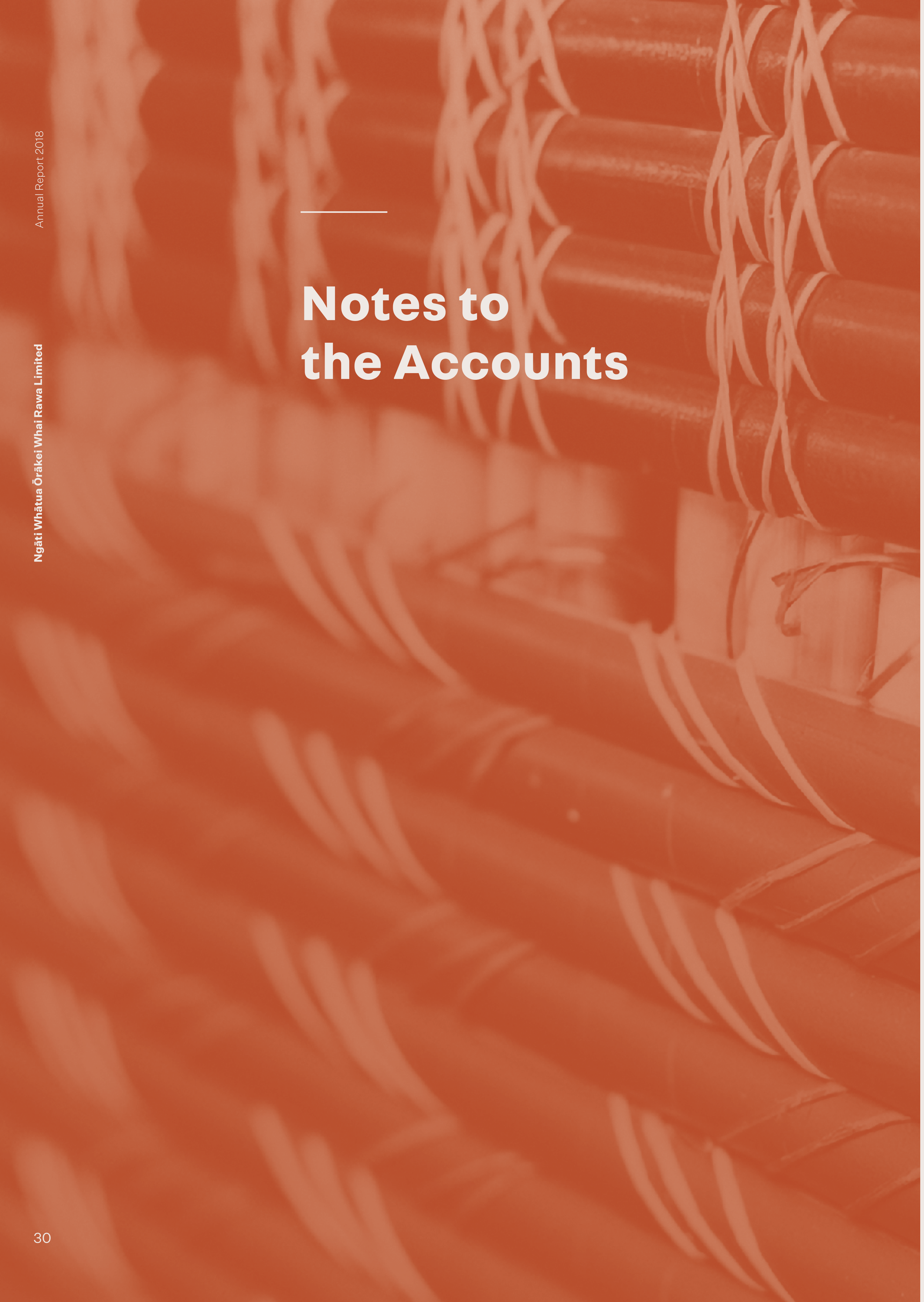
This statement is to be read in conjunction with notes to the financial statements on page 42 to page 58.

Consolidated Statement of Cash Flows

(For the Year Ended 30 June 2018)	Note	2018 $	2017 $
Cash Flows from Operating Activities			
Cash was provided from:			
Interest and Dividend Revenue		543,307	506,812
Property Rental Revenue		30,497,897	24,299,061
Retirement Village Revenue and Occupation Right Agreements Proceeds		8,512,765	13,098,022
Sales		1,126,692	12,608,938
Other		240,159	279,633
Cash was disbursed to:			
Payments to Suppliers		23,442,349	18,794,637
Payments to Employees		4,949,178	4,616,147
Payments for Inventory		1,950,663	5,408,317
Interest Paid		9,760,192	9,260,511
Income Tax Paid		2,899,026	5,714,921
Housing Loans (Repaid)/Advanced		(655,573)	8,775,489
Net Cash Outflow from Operating Activities	20	**(1,425,015)**	**(1,777,556)**
Cash Flows from Investing Activities			
Cash was provided from:			
Easement Rights Granted		-	350,000
Cash was disbursed to:			
Purchase of Property, Plant and Equipment		127,879	38,448
Purchase of Intangible Assets		-	1,050
Investment Property		20,168,525	4,874,269
Development of Investment Property		182,040	-
Net Cash Outflow from Investing Activities		**(20,478,444)**	**(4,563,767)**
Cash Flows from Financing Activities (Net)			
Cash was provided from:			
Proceeds from Borrowings		28,350,000	10,600,000
Cash was disbursed to:			
Related Party Loans		3,542,677	2,398,705
Dividends Paid		2,062,500	1,844,028
Net Cash Inflow from Financing Activities		**22,744,823**	**6,357,267**
Net Increase in Cash Held		**841,364**	**15,944**
Cash at Beginning of the Year		**1,710,252**	**1,694,308**
Total Cash at End of the Year	9	**2,551,616**	**1,710,252**

This statement is to be read in conjunction with notes to the financial statements on page 42 to page 58.

Annual Report 2018
Ngāti Whātua Ōrākei Whai Rawa Limited



Notes to the Accounts

1. General Information

Reporting Entity

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

The ultimate parent is Ngāti Whātua Ōrākei Trust.

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

Statement of Compliance

These financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS 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 Cashflows, as well as the notes to these statements.

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

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

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

Going Concern

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

2. Accounting Policies

Changes in Accounting Policy

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

Basis of Consolidation

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

The consolidated financial statements incorporate the assets and liabilities of wholly owned subsidiaries of Whai Rawa as at 30 June 2018 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
Corporate Property Investments Limited	Historical interests associated with property joint ventures. The company de-registered as of the 21st of April 2017.
Eastcliffe Ōrākei Retirement Care Limited Partnership	To manage development of the Eastcliffe Ōrākei retirement village and aged care facility at Ōrākei.
Eastcliffe Ōrākei Management Services Limited Partnership	To manage operations of the Eastcliffe Ōrākei retirement village and aged care facility at Ōrākei.
Whai Rawa Railway Lands Limited Partnership	To manage the commercial assets known as the Railway Lands and Quay Park in the Auckland CBD.
Whai Rawa Commercial Office Limited Partnership	To manage commercial office assets.
Whai Rawa Railway Leasing Limited Partnership	To manage commercial assets incidental to ownership of assets known as Railways Lands and Quay Park in the Auckland CBD.
Whai Rawa Property Holdings Limited Partnership	To manage the other various commercial assets including those received in settlement.
Whai Rawa Residential Properties Limited Partnership	To manage the residential property assets.
Whai Rawa Housing Limited Partnership	To manage the development of the Kāinga Tuatahi project 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.

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.

Convertible Loan

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

Cash and Cash Equivalents

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

Trade and Other Receivables

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

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

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.

Notes to the Accounts (continued)

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 Statement of Comprehensive Income is calculated as the difference between the sale price and the carrying amount of the asset.

Depreciation

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

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

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

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

Intangible Assets

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

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

	Expected useful life	Amortisation method
Software	2.5 years	Straight-line

Impairment

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

Goods and Services Tax

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

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 current liabilities as members have the right to withdraw the deposits after 12 months in the scheme.

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.

Notes to the Accounts (continued)

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

Leases

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

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

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

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

Annual Report 2018
Ngāti Whātua Ōrākei Whai Rawa Limited

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 mange 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.

Notes to the Accounts (continued)

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

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

(iii) Dividends
Dividend revenue is recognised when the Group's right to receive the payment is established.

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

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

Annual Report 2018
Ngāti Whātua Ōrākei Whai Rawa Limited

2. Accounting Policies (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 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 8.74 years (2017: 8.54 years) for the independent units/apartments and 4.15 years (2017: 4.03 years) for the serviced apartments and care studios.

Income Tax

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

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

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

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

The Group became a tax paying entity on 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.

Notes to the Accounts (continued)

3. Significant Accounting Judgements, Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on 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

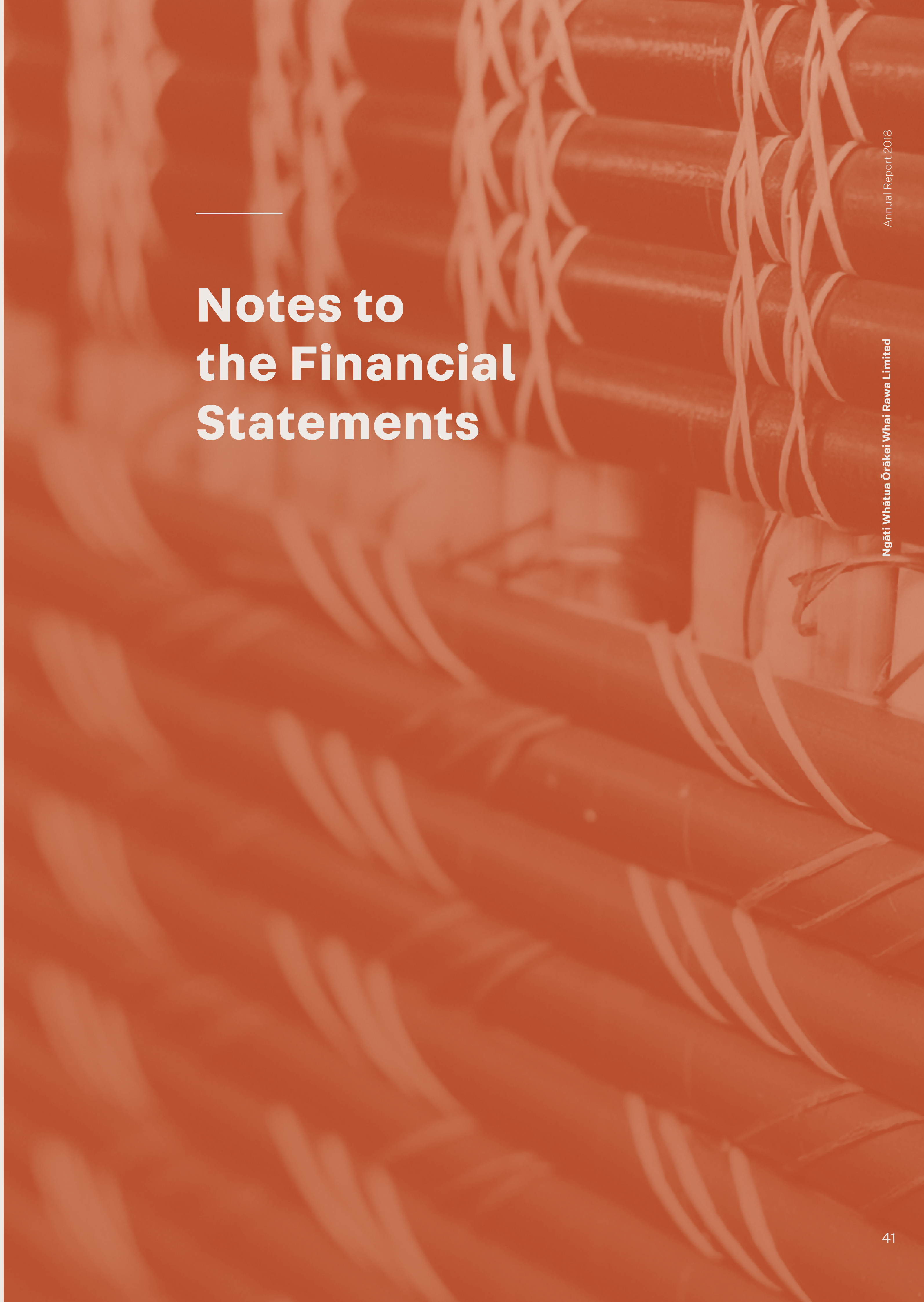
Inventories are held at the lower of cost and net realisable value (NRV). The NRV is the estimated selling price in the ordinary course of business less the estimated costs of completion and selling costs.

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

Notes to the Financial Statements

4. Other Revenue

	30 June 2018	30 June 2017
	$	$
Consulting	-	54,400
Other	240,159	225,233
	240,159	**279,633**

5. Operating Expenses

	30 June 2018	30 June 2017
	$	$
Employee Benefits Expense		
Wages and Salaries	4,758,134	4,612,499
Kiwisaver Contribution	68,628	73,063
ACC Levies	26,914	39,785
Other Staff Costs	14,051	9,728
	4,867,727	**4,735,075**
Governance		
Directors Fees	343,973	251,233
Directors Expenses	27,761	4,361
	371,734	**255,594**
Finance Costs		
Interest Expense on Bank Facilities	5,087,818	4,898,814
Interest Expense on Interest Rate Swaps	288,036	97,000
Interest on Related Party Convertible Loan	3,000,000	3,000,000
Bank and Line Fees	1,312,918	1,092,231
	9,688,772	**9,088,045**
Professional Fees		
Accounting Fees	19,683	28,462
Audit Fees	72,481	72,070
Legal Fees	615,609	411,742
Valuations	303,413	138,158
Other Professional Fees	1,320,006	444,636
	2,331,192	**1,095,068**
Other Expenses		
Office Expenses	452,070	421,053
Leases - operating	8,316	6,471
Communication Expense	513,594	395,105
Motor Vehicle/Travel Expenses	61,215	5,982
Recruitment Expense	64,954	158,119
Non-Recoverable GST	92,242	6,453
	1,192,391	**993,183**

6. Inventories

	30 June 2018	30 June 2017
	$	$
Classification of Inventories		
Current Assets		
Work in Progress - Kāinga Tuatahi	-	49,468
Other	-	114,923
	-	**164,391**
Non Current Assets		
Work in Progress - Hillary Development	57,189,719	56,428,515
Work in Progress - Laurel Street Development	11,653,139	11,583,178
Work in Progress - Roberts Avenue	3,622,365	-
Total Inventories at the lower of cost and net realisable value	**72,465,223**	**68,011,693**

An impairment of inventories of $95,466 was recognised in the Consolidated Statement of Comprehensive Income (2017: $134,197). This recognises the difference between the estimated total project cost and the net realisable value from the project on completion.

$72,465,223 of the Work in Progress is pledged as security for Group borrowing facilities (2017: $68,011,693).

7. Investment Property

	30 June 2018	30 June 2017
	$	$
At beginning of year	**965,170,145**	**888,593,144**
Net Gain from Fair Value Adjustment	79,270,977	139,080,733
Temporary Accommodation to Residents	1,026,388	-
Acquisition of Investment Property	20,228,200	4,490,804
Capital Expenditure	59,448	540,941
Work in Progress - Eastcliffe Kahu Apartments	182,040	-
Transfer of Investment Property to Inventories	(2,977,947)	(67,700,000)
Easement Rights Granted over Investment Property	-	(350,000)
Movement in Rent Accrued on Fixed Uplift Leases and Lease Incentives	107,980	514,523
Closing balance as at 30 June	**1,063,067,231**	**965,170,145**

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 2018.

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 (continued)

7. Investment Property (continued)

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

	30 June 2018	30 June 2017
	$	$
Independent valuation of investment properties	1,020,479,593	915,373,573
Investment Property work in progress	182,040	-
Prepaid lease value	194,057	360,725
Refundable occupation right agreements	41,140,297	47,172,573
Termination Fees in Advance	1,071,243	2,263,274
Total Investment Property	**1,063,067,231**	**965,170,145**

Investment property includes investment property work in progress of $182,040 (2017: Nil), 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 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

As at 30 June 2017	Market capitalisation rate	Discount Rate	Price per square metre
Investment Property	5.25% to 6.25%	8.00% -15.5%	$100 to $3,900

Notes to the Financial Statements (continued)

8. Income Tax

	Note	30 June 2018	30 June 2017
		$	$
Reconciliation of tax expense and accounting profit:			
Accounting Profit before Taxation		85,966,337	145,597,516
Adjusted for:			
Non-Taxable Revaluation of Investment Properties		(78,110,855)	(133,926,990)
Non-Deductible Expenses		3,644,574	19,356,950
Other		(624,992)	(162,524)
Taxable Income		**10,875,064**	**30,864,952**
Income Tax using Maori Authority Tax Rate (17.5%)		1,903,136	5,401,366
Adjustments in respect of current Income Tax of prior years		(767,173)	(5,813)
Tax effect of Total Temporary Differences arising during the year	19	104,275	28,442
Income Tax Expense		**1,240,238**	**5,423,995**

	Note	30 June 2018	30 June 2017
		$	$
Maori Authority Credits			
At beginning of year		**11,810,454**	**6,505,381**
Net tax payments		2,893,086	5,739,973
Other Debits		-	(48,225)
Resident Withholding Tax		6,220	4,282
Imputation Credits on dividends received		-	201
Imputation Credits on dividends paid		(749,106)	(391,158)
Closing balance as at 30 June		**13,960,654**	**11,810,454**

9. Cash and Cash Equivalents

	30 June 2018	30 June 2017
	$	$
Cash at Bank and in Hand	2,551,616	1,710,252
	2,551,616	**1,710,252**

10. Trade and Other Receivables

	30 June 2018	30 June 2017
	$	$
Trade Receivables	812,031	1,556,777
Provision for Doubtful Debts	(170,000)	(181,016)
Prepayments	929,764	780,254
Accrued Revenue and other receivables	208,610	325,411
	1,780,405	**2,481,426**

(i) Fair Value and Credit risk
Due to the short term nature of these receivables, their carrying value is assumed to approximate to their fair value.

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

(ii) Foreign Exchange and Interest Rate Risk
The Group is not exposed to foreign exchange risk. Interest rate risk exposure is disclosed in Note 22 (a).

Notes to the Financial Statements (continued)

11. Related Party Transactions

		30 June 2018	30 June 2017
		$	$
Amounts outstanding at year end:			
Current Assets			
Related Party Receivables			
Ultimate Parent			
Ngāti Whātua Ōrākei Trust	Trade Receivable	150,420	100
Associated Trust			
Whai Maia Charitable Trust 1	Advance	106,850	106,850
Whai Maia Charitable Trust 1	Trade Receivable	310,781	750
		417,631	**107,600**
Members of Ngāti Whātua Ōrākei	Housing Loans	325,845	336,342
Non Current Assets			
Members of Ngāti Whātua Ōrākei	Housing Loans	12,708,873	13,143,597
Current Liabilities			
Related Party Payables			
Ultimate Parent			
Ngāti Whātua Ōrākei Trust	Advance	9,520,272	1,974,083
Associated Trust			
Whai Maia Charitable Trust 1	Trade Payable	-	67
Members of Ngāti Whātua Ōrākei	Toi Tupu Deposits	592,203	-
Non Current Liabilities			
Related Party Payables			
Associated Trust			
Whai Maia Charitable Trust 2	Convertible loan	60,000,000	60,000,000

11. Related Party Transactions (continued)

	30 June 2018	30 June 2017
	$	$
Transactions with Related Parties:		
Advances Received from/(Repaid to):		
Ngāti Whātua Ōrākei Trust (net of repayments)	7,546,189	(2,400,000)
Toi Tupu Deposits Received from:		
Members of Ngāti Whātua Ōrākei	592,203	-
Housing Loans (Repaid by)/Advanced to:		
Members of Ngāti Whātua Ōrākei (net of repayments)	(445,221)	8,787,561
Property Rental Income Charged to:		
Whai Maia Charitable Trust 1	1,361,039	1,339,738
Interest Charged by:		
Whai Maia Charitable Trust 2	3,000,000	3,000,000
Housing Loan Interest Received from:		
Members of Ngāti Whātua Ōrākei	472,780	443,158

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.

Notes to the Financial Statements (continued)

12. Property, Plant and Equipment

	Office Furniture	Plant and Equipment	Motor Vehicles	Infrastructure	Total
At 1 July 2017	86,247	146,751	4,597	300,695	538,290
Disposals	(1,693)	-	-	-	(1,693)
Additions	90,981	38,591	-	-	129,572
Depreciation Charge	(30,778)	(58,381)	(2,819)	(1,514)	(93,492)
At 30 June 2018	**144,757**	**126,961**	**1,778**	**299,181**	**572,677**
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**
Cost	198,853	525,652	20,245	302,840	1,047,590
Accumulated Depreciation	(112,606)	(378,901)	(15,648)	(2,145)	(509,300)
Net Book Value 30 June 2017	**86,247**	**146,751**	**4,597**	**300,695**	**538,290**

13. Intangible Assets

	Software	Total
At 1 July 2017	15,561	15,561
Amortisation Charge	(14,351)	(14,351)
At 30 June 2018	**1,210**	**1,210**
Cost	63,337	63,337
Accumulated Amortisation	(62,127)	(62,127)
Net Book Value 30 June 2018	**1,210**	**1,210**

14. Trade and Other Payables

	30 June 2018	30 June 2017
	$	$
Trade Payables	705,910	477,087
Accrued Expenses	1,059,691	1,651,527
Other Payables	459,616	297,551
GST Payable	(66,449)	95,668
Termination Fees in Advance	1,071,243	2,263,274
	3,230,011	**4,785,107**

15. Employee Benefits

	30 June 2018	30 June 2017
	$	$
Wages and Salaries Accrued	357,267	461,446
Holiday Pay Accrued	303,981	282,331
Kiwisaver, PAYE and Withholding tax	75,711	74,632
	736,959	**818,409**

16. Refundable Occupation Right Agreement

Residents purchase an Occupation Right Agreement ("ORA") issued under the Retirement Village Act 2003. A portion of the ORA is refundable when residents leave. An amount of $41,140,297 (30 June 2017: $47,172,573) 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 (continued)

17. Interest-Bearing Loans and Borrowings

	Maturity	30 June 2018 Total Facility $	30 June 2017 Total Facility $	30 June 2018 Undrawn Facility $	30 June 2017 Undrawn Facility $	30 June 2018 Net Book Value $	30 June 2017 Net Book Value $
BNZ							
Bank Facility	25/05/19	37,500,000	37,500,000	-	-	37,500,000	37,500,000
Bank Facility	25/05/20	37,500,000	37,500,000	16,600,000	-	20,900,000	37,500,000
Bank Facility	23/02/21	25,000,000	25,000,000	25,000,000	25,000,000	-	-
		100,000,000	**100,000,000**	**41,600,000**	**25,000,000**	**58,400,000**	**75,000,000**
ANZ							
Eastcliffe Bank Loan	29/05/20	-	5,000,000	-	-	-	5,000,000
Bank Facility	25/05/19	17,500,000	17,500,000	-	-	17,500,000	17,500,000
Bank Facility	25/05/20	17,500,000	17,500,000	3,500,000	-	14,000,000	17,500,000
Bank Facility	21/12/21	30,000,000	-	25,000,000	-	5,000,000	-
		65,000,000	**40,000,000**	**28,500,000**	**-**	**36,500,000**	**40,000,000**
Westpac							
Bank Facility	22/11/19	37,500,000	37,500,000	-	-	37,500,000	37,500,000
Bank Facility	22/11/20	37,500,000	37,500,000	20,000,000	18,450,000	17,500,000	19,050,000
Bank Facility	21/02/21	25,000,000	25,000,000	25,000,000	25,000,000	-	-
Bank Facility	10/12/21	30,000,000	-	30,000,000	-	-	-
		130,000,000	**100,000,000**	**75,000,000**	**43,450,000**	**55,000,000**	**56,550,000**
ASB							
Bank Facility	30/04/21	50,000,000	-	-	-	50,000,000	-
		345,000,000	**240,000,000**	**145,100,000**	**68,450,000**	**199,900,000**	**171,550,000**
Accrued Interest						77,242	92,159
Establishment fees						(153,806)	(158,918)
Total Net Book Value						**199,823,436**	**171,483,241**
Current Portion						55,064,825	5,092,159
Non-Current Portion						144,758,611	166,391,082
Total Net Book Value						**199,823,436**	**171,483,241**

17. Interest-Bearing Loans and Borrowings (continued)

	30 June 2018 $	30 June 2017 $
Bank facility expiry profile		
Less than 1 year	55,000,000	-
1-2 years	92,500,000	55,000,000
2-3 years	137,500,000	97,500,000
3-4 years	60,000,000	87,500,000
	345,000,000	**240,000,000**

On 30 June 2017, the Group had a loan facility for a total amount of $240,000,000. This was increased to $295,000,000 on 5 December 2017 and then to $345,000,000 on 23 April 2018. 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.

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.

Eastcliffe Ōrākei Retirement Care LP had a separate bank facility of $5,000,000 with ANZ Bank New Zealand Limited. This facility was extinguished as of 28 February 2018.

18. Derivative Financial Instruments

At 30 June 2018, 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 2018 is $90 million (2017: $90 million) with the weighted average term to maturity being 1.66 years (2017: 2.66 years). Fair Value of these interest rate swaps as at 30 June 2018 was a liability of $1,292,182 (2017: $692,627). The interest payment frequency on these borrowings is quarterly.

19. Deferred Tax

	Note	30 June 2018 $	30 June 2017 $
Deferred Tax Liability			
At beginning of year		**2,740,156**	**3,139,793**
Current period movement on deferred tax	8	104,275	28,442
Reversal of prior period deferred tax		-	(428,079)
Total Taxable Temporary Differences as at 30 June		**2,844,431**	**2,740,156**

	30 June 2018 $	30 June 2017 $
Deferred Tax Liabilities are attributable to the following:		
Long Term Leases	2,897,861	2,903,934
Accrued Revenue	410,534	391,638
Employee Benefits	(44,537)	(36,094)
Provision for Doubtful Debts	(29,750)	(31,678)
Deferred Management Fees	(389,677)	(487,644)
	2,844,431	**2,740,156**

Notes to the Financial Statements (continued)

20. Cash Flow Statement Reconciliation

	30 June 2018	30 June 2017
	$	$
Total Comprehensive Income for the year	84,726,099	140,173,521
Adjustments for:		
Depreciation of Property, Plant and Equipment	93,492	118,946
Amortisation of Intangible Assets	14,351	24,516
Impairment of Inventories	95,466	134,197
Bad Debts and Doubtful Debts	(8,995)	1,774,658
Amortisation of Termination Fee Income	(1,686,861)	(1,663,129)
Amortisation of Borrowing Costs	65,112	56,588
Rent accrued on Fixed Uplift Leases and Lease Incentives	(107,980)	(514,523)
Rent recognised on Prepaid Leases	(166,668)	(201,306)
Unrealised Net Loss on Financial Instruments	599,555	692,627
Gain on Revaluation of Investment Property	(79,891,365)	(137,460,005)
	3,732,206	**3,136,090**
Changes in assets and liabilities		
Decrease/(Increase) in Trade and Other Receivables	1,048,188	(781,771)
(Decrease)/Increase in Employee Benefit Payable	(81,517)	118,926
Increase in Trade and Other Payables	2,514,698	174,086
Decrease in Tax Payables	(1,658,788)	(277,332)
Decrease in Refundable Occupation Rights	(5,943,447)	(2,349,236)
(Increase)/Decrease in Inventory	(1,406,658)	7,206,223
Decrease in Interest Accruals	(74,917)	(229,053)
Decrease/(Increase) in Housing Loans Advanced	445,220	(8,775,489)
	(5,157,221)	**(4,913,646)**
Net Cash Outflow From Operating Activities	**(1,425,015)**	**(1,777,556)**

21. Key Management Personnel Compensation

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

Remuneration of Employees
The overall remuneration structure is designed to deliver rewards that are competitive in the labour markets in which the Group competes for staff. The number of employees of the Group, who received remuneration and other benefits in their capacity as employees, the value of which was in excess of $100,000 and was paid or accrued to those employees in relation to the financial year ended 30 June 2018 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 2018.

	30 June 2018	30 June 2017
	Number of Employees	Number of Employees
Total Remuneration		
560,001-570,000	-	1
440,001-450,000	1	-
400,001-410,000	1	-
340,001-350,000	-	1
300,001-310,000	-	1
290,001-300,000	-	1
190,001-200,000	2	2
170,001-180,000	1	-
160,001-170,000	1	-
150,001-160,000	-	1
130,001-140,000	1	1
120,001-130,000	1	-
110,001-120,000	1	1
100,000-110,000	1	-
	10	**9**

	30 June 2018	30 June 2017
	$	$
Directors Remuneration		
Joann Precious Kowhai Clark	50,000	50,000
Julia Anne Steenson (appointed 2 June 2017)	53,973	-
Michael Peter Stiassny	90,000	90,000
Ngarimu Alan Huiroa Blair	50,000	50,000
Rangimarie Hunia (resigned 31 July 2016)	-	2,900
Robert Lindsay Hutchinson (appointed 1 July 2017)	50,000	-
Ross Forbes Blackmore (resigned 31 August 2016)	-	8,333
Sir Robert George Mappin Fenwick	50,000	50,000
	343,973	**251,233**

Notes to the Financial Statements (continued)

22. 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 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 Toi Tupu Deposits and the Housing Loans. (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 2018	30 June 2017
	$	$
Financial Assets		
Cash and Cash Equivalents	2,551,616	1,710,252
Housing Loans	13,034,718	13,479,939
Financial Liabilities		
Toi Tupu Deposits	592,203	-
Interest Bearing Loans and Borrowings	199,900,000	171,550,000
Derivative Financial Instruments	1,292,182	692,627
Net Liability	**186,198,051**	**157,052,436**

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

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

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

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

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

The table on the next page reflects all contractually fixed payments and receivables for settlement, repayments and interest resulting from recognised financial assets and liabilities as of 30 June 2018. Cash flows for financial assets and liabilities without fixed amount or timing are based on the conditions existing at 30 June 2018.

(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.

22. Financial Risk Management (continued)

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

	Within 1 year	1-5 years	> 5 years
30 June 2018:	$	$	$
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 and 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)**

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

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

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

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

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

Notes to the Financial Statements (continued)

23. Capital Commitments

	30 June 2018	30 June 2017
	$	$
Contracted capital commitments at the end of the year in respect of:		
Investment Property		
Acquisition	-	1,065,240
Refurbishment Programme	461,165	97,782
Eastcliffe Remediation	-	2,479,338
	461,165	**3,642,360**
Inventory		
Kāinga Tuatahi	-	40,274
Total capital commitments	**461,165**	**3,682,634**

24. 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 $14,343,106 (30 June 2017: $2,235,186). This is inclusive of $749,106 (30 June 2017: $391,158) of Maori Authority Credits.

25. 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.

26. Subsequent Events

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

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Independent Auditor’s Report

to the Shareholder of Ngāti Whātua Ōrākei Whai Rawa Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Ngāti Whātua Ōrākei Whai Rawa Limited and its subsidiaries (“the Group”) on pages 26 to 58, which comprise the consolidated statement of financial position of the Group as at 30 June 2018, 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 26 to 58 present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2018 and its consolidated financial performance and cash flows for the year then ended in accordance with New Zealand equivalents to International Financial Reporting Standards Reduced Disclosure Regime.

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

Basis for Opinion

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

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

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

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

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

Information Other Than the Financial Statements and Auditor’s Report

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

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

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

If, based on the work we have performed on the other information obtained prior to the date of this auditor’s report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditor's Report

to the Shareholder of Ngāti Whātua Ōrākei Whai Rawa Limited (continued)

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.

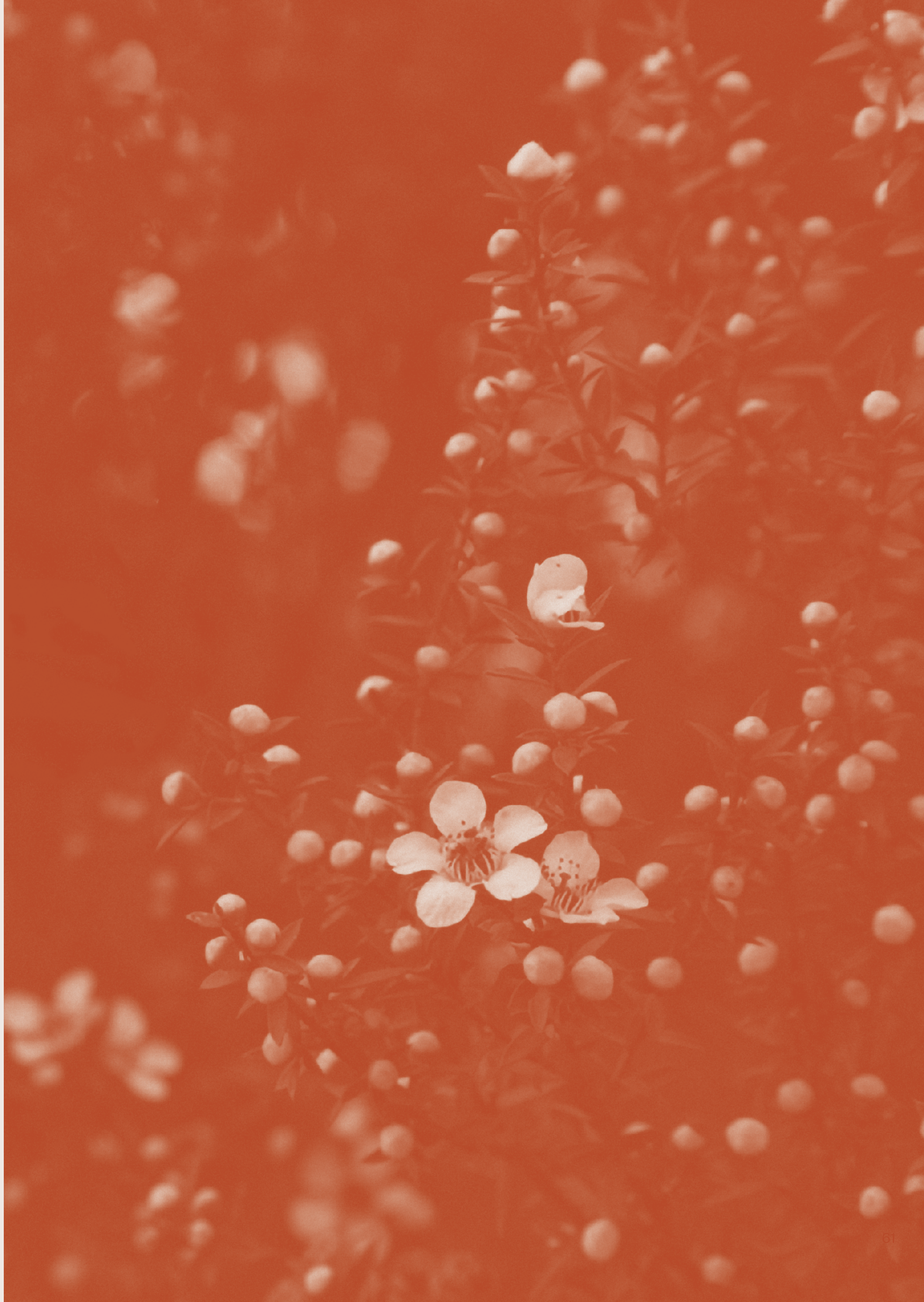
Auditor's Responsibilities for the Audit of the Financial Statements

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

Chartered Accountants
Auckland
28 September 2018



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