NGĀTI WHĀTUA ŌRĀKEI

Group Financials

FINANCIAL STATEMENTS

2017/18

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TRUST DIRECTORY

For the year ended 30 June 2018

Trustee	Ngāti Whātua Ōrākei Trustee Limited
Directors and Shareholders of Trustee	Brenda Christiansen Grant Hawke (resigned 10 December 2017) Joann Precious Clark (appointed 6 December 2017) Joe Pihema Marama Royal Matthew Rua (appointed 10 December 2017) Ngarimu Blair Phillip Davis (resigned 10 December 2017) Renata Blair Sharon Hawke (appointed 6 December 2017) Wayne Pihema (resigned 10 December 2017) Wyllis Maihi
Chair	Phillip Davis (resigned 10 December 2017) Marama Royal (appointed 6 December 2017)
Registered Office	59b Kitemoana Street, Orākei Auckland 1071 New Zealand
Solicitors	Chapman Tripp 23 Albert Street Auckland
Auditors	Ernst & Young Auckland New Zealand

ANNUAL REPORT

The Trustee hereby presents its Report including Financial Statements of the Ngāti Whātua Ōrākei Trust and controlled entities for the year ended 30 June 2018.

For and on behalf of Trustee:

Director: Marama Royal

Signature: M Royal

Director: Ngarimu Blair

Signature:

Date: 11/10/2018

CONTEXT

For the year ended 30 June 2018

Kia ora koutou

Attached are our statutory financial statements for the Ngati Whatua Orakei Trust including all entities that make up the Ngati Whatua Orakei Group. **A list of these entities can be found on pages 12-13.**

These financial statements are prepared and presented in accordance with financial reporting standards and are audited by independent auditors – EY. **Refer the auditors' statement on page 31.**

There is a lot of information in this document and they can be difficult to interpret. To help with understanding the following summarises the key elements of the financial statements.

Consolidated Statement of Comprehensive Income – page 7
This statement reflects, in financial terms, our activity **during the year 1 July 2017 to 30 June 2018**. It tells us how much revenue we have generated from our various business activities (e.g. property rental) during that period, what our expenses were (e.g. employee costs) and what changes there were in the value of our property portfolio. The net result of this activity reflects a key movement in the overall financial strength of our group. For the year 1 July 2017 to 30 June 2018 our total comprehensive income was $80.7 million (prior year: $138.3 million).

Consolidated Statement of Changes in Equity – page 8
This statement reflects changes in our financial strength measured as at 30 June 2018. It represents the difference between our total assets and total liabilities. It includes our comprehensive income for the year (as above) and any distributions made. As at 30 June 2018 our net equity balance is $934 million, an increase of $79 million from last year.

Consolidated Statement of Financial Position – page 9
This statement outlines all our **assets and liabilities as at 30 June 2018**. The net position (or our assets minus our liabilities – called "Net Assets") reflect the equity for the group at $934 million. Assets and liabilities are split between "Current" and "Non-current" depending on how easily they can be turned into cash and whether they will be realised within the next 12 months (current) or later (non-current). Our biggest asset at 30 June 2018 is out investment property ($1.1 billion) and our biggest liability is our borrowings/debt ($200 million - $55 million classified as current and $145 million as non-current).

Consolidated Statement of Cash Flows – page 10
This statement reflects where our cash has come from and where it has been applied to – ie how the cash has "flowed" through the Group. Cash flows are separated between "operating" (normal trading activity), "investing" (investment in assets that will generate future returns) and "financing" (amounts received from borrowings or distributed outside the group – e.g. to whanau or KMOT).

Notes – pages 11-30
The Notes to the financial statements are important as they provide more details about how the financial information has been put together, the accounting policies that have been applied, and further breakdowns of some of the items in the statements outlined above.

We hope the above provides some context for whanau to further understand the financial position and performance of the Group.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30 June 2018

	NOTE	2018	2017
Revenue		**$**	**$**
Interest and Dividend Revenue		554,136	531,725
Property Rental Revenue		27,434,509	25,488,643
Retirement Village Revenue		4,994,053	5,284,925
Sales		432,169	12,949,506
Consulting Revenue		1,608,447	1,485,960
Government Revenue		3,138,374	3,986,835
Events Revenue		207,885	182,400
Other	4	768,876	974,632
Total Revenue		**39,138,449**	**50,884,626**
Expenses			
Employee Benefits Expense	5	10,994,720	11,972,525
Governance	5	1,087,575	874,526
Finance Costs	5	6,694,135	6,092,630
Grants and Programmes	5	1,940,109	1,330,474
Retirement Village Service Expense		2,053,873	2,015,246
Professional Fees	5	3,718,331	2,395,330
Rental Property Expense		4,971,807	4,329,808
Other Expenses	5	3,991,977	5,486,988
Depreciation and Amortisation Expense		531,931	560,282
Cost of Sales		391,718	12,525,547
Event Expenses		203,329	166,322
Impairment of Inventories	7	95,466	134,197
Total Expenses		**36,674,971**	**47,883,875**
Net Profit before taxation and fair value adjustments		**2,463,478**	**3,000,751**
Gain on Revaluation of Investment Property	8	79,629,772	141,022,097
Unrealised Net Loss on Financial Instruments		(599,555)	(692,627)
Net Profit before taxation		**81,493,695**	**143,330,221**
Income Tax Expense	9	802,738	5,032,837
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**80,690,957**	**138,297,384**

This statement is to be read in conjunction with notes to the accounts and notes to the financial statements from page 11 to page 30.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2018

	2018	2017
	$	$
At 1 July 2017	854,877,817	716,785,565
Total Comprehensive Income for the Year	80,690,957	138,297,384
Distributions	(1,476,500)	(205,132)
At 30 June 2018	**934,092,274**	**854,877,817**

This statement is to be read in conjunction with notes to the accounts and notes to the financial statements from page 11 to page 30.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2018

	NOTE	2018	2017
		$	$
Equity		**934,092,274**	**854,877,817**
Current Assets			
Cash and Cash Equivalents	10	4,577,246	3,227,398
Trade and Other Receivables	11	3,012,495	3,886,411
Tax Asset		455,060	-
Housing Loans		325,845	336,342
Inventories	7	98,016	250,765
Total Current Assets		**8,468,662**	**7,700,916**
Non-Current Assets			
Investment in Joint Venture		17,000	17,000
Deposit on Investment Property		-	119,124
Inventories	7	72,465,223	68,011,693
Investment Property	8	1,067,381,638	969,052,136
Property, Plant and Equipment	6	27,744,780	27,676,819
Housing Loans		12,708,873	13,143,597
Intangible Assets	13	1,210	15,686
Total Non-Current Assets		**1,180,318,724**	**1,078,036,055**
Total Assets		**1,188,787,386**	**1,085,736,971**
Current Liabilities			
Tax Payable		-	1,305,961
Trade and Other Payables	14	3,895,589	5,504,681
Employee Benefits	15	1,287,754	1,475,481
Refundable Occupation Right Agreements	16	41,140,297	47,172,573
Toi Tupu Deposits		592,203	-
Interest Bearing Loans and Borrowings	17	55,064,825	5,092,159
Income in Advance		3,791,827	290,373
Total Current Liabilities		**105,772,495**	**60,841,228**
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
Income in Advance		27,393	194,061
Total Non-Current Liabilities		**148,922,617**	**170,017,926**
Total Liabilities		**254,695,112**	**230,859,154**
TOTAL NET ASSETS		**934,092,274**	**854,877,817**

This statement is to be read in conjunction with notes to the accounts and notes to the financial statements from page 11 to page 30.

CONSOLIDATED STATEMENT OF CASH FLOW

For the year ended 30 June 2018

	NOTE	2018	2017
Cash Flows from Operating Activities		**$**	**$**
Cash was provided from:			
Interest and Dividend Revenue		1,013,165	936,418
Funding from Customers		7,147,166	7,640,374
Property Rental Revenue		29,144,912	22,970,467
Retirement Village Revenue and Occupation Rights Agreement Proceeds		8,512,765	13,098,022
Sales		1,126,692	12,608,938
Other		275,207	286,370
Cash was disbursed to:			
Payments to Suppliers		30,372,960	25,007,848
Payments to Employees		11,074,863	11,803,196
Payments for Inventory		1,950,663	5,408,317
Interest Paid		6,761,140	6,261,422
Income Tax Paid		2,893,658	5,716,215
Housing Loans (Repaid)/Advanced		(655,573)	8,775,489
Net Cash Flows from Operating Activities	**20**	**(5,177,804)**	**(5,431,898)**
Cash Flows from Investing Activities			
Cash was provided from:			
Sale of Property, Plant and Equipment		8,693	8,975
Easement Rights Granted		-	350,000
Cash was disbursed to:			
Purchase of Property, Plant and Equipment		591,476	197,200
Purchase of Intangible Assets		-	1,050
Investment Property		20,168,525	4,874,269
Development of Investment Property		182,040	-
Net Cash Flows from Investing Activities		**(20,933,348)**	**(4,713,544)**
Cash Flows from Financing Activities (Net)			
Cash was provided from:			
Proceeds from borrowings		28,350,000	10,600,000
Cash was disbursed to:			
Distributions		889,000	205,132
Net Cash Inflow from Financing Activities		**27,461,000**	**10,394,868**
Net Increase in Cash Held		**1,349,848**	**249,426**
Cash at beginning of the Year		**3,227,398**	**2,977,972**
TOTAL CASH AT END OF THE YEAR	**10**	**4,577,246**	**3,227,398**

This statement is to be read in conjunction with notes to the accounts and notes to the financial statements from page 11 to page 30.

NOTES TO THE ACCOUNTS

1. GENERAL INFORMATION

Reporting Entity

As part of the Treaty Settlement process Ngāti Whātua Ōrākei was required to establish a new post settlement governance entity per legislation, and as such established the Ngāti Whātua Ōrākei Trust ("Trust"). The Trustee for the Trust is Ngāti Whātua Ōrākei Trustee Limited.

For accounting purposes the Trust is treated as the continuing entity of the previous Ngāti Whātua o Orākei Māori Trust Board.

The requirement for a new post settlement governance entity has provided an opportunity for the Trust Board to restructure its current asset base into a more efficient group structure.

Accordingly, Ngāti Whātua Ōrākei Trust transferred on 25 January 2013 commercial and community interests to Ngāti Whātua Ōrākei Whai Rawa Limited and Ngāti Whātua Ōrākei Whai Maia Limited.

Limited Partnerships have been established under Whai Rawa to receive the various commercial interests. The business known as "Eastcliffe on Orākei", formerly administered by Orākei Retirement Care Limited and Orākei Management Services Limited, has been transferred to Eastcliffe Orākei Retirement Care Limited Partnership and Eastcliffe Orākei Management Services Limited Partnership.

Other commercial assets and liabilities have been transferred to Whai Rawa Railway Lands Limited Partnership, Whai Rawa Property Holdings Limited Partnership, Whai Rawa Residential Properties Limited Partnership and Whai Rawa Tāmaki Limited Partnership on 25 January 2013.

The Trust's strategic plan has 5 strategic priorities:

1) Whānau
E Wha Ngā Mana Nau

There are four types of mana one has access to: mana atua, mana whenua, mana tāngata, and mana motuhake.

2) Kotahitanga
Whātua Heru Hapai

It is our Te Taou, Ngā Oho and Te Uringutu heritage that defines our essence and how we relate to each other. Knowing, understanding and being confident in one's identity is essential in building one's self esteem and self worth. We cannot rely on the Crown to transmit our knowledge - it is up to us!

3) Whenua
Te Toi Whenua

Our lands have suffered due to alienation and urbanisation and along with it, the health of our people. It is our obligation as kaitiaki and mana whenua to restore the mauri of our lands, air and waterways and thereby restore the health of our people and those that reside there.

4) Whai Maia
Ma Te Tokomaha Ka Ka Te Ahi

The Trust recognises the importance of high performance and efficiency, and will continue to strengthen its governance, management and administrative capabilities.

5) Whai Rawa
Tāmaki, Kāinga Ika Me Ngā Whenua Katoa

The Board recognises that it must protect and responsibly grow the wealth of the hapū in order to sufficiently fund its social and cultural development programmes. Investments shall not conflict with our cultural values. The Board aims to increase the financial literacy and wealth of whānau over time as a key method to address social inequalities. There will be a focus on giving a hand up rather than a hand out.

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.

1. GENERAL INFORMATION (CONTINUED)

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 Cashflow, and 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.

2. ACCOUNTING POLICIES

Changes in Accounting Policy

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

Comparatives

Certain comparatives have been restated where needed to conform to current year classification and presentation.

Basis of consolidation

The consolidated financial statements of the Trust comprise all controlled entities, including the Trustee and its wholly owned subsidiaries.

The consolidated financial statements incorporate the assets and liabilities of all controlled entities of the Trust as at 30 June 2018 and the results of those entities for that period. The Trust and its controlled entities are referred to in these financial statements as the Group or the consolidated entity.

All wholly owned subsidiaries have the same balance date as the Trustee, 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:

Ngāti Whātua Ōrākei Whai Rawa Limited	Manage Whai Rawa entities, strategy and operations.
Corporate Property Investments Limited	Historical interests associated with property joint ventures. The company has de-registered as of the 21st of April 2017.
Eastcliffe Orākei Retirement Care Limited Partnership	To manage development of the Eastcliffe Orākei retirement village and aged care facility at Orākei.
Eastcliffe Orākei Management Services Limited Partnership	To manage operations of the Eastcliffe Orākei retirement village and aged care facility at Orākei.
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.

1. GENERAL INFORMATION (CONTINUED)

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.
Ngāti Whātua o Orākei Health Clinic Limited	Provide general health services and facilities for the people of Tāmaki Makaurau.
Orākei Health Services Limited	Provide general health services and facilities for the people of Tāmaki Makaurau.
Ngāti Whātua o Orākei Health and Social Needs Limited	To manage the Puna Reo.
Ngāti Whātua Orākei Whai Maia Limited	To act as the corporate trustee for Whai Maia Charitable Trust 1, Whai Maia Charitable Trust 2 and other charitable trusts as required.
Whai Maia Charitable Trust 1	To manage the cultural and social development of Ngāti Whātua Ōrākei iwi.
Whai Maia Charitable Trust 2	To manage the cultural and social development of Ngāti Whātua Ōrākei iwi.

2. ACCOUNTING POLICIES (CONTINUED)

Subsidiaries

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

Intercompany 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.

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 plus bank overdrafts. Bank overdrafts are shown in the Consolidated Statement of Financial Position as current liabilities within short-term borrowings.

Trade and Other Receivables

Trade receivables, which generally have 30-60 day terms, are recognised initially at fair value and subsequently measured at cost, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis at an operating unit level. Individual debts that are known to be uncollectable are written off when identified. An impairment provision is recognised 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.

Property, Plant and Equipment

Property, plant and equipment includes non-commercial assets; land, buildings, leasehold improvements, office furniture and fittings, motor vehicles and heritage assets. This property, plant and equipment is held mainly for social and/or cultural purposes.

2. ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (continued)
Subsequent additions are recorded at cost. The Kaumātua Units, Puna Reo Early Childhood School and Health Clinic buildings are recorded at cost less accumulated depreciation and impairment losses.

Realised gains and losses arising from the disposal of property, plant and equipment are recognised in the Consolidated Statement of Comprehensive Income in the period in which the transaction occurs.

Heritage Assets
Heritage assets arise from previous gifts to the Board and were initially valued in accordance with NZ IAS 16, at estimated replacement cost at the time of gifting less accumulated depreciation, which is an approximation of deemed historical cost.

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

The estimated useful lives for the current and comparative periods are as follows:

	Expected useful life
Heritage assets	200 years
Infrastructure	200 years
Buildings	0-50 years
Plant & Equipment	5 - 10 years
Leasehold Improvements	5 years
Motor Vehicles	5 years
Office Equipment	2-15 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 lives 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

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

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

Trade and Other Payables
Trade and Other Payables are carried at 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.

2. ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

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.

2. ACCOUNTING POLICIES (CONTINUED)

Capital Management

The Trust's capital is its equity, which comprise retained surpluses/(losses) and other reserves. Equity is represented by net assets. The Trust manages its revenues, expenses, assets, liabilities, investments and general financial dealings prudently. The objective of managing the Trust's equity is to ensure that the Trust effectively achieves its objectives and purpose, whilst remaining a going concern.

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 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.

Refundable Occupation Right Agreements

Occupation right agreements utilised by the Group in connection with the Eastcliffe Orākei 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) Government Grants
Government Grants are recognised in the Consolidated Statement of Financial Position as a liability when the grant is receivable and is recorded through the Consolidated Statement of Comprehensive Income when all the conditions are met.

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

(v) Rental revenue
Rental revenue is recognised on a straight-line basis over the lease term. Rental income 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.

(vi) 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, 4.15 years (2017: 4.03 years) for the serviced apartments and care studios.

NOTES TO THE ACCOUNTS

2. ACCOUNTING POLICIES (CONTINUED)

Income Tax

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

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

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

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which temporary difference 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 and parent became a tax paying entity on 1 February 2013. Any income or expenses prior to this period are non taxable. Group tax is paid by the Trust and Ngāti Whātua Ōrākei Whai Rawa Limited.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

Investment Property

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 exceeding 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 prepaid lease arrangement 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.

Social Assets

These assets are utilised to fulfil cultural and social objectives of the Group. The maximisation of profit is not an objective. Significant social assets comprise papakāinga housing at Orākei on Kitemoana and Kupe Streets. These land and building assets are used largely by the Group's beneficiaries and rents are received largely to meet or defray administration costs. The Group's intention is not to develop these assets further and that they remain only for the continued purpose of beneficiary papakāinga housing. As it is not the Group's intention to maximise financial profits on these assets it considers that market value would not be appropriate as the carrying value, therefore these assets are recorded at cost less accumulated depreciation.

4. OTHER REVENUE

	30 June 2018	30 June 2017
	$	$
Patient Fees	201,182	247,554
Puna Reo Income	204,002	210,496
Sale of Business - HCSS	61,734	-
Sundry Income	290,269	512,584
Koha	11,689	3,998
	768,876	**974,632**

5. OPERATING EXPENSES

	30 June 2018	30 June 2017
Employee Benefits Expense	$	$
Wages and Salaries	10,595,514	11,562,779
KiwiSaver Contribution	204,936	234,210
Staff Uniforms	1,782	5,105
Staff Training	48,500	21,082
Other Staff Costs	143,988	149,349
	10,994,720	**11,972,525**
Governance		
Directors' Fees	1,051,018	846,666
Directors' Expenses	36,557	27,860
	1,087,575	**874,526**
Finance Costs		
Interest Expense on Bank Facilities	5,087,818	4,898,814
Interest Expense on Interest Rate Swaps	288,036	97,000
Bank and Line Fees	1,318,281	1,096,816
	6,694,135	**6,092,630**
Grants and Programmes		
Education	580,180	597,877
Pharmacy	21,652	24,366
Environmental Programmes	172,515	-
Disputes Committee	-	11,700
Kaumātua	146,040	47,403
Te Reo/Cultural Programmes	208,116	208,536
Digital Transformation	458,854	341,422
Sports Grants and Events	13,000	7,500
Toi Tupu/Savings Scheme	51,781	-
Toi Ora/Health Insurance Programme	192,491	-
Other	95,480	91,670
	1,940,109	**1,330,474**

5. OPERATING EXPENSES (CONTINUED)

	30 June 2018	30 June 2017
Professional Fees	$	$
Accounting Fees	23,133	31,912
Legal Fees	1,696,475	1,509,902
Valuations	303,413	138,158
Other Professional Fees	1,695,310	715,358
	3,718,331	**2,395,330**
Other Expenses		
Bad Debts and Doubtful Debts	52,567	1,889,691
Office Expenses	1,417,646	1,438,229
Leases - Operating	8,316	6,471
Loss on Disposal & Demolition of Fixed Assets	12,382	19,539
Communication Expenses	1,314,369	1,098,284
Motor Vehicle/Travel Expenses	272,776	170,813
Recruitment Expenses	164,990	179,124
Other	748,931	684,837
	3,991,977	**5,486,988**

6. PROPERTY, PLANT AND EQUIPMENT

	Office Furniture	Plant & Equipment	Motor Vehicles	Heritage Assets	Land	Buildings	Leasehold Improvement	Infrastructure	Total
At 1 July 2017	219,682	332,305	38,891	81,297	21,621,658	4,817,718	264,573	300,695	27,676,819
Disposals	(8,629)	(20)	(1,737)	-	-	(12,382)	-	-	(22,768)
Additions	330,564	41,234	-	-	-	221,554	14,832	-	608,184
Depreciation Charge	(173,121)	(81,767)	(17,211)	-	-	(196,267)	(47,575)	(1,514)	(517,455)
At 30 June 2018	**368,496**	**291,752**	**19,943**	**81,297**	**21,621,658**	**4,830,623**	**231,830**	**299,181**	**27,744,780**
Cost	1,595,699	2,217,156	427,319	88,000	21,621,658	8,193,366	858,593	302,840	35,304,631
Accumulated Depreciation	(1,227,203)	(1,925,404)	(407,376)	(6,703)	-	(3,362,743)	(626,763)	(3,659)	(7,559,851)
Net Book Value 30 June 2018	**368,496**	**291,752**	**19,943**	**81,297**	**21,621,658**	**4,830,623**	**231,830**	**299,181**	**27,744,780**
Cost	1,273,764	2,175,942	429,056	88,000	21,621,658	7,984,194	843,761	302,840	34,719,215
Accumulated Depreciation	(1,054,082)	(1,843,637)	(390,165)	(6,703)	-	(3,166,476)	(579,188)	(2,145)	(7,042,396)
Net Book Value 30 June 2017	**219,682**	**332,305**	**38,891**	**81,297**	**21,621,658**	**4,817,718**	**264,573**	**300,695**	**27,676,819**

7. INVENTORIES

CLASSIFICATION OF INVENTORIES	30 June 2018	30 June 2017
Current Assets	**$**	**$**
Work in Progress - Kāinga Tuatahi	-	49,468
Other	-	114,923
Finished Goods	98,016	86,374
	98,016	**250,765**
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).

8. INVESTMENT PROPERTY

	30 June 2018	30 June 2017
	$	**$**
At Beginning of Year	**969,052,136**	**890,498,519**
Net Gain from Fair Value Adjustment	79,629,772	141,022,097
Temporary accommodation to residents	1,026,388	-
Acquisition of Investment Property	20,228,200	4,490,804
Capital Expenditure	44,433	487,556
Work in progress - Eastcliffe Kahu Apartments	182,040	-
Easement Rights granted over Investment Property	-	(350,000)
Transfer of Investment Property to Inventories	(2,977,947)	(67,700,000)
Movement in Rent Accrued on Fixed Uplift Leases and Lease Incentives	196,616	603,160
Closing Balance as at 30 June	**1,067,381,638**	**969,052,136**

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.

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	1,024,793,999	919,255,563
Investment Property work in progress	182,040	-
Prepaid lease value	194,059	360,726
Refundable occupation right agreements	41,140,297	47,172,573
Termination Fees in Advance	1,071,243	2,263,274
Total Investment Property	**1,067,381,638**	**969,052,136**

Investment property includes investment property work in progress of $182,040 (2017: Nil), which has been valued at cost. There were no finance costs capitalised to the 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.

8. INVESTMENT PROPERTY (CONTINUED)

The Group fair values its investment properties by way of 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 Orākei 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.

8. 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: Increase in input	Decrease in input	Valuation Method
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 2018	Market capitalisation rate	Discount rate	Price per square metre
Investment Property	5.25% to 6.25%	8.00% -15.5%	$100 to $3,900

9. INCOME TAX

Reconciliation of Tax Expense and Accounting Profit:	Note	30 June 2018 $	30 June 2017 $
Accounting Profit before Taxation		81,493,695	143,330,221
Adjusted for:			
Non-Taxable Revaluation of Investment Properties		(78,997,219)	(135,688,354)
Non-Deductible Expenses		6,034,648	22,056,775
Other		(1,173,661)	(1,072,581)
Taxable Income		**7,357,463**	**28,626,061**
Income Tax		1,903,136	5,401,366
Māori Authority Credits Received		(437,500)	(391,158)
Adjustments in Respect of Current Income Tax of Prior Years		(767,173)	(5,813)
Tax effect of Total Temporary Differences	19	104,275	28,442
Income Tax Expense		**802,738**	**5,032,837**

The effective income tax rate for the Group is 11% (2017: 18%).

9. INCOME TAX (CONTINUED)

Māori Authority Credits	30 June 2018 $	30 June 2017 $
At Beginning of Year	**11,810,770**	**6,505,697**
Net Tax Payments	2,893,086	5,739,973
Other Debits	-	(48,225)
Resident Withholding Tax	6,220	4,282
Māori Authority Credits Redeemed for Cash	-	201
Imputation Credits on Dividends Paid	(749,106)	(391,158)
Closing Balance as at 30 June	**13,960,970**	**11,810,770**

10. CASH AND CASH EQUIVALENTS

	30 June 2018 $	30 June 2017 $
Cash at Bank and in Hand	4,562,514	3,212,817
Term Deposits	14,732	14,581
	4,577,246	**3,227,398**

11. TRADE AND OTHER RECEIVABLES

	30 June 2018 $	30 June 2017 $
Trade Receivables	1,417,799	2,396,178
Provision for Doubtful Debts	(358,171)	(372,349)
Prepayments	1,088,103	874,397
Accrued Revenue and Other Receivables	864,764	988,185
	3,012,495	**3,886,411**

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

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

(ii) Foreign exchange and interest rate risk
The Group is not exposed to foreign exchange risk. Interest rate risk exposure is disclosed in note 21 (a).

12. 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.

13. INTANGIBLE ASSETS

	Software	Total
	$	$
At 1 July 2017	15,686	15,686
Amortisation Charge	(14,476)	(14,476)
At 30 June 2018	**1,210**	**1,210**
Cost	65,213	65,213
Accumulated Amortisation	(64,003)	(64,003)
Net Book Value 30 June 2018	**1,210**	**1,210**

14. TRADE AND OTHER PAYABLES

	30 June 2018	30 June 2017
	$	$
Trade Payables	1,150,622	983,034
Accrued Expenses	1,256,530	1,811,251
GST Payable	(42,423)	149,570
Other Payables	459,617	297,552
Termination Fees in Advance	1,071,243	2,263,274
	3,895,589	**5,504,681**

15. EMPLOYEE BENEFITS

	30 June 2018	30 June 2017
	$	$
Wages and PAYE Accrued	747,126	858,740
Employee Entitlements	540,628	616,741
	1,287,754	**1,475,481**

16. REFUNDABLE OCCUPATION RIGHT AGREEMENT

Residents purchase an Occupation Rights Agreement ("ORA") issued under the Retirement Village Act 2003. A portion of the ORA is refundable when residents leave. An amount of $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

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**

	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.

17. INTEREST-BEARING LOANS AND BORROWINGS (CONTINUED)

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 Orākei residential properties and Eastcliffe on Orākei Retirement Village. There is also a registered first ranking security interest under a General Security Deed over substantially all the assets of the Group, with the exception of Orākei residential properties and Eastcliffe on Orākei Retirement Village.

Eastcliffe Orākei Retirement Care LP 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	9	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**
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**

20. CASH FLOW STATEMENT RECONCILIATION

	30 June 2018	30 June 2017
	$	**$**
Net Profit for the Year	**80,690,957**	**138,297,383**
Adjustments for:		
Bad Debts and Doubtful Debts	52,567	1,889,691
Depreciation of Property, Plant and Equipment	517,580	535,766
Amortisation of Intangible Assets	14,351	24,516
Impairment of Inventories	95,466	134,197
Amortisation of Termination Fee Income	(1,686,861)	(1,663,129)
Amortisation of Borrowing Costs	65,112	56,588
Loss on Property, Plant and Equipment Demolished	12,382	19,539
Rent Recognised on Prepaid Leases	(255,304)	(289,942)
Unrealised Net Loss on Financial Instruments	599,555	692,627
Rent Accrued on Fixed Uplift Leases and Lease Incentives	(107,982)	(514,524)
Gain on Revaluation of Investment Property	(80,256,159)	(139,401,369)
	(80,943,293)	**(138,516,040)**
Changes in Assets and Liabilities		
Decrease/(Increase) in Trade and Other Receivables	1,472,279	(1,180,946)
(Increase)/Decrease in Inventory	(1,418,300)	7,235,558
(Decrease)/Increase in Employee Benefit Payable	(125,957)	127,161
Increase in Trade and Other Payables	2,373,098	234,933
Decrease in Tax Payables	(1,653,444)	(276,169)
Decrease in Refundable Occupation Rights	(5,943,447)	(2,349,236)
Decrease in Interest Accruals	(74,917)	(229,053)
Decrease/(Increase) in Housing Loans Advanced	445,220	(8,775,489)
	(4,925,468)	**(5,213,241)**
Net Cash Flow From Operating Activities	**(5,177,804)**	**(5,431,898)**

21. 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	4,577,246	3,227,398
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	**184,172,421**	**155,535,290**

(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 commercial assets.

The change in freehold property values referred to at Note 8 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 capital structure that ensures the lowest cost of capital available to the entity.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

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

YEAR ENDED 30 JUNE 2018:	Within 1 year	1-5 years	> 5 years
Financial Assets	**$**	**$**	**$**
Cash and Cash Equivalents	4,577,246	-	-
Trade and Other Receivables	1,924,392	-	-
Housing Loans	325,845	1,303,380	11,405,493
	6,827,483	**1,303,380**	**11,405,493**
Financial Liabilities			
Trade and Other Payables	5,183,343	-	-
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	-
	102,174,041	**146,011,226**	**-**
Net Liability/(Net Assets)	**95,346,558**	**144,707,846**	**(11,405,493)**

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

YEAR ENDED 30 JUNE 2017:	Within 1 year	1-5 years	> 5 years
Financial Assets	**$**	**$**	**$**
Cash and Cash Equivalents	3,227,398	-	-
Trade and Other Receivables	3,012,014	-	-
Housing Loans	336,342	1,345,368	11,798,229
	6,575,754	**1,345,368**	**11,798,229**
Financial Liabilities			
Trade and Other Payables	6,980,162	-	-
Refundable Occupation Right Agreements	47,172,573	-	-
Interest Bearing Loans and Borrowings	5,092,159	166,550,000	-
Derivative financial instruments	-	692,627	-
	59,244,894	**167,242,627**	**-**
Net Liability/(Net Assets)	**52,669,140**	**165,897,259**	**(11,798,229)**

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

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

22. OPERATING LEASE COMMITMENT - EXPENSES

The Group has entered into leases for business premises, motor vehicles and a copier. These leases have an average life of 3 years. The lease for the business premises has renewal options included in the contract.

Future operating lease rentals for business premises, motor vehicles and equipment are not recognised in the financial statements. The minimum lease rental commitments at balance date are as follows:

	30 June 2018	30 June 2017
	$	$
Within one year	255,362	387,910
Between one and five years	336,163	534,418
	591,525	**922,328**

23. CAPITAL COMMITMENTS

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

	30 June 2018	30 June 2017
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. GUARANTEES

Ngāti Whātua Ōrākei Trust has undertaken to provide guarantees to eight mortgages with an unrelated third party. The maximum liability to the Trust is approximately $870,589 (2017:$954,668). As at 30 June 2018 no liability has arisen from this guarantee.

25. SUBSEQUENT EVENTS

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

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OPINION

We have audited the financial statements of Ngāti Whātua Ōrākei Trust and its controlled entities ("the Group") on pages 7 to 30, 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 financial statements including a summary of significant accounting policies.

In our opinion, the financial statements on pages 7 to 30 present fairly, in all material respects, the financial position of the Group as at 30 June 2018 and its 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 Trustee. Our audit has been undertaken so that we might state to the Trustee 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 trust and the Trustee, 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 service and remuneration benchmarking to the Group. Partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. We have no other relationship with, or interest in, the Group.

INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT

Those charged with governance 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 upon 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.

THOSE CHARGED WITH GOVERNANCE RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

Those charged with governance are responsible, on behalf of the Group 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 Trustee determines 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, those charged with governance 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 Trustee either intends 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 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 financial statements.

A further description of our responsibilities for the audit of the 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
11 October 2018

A member firm of Ernst & Young Global Limited

NGĀTI WHĀTUA ŌRĀKEI

Group Financials