

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

Consolidated Annual Report
For the year ended 31st March 2017

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

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FOR THE YEAR ENDED 31ST MARCH 2017

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QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

TRUST DIRECTORY
FOR THE YEAR ENDED 31ST MARCH 2017

<u>SETTLOR</u>	Graeme Morris Todd
<u>DATE SETTLED</u>	15 January 2007
<u>DATE OF INCORPORATION</u>	12 July 2007
<u>TRUSTEES</u>	S R Brent P B Southwick G H A Hollyer J M Conroy R J Key M Hawes
<u>ACCOUNTANTS</u>	McCulloch + Partners P O Box 64 Queenstown
<u>SOLICITORS</u>	Anderson Lloyd Lawyers Queenstown Cavell Leitch Queenstown
<u>BANKERS</u>	ASB Bank, Queenstown SBS Bank, Queenstown
<u>AUDITORS</u>	Deloitte Limited, Dunedin
<u>IRD NUMBER</u>	097-121-805

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

**STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
FOR THE YEAR ENDED 31ST MARCH 2017**

	Note	Group 2017 \$	Group 2016 \$
<u>REVENUE FROM EXCHANGE TRANSACTIONS</u>			
Property Sales		10,889,087	-
Lease Rentals		436,292	186,939
Sundry Income		33,924	13,488
Starter Loan Fees		-	635
Property Management Fees Received		17,915	19,539
Capital Gain on Disposal of Property Plant and Equipment		907,685	167,308
Depreciation Recovered		170,001	90,139
Stakeholder Contributions Received	4	3,404,221	1,072,609
TOTAL REVENUE FROM EXCHANGE TRANSACTIONS		15,859,125	1,550,657
<u>REVENUE FROM NON-EXCHANGE TRANSACTIONS</u>			
Grants Received		50,000	462,000
TOTAL REVENUE FROM NON-EXCHANGE TRANSACTIONS		50,000	462,000
<u>OTHER INCOME</u>			
Interest Received		193,711	268,746
TOTAL OTHER INCOME		193,711	268,746
TOTAL INCOME		16,102,836	2,281,403
<u>LESS EXPENSES</u>			
ADMINISTRATION EXPENSES		198,185	129,322
COST OF GOODS SOLD		8,931,549	-
OPERATING EXPENSES		143,566	89,117
<u>OTHER EXPENSES</u>			
Audit Fees	5	9,318	8,529
Auditors - Other Remuneration	5	-	2,405
Depreciation	6	292,907	163,459
Interest		519,344	367,880
Loss on Sale of Property Plant and Equipment		-	-
Trustee Fees		100,725	87,175
Wages		125,600	116,694
TOTAL OTHER EXPENSES		1,047,894	746,142
TOTAL EXPENSES		10,321,194	964,581
<u>SURPLUS FOR THE YEAR AND TOTAL COMPREHENSIVE REVENUE AND EXPENSE</u>		5,781,642	1,316,822

The accompanying notes form part of and are to be read in conjunction with these financial statements.



QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

STATEMENT OF MOVEMENTS IN EQUITY
FOR THE YEAR ENDED 31ST MARCH 2017

	Group 2017 \$	Group 2016 \$
Opening Balance	13,451,761	12,134,939
<u>PLUS</u> Total Comprehensive Revenue and Expense	5,781,642	1,316,822
Balance at Year End	19,233,403	13,451,761

The accompanying notes form part of and are to be read in conjunction with these financial statements.



QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2017

	Note	Group 2017 S	Group 2016 S
<u>EQUITY</u>			
Trustees' Accumulated Income Account		19,233,403	13,451,761
<u>TOTAL EQUITY</u>		19,233,403	13,451,761
<u>REPRESENTED BY -</u>			
<u>NON CURRENT ASSETS</u>			
Property Plant and Equipment	6	16,782,336	11,295,733
Mortgages Issued	7	1,696,808	4,687,865
Capital Work in Progress	9	2,278,875	7,216,209
<u>TOTAL NON CURRENT ASSETS</u>		20,758,019	23,199,836
<u>CURRENT ASSETS</u>			
ASB Bank Accounts		842,721	1,686,709
SBS Bank Accounts		2,818,784	1,264,316
Tax Receivable		7,747	5,952
Accounts Receivable		704,579	-
Accrued Interest		3,952	10,901
Current Mortgages Issued	7	171,329	-
GST		25,650	5,156
Development Work in Progress	8	2,584,216	-
<u>TOTAL CURRENT ASSETS</u>		7,158,978	2,973,034
<u>TOTAL ASSETS</u>		27,916,997	26,172,860


The accompanying notes form part of and are to be read in conjunction with these financial statements.



QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2017

	Note	Group 2017	Group 2016
<u>LESS LIABILITIES</u>			
<u>NON CURRENT LIABILITIES</u>			
Term Loans	10	3,773,832	1,997,911
Central Lakes Trust Advance	11	3,905,446	4,190,519
Housing Corp NZ Ltd	10	378,934	398,534
<u>TOTAL NON CURRENT LIABILITIES</u>		8,058,212	6,586,965
<u>CURRENT LIABILITIES</u>			
Current Portion of Term Loans	10	41,543	2,605,072
Current Portion of Central Lakes Trust Advance	11	71,385	1,302,442
Current Portion of Housing Corp NZ Ltd	10	19,600	19,600
Accounts Payable		470,509	2,173,575
Accruals		17,584	27,235
PAYE Deductions Payable		4,761	6,211
<u>TOTAL CURRENT LIABILITIES</u>		625,382	6,134,135
<u>TOTAL LIABILITIES</u>		8,683,594	12,721,100
<u>NET ASSETS AS PER TOTAL EQUITY</u>		19,233,403	\$13,451,760

Signed  Trustee

Date 18/07/17

Signed  Trustee

Date 18/07/17

The accompanying notes form part of and are to be read in conjunction with these financial statements.



QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

STATEMENT OF CASH FLOWS
AS AT 31ST MARCH 2017

	Note	Group 2017 S	Group 2016 S
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>			
<u>CASH WAS PROVIDED FROM</u>			
Receipts from Customers		11,376,877	220,601
Grants Received		50,000	462,000
Interest Received		200,660	270,563
Stakeholder Contributions Received		2,699,984	1,072,609
<u>CASH WAS DISPERSED TO</u>			
Payments to Suppliers and Employees		12,031,746	362,267
Trustee Fees		100,725	87,175
Interest Paid		519,344	367,880
<u>NET CASH INFLOW/(OUTFLOW) FROM OPERATING ACTIVITIES</u>	13	1,675,706	1,208,451
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>			
<u>CASH WAS PROVIDED FROM</u>			
Sale of Property Plant and Equipment		2,912,352	1,665,262
<u>CASH WAS DISPERSED TO</u>			
Payment For Capital Work in Progress and Purchase of Property Plant and Equipment		4,373,968	5,460,615
<u>NET CASH INFLOW/(OUTFLOW) FROM INVESTING ACTIVITIES</u>		(1,461,616)	(3,795,353)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>			
<u>CASH WAS PROVIDED FROM</u>			
Proceeds from Borrowings		801,064	4,934,682
<u>CASH WAS DISPERSED TO</u>			
Repayment of Borrowings		304,673	1,322,042
<u>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</u>		496,391	3,612,640
<u>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</u>		710,481	1,025,738
<u>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</u>		2,951,024	1,925,286
<u>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</u>		3,661,505	2,951,024
<u>REPRESENTED BY:</u>			
ASB BANK ACCOUNTS		842,721	1,686,709
SBS BANK ACCOUNTS		2,818,784	1,264,315
		3,661,505	2,951,024

The accompanying notes form part of and are to be read in conjunction with these financial statements.



QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

STATEMENT OF ACCOUNTING POLICIES REPORTING ENTITY

Queenstown Lakes Community Housing Trust operated in accordance with its Trust Deed and is governed by the requirements of the Trustee Act 1956.

The Financial Statements of the entity have been prepared in accordance with generally accepted accounting practice in New Zealand for general purpose financial reports. They comply with Public Benefit Entity Standards Reduced Disclosure Regime, as appropriate for Tier 2 not-for-profit public benefit entities.

MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of earnings and financial position on an historical cost basis are followed in the preparation of these accounts.

SPECIFIC ACCOUNTING POLICIES

The following specific accounting policies have a material effect on the measurement of results and financial position:

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

The specific recognition criteria described below must also be met before revenue is recognised.

Revenue from non-exchange transactions:

Government grants and funding

Revenues from non-exchange transactions with the Government and government agencies is recognised when the Group obtains control of the transferred asset (cash, goods, services, or property), and:

- ▶ it is probable that the economic benefits or service potential related to the asset will flow to the Group and can be measured reliably; and
- ▶ the transfer is free from conditions that require the asset to be refunded or returned to the Government if the conditions are not fulfilled.

Revenue from government grants and funding is measured at the fair value of the assets (cash, goods, services, or property) transferred over to the Group at the time of transfer.

To the extent that there is a condition attached that would give rise to a liability to repay the grant amount or to return the granted asset, a deferred revenue liability is recognised instead of revenue. Revenue is then recognised only once the Group has satisfied these conditions.

Revenue from exchange transactions:

Stakeholder contributions

Stakeholder contributions are recognised as revenue when the Trust renders the services for which the contribution was levied. Stakeholder contributions that are received before the Trust is able to provide the service for which they are levied are recognised as liabilities until the Trust provides the services.

Interest revenue

For all financial instruments measured at amortised cost and interest-bearing financial assets classified as available-for-sale, interest income is recorded using the effective interest rate.

The accompanying notes form part of and are to be read in conjunction with these financial statements.



QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017**

**STATEMENT OF ACCOUNTING POLICIES
REPORTING ENTITY**

Effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts over the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or liability.

Interest income is included in finance income in the statement of comprehensive revenue and expenses.

Rental revenue

Rental revenue arising from operating leases on properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of financial performance due to its operating nature.

Development Revenue

Revenue from the sale of Development Property is recognized when the significant risks and rewards of ownership have been transferred to the home owner and revenue can be reliably measured.

Disposal of Property Plant and Equipment

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in surplus or deficit.

Depreciation

Depreciation has been charged on buildings at a rate of 3% DV per annum. No depreciation is charged on land.

Taxation

The Trust is exempt from paying tax under the Income Tax Act 2007.

Fixed Assets

Buildings are stated at cost less accumulated depreciation, and land is stated at cost, less any impairment. Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially recognised at fair value

Work in Progress

Capital Work in Progress and Development Work in Progress are measured at cost, except items acquired through non-exchange transactions which are instead measured at fair value as their deemed cost at initial recognition.

Accounts Receivable and Mortgages Issued

Accounts receivable and mortgages issued are stated at amortised cost using the effective interest method, less impairment.

Goods and Services Tax

The accounts have been prepared on a GST exclusive basis with the exception of Accounts Payable and Accounts Receivable which are stated GST inclusive.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement at inception date. The substance of the arrangement depends on whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

Group as a lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term.

The accompanying notes form part of and are to be read in conjunction with these financial statements.

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2017

Group as a lessor – cont'd

Rent received from an operating lease is recognised as income on a straight-line basis over the lease term

Employee benefits

Wages, salaries and annual leave

Liabilities for wages and salaries (including non-monetary benefits) and annual leave are recognised in surplus or deficit during the period in which the employee rendered the related services, and are generally expected to be settled within 12 months of the reporting date. The liabilities for these short-term benefits are measured at the amounts expected to be paid when the liabilities are settled.

Borrowing costs

All borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Basis of consolidation

The Group financial statements are prepared by combining the financial statements of all the entities that comprise the Group, being Queenstown Lakes Community Housing Trust (the parent entity) and its subsidiaries over which the Group has the power to govern the financial and operating policies so as to obtain benefits from their activities. Consistent accounting policies are employed in the preparation and presentation of the Group financial statements.

The Group financial statements include the information and results of each subsidiary from the date on which the Trust obtains control and until such time as the Trust ceases to control such entity.

In preparing the Groups financial statements, all intragroup balance and transactions, and unrealised profits arising within the Group are eliminated in full.

Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible 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 (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

Changes in Accounting Policies

There have been no changes in Accounting Policies. All policies have been applied on a basis consistent with those used in the last year.

The accompanying notes form part of and are to be read in conjunction with these financial statements.



QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

NOTES

1. Capital Commitments

As at 31 March 2017 the Group has no capital commitments (2016: \$238,150).

The Trust is currently building 11 houses in the Riverside subdivision. The total project is budgeted to cost \$3,811,051 excluding land; at 31 March 2017 \$2,863,091 had been spent. The project is due for completion in June 2017.

2. Contingent Liabilities

As at 31 March 2017, the Trust has no contingent liabilities (2016: \$Nil).

3. Related Parties

Stephen Brent is a partner in the firm Cavell Leitch, which is one of the legal firms providing legal services to the Group. In 2017 the aggregate of these payments totaled \$19,036 (2016: \$1,130).

4. Stakeholder Contributions Received

	Group 2017	Group 2016
	\$	\$
Cash contributions	1,369,221	1,072,609
Land contributions	2,035,000	-
Total as At 31 March	<u>3,404,221</u>	<u>1,072,609</u>

5. Fees Paid to Auditors

	Group 2017	Group 2016
	\$	\$
Audit Services	9,318	8,529
Taxation Advisory Services	-	2,405
Total as At 31 March	<u>9,318</u>	<u>10,934</u>

Fees paid to Deloitte Limited in 2016 were for taxation advisory services and were completely independent of the audit process.



QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

6. Property Plant and Equipment

2017	Group Cost	Purchases	Sales or Disposals	Depn Charge	Accumulated Depn	Net Book Value
Land	3,613,165	1,568,777	635,417	-	-	4,546,525
Buildings	8,314,930	6,045,379	1,369,250	292,817	755,519	12,235,540
Plant and Equipment	699	-	-	90	428	271
Total as at 31 March 2017	11,928,794	7,614,156	2,004,667	292,907	755,947	16,782,336

2016	Group Cost	Purchases	Sales or Disposals	Depn Charge	Accumulated Depn	Net Book Value
Land	3,976,160	152,774	515,769	-	-	3,613,165
Buildings	6,624,737	2,674,039	983,847	163,339	632,702	7,682,227
Plant and Equipment	699	-	-	120	338	361
Total as at 31 March 2016	10,601,596	2,826,813	1,499,616	163,459	633,040	11,295,753

7. Mortgages Issued

		Group 2017 \$	Group 2016 \$
Mortgage #4	Repaid in full	-	316,683
Mortgage #5	Repaid in full	-	192,803
Mortgage #6	Repaid in full	-	281,910
Mortgage #8	Repaid in full	-	258,803
Mortgage #10	29 November 2017	171,329	175,997
Mortgage #11	19 April 2018	248,137	255,410
Mortgage #13	Repaid in full	-	261,835
Mortgage #14	8 May 2018	329,016	343,095
Mortgage #15	5 June 2018	260,693	271,770
Mortgage #16	Repaid in full	-	271,770
Mortgage #18	Repaid in full	-	339,789
Mortgage #19	21 June 2018	292,482	303,055
Mortgage #20	20 June 2018	263,425	273,732
Mortgage #21	Repaid in full	-	302,720
Mortgage #23	Repaid in full	-	263,193
Mortgage #24	20 June 2019	303,055	313,205
Mortgage #25	Repaid in full	-	262,095
Total as At 31 March		1,868,137	4,687,865

All Mortgages have a five year term and are secured by registered charge over the certificate of title of the property purchased. Interest is charged on the Mortgages at rates of between 4.09% to 4.92% p.a.

	Group 2017 \$	Group 2016 \$
Mortgages Issued		
Current Portion	171,329	-
Non-Current Portion	1,696,808	4,687,865
Closing Balance	1,868,137	4,687,865



QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

8. Development Work in Progress

	Group 2017 S	Group 2016 S
Opening Balance	-	-
Plus Additions	2,584,216	-
Total as At 31 March	<u>2,584,216</u>	<u>-</u>

9. Capital Work in Progress

	Group 2017 S	Group 2016 S
Opening Balance	7,216,209	2,465,488
Plus Additions	2,278,875	7,527,580
Less Transferred to PP&E	(7,216,209)	(2,776,859)
Total as At 31 March	<u>2,278,875</u>	<u>7,216,209</u>

10. Borrowings

	Group 2017 S	Group 2016 S
Housing NZ		
Opening Balance	418,134	437,734
Less Repayments	(19,600)	(19,600)
Closing Balance	<u>398,534</u>	<u>418,134</u>
Total Housing NZ Loan Balance	<u>398,534</u>	<u>418,134</u>

	Group 2017 S	Group 2016 S
Housing NZ		
Current Portion	19,600	19,600
Non-Current Portion	378,934	398,534
Closing Balance	<u>398,534</u>	<u>418,134</u>

The Housing NZ Loan was advanced from Housing New Zealand for the purposes of financing the Rent Saver Programme. This loan is interest free for 10 years from 15 November 2011 and due for repayment 15 November 2036.

HNZ Loan is secured through a general security agreement over the assets of the Trust and QLCHT Property Portfolio Limited and a second ranking mortgage over the properties included in the Rent Saver Programme.



QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

10. Borrowings (cont'd)

	Group 2017	Group 2016
	\$	\$
SBS Term Loans		
Opening Balance	3,002,984	553,994
Plus Drawdowns	8,207,353	2,595,180
Less Repayments	(10,967,666)	(146,190)
Closing Balance	<u>242,671</u>	<u>3,002,984</u>

	Group 2017	Group 2016
	\$	\$
SBS Term Loans		
Current Portion	8,000	2,605,072
Non-Current Portion	234,671	397,911
Closing Balance	<u>242,671</u>	<u>3,002,983</u>

The SBS loan balance consists of \$137,547 that is due for repayment on 12 March 2037 and has interest charged at a rate of 4.20% p.a., \$105,124 due for repayment on 15 November 2036 and has interest charged at a rate of 4.20% p.a.. Each of these Loans with SBS are secured over the certificate of title of the properties included within the Rent Saver Programme.

	Group 2017	Group 2016
	\$	\$
ASB Term Loans		
Opening Balance	1,600,000	400,000
Plus Drawdowns	2,000,000	1,200,000
Less Repayments	(27,296)	-
Closing Balance	<u>3,572,704</u>	<u>1,600,000</u>

	Group 2017	Group 2016
	\$	\$
ASB Term Loans		
Current Portion	33,543	-
Non-Current Portion	3,539,161	1,600,000
Closing Balance	<u>3,572,704</u>	<u>1,600,000</u>

The ASB loans 910002 and 910003 have interest charged at a rate of 4.5% p.a. and are due to be repaid on 28 February 2046 and 30 June 2023 respectively. These loans are secured over the property at 11-21 Suffolk Street, Arrowtown.

ASB loan 920003 is for \$2,000,000, interest is charged at a rate of 5.3% p.a.. The loan is secured over the property at 24 Kingfisher Crescent, 28 32 34 36 38 42 44 and 48 Marbleleaf Lane and 45 Sherwin Avenue, Albert Town and is due to be repaid on 1 December 2018.

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

11. Central Lakes Trust

	Group 2017	Group 2016
	\$	\$
Opening Balance	5,492,961	1,302,442
Plus Drawdowns	4,000,000	-
Less Repayments	(5,516,130)	4,190,519
Total	3,976,831	5,492,961

	Group 2017	Group 2016
	\$	\$
Current Portion	71,385	1,302,442
Non Current Portion	3,905,446	4,190,519
Total	3,976,831	5,492,961

The original advance was repaid in full during the year. Further funds of \$4,000,000 were drawn down these funds are due to be repaid on 21 November 2021, interest is charged at a rate of 4.00% p.a. The loan is secured over the properties at Shotover Country.

12. Subsidiaries

Name of entity Subsidiary	Balance Date	Country of Incorporation	Ownership interest	
			2017 %	2016 %
QLCHT Shotover Country Limited	31 March	New Zealand	100%	100%
QLCHT Developments Limited	31 March	New Zealand	100%	100%
QLCHT Property Portfolio Limited	31 March	New Zealand	100%	100%
Queenstown Housing Bonds Limited	31 March	New Zealand	100%	100%



QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2017

13. Reconciliation of Operating Cash Flows to Net Surplus

	Group 2017 \$	Group 2016 \$
Net Surplus/(Deficit)	5,781,642	1,316,822
Adjustments for Non-Cash Items		
Depreciation	292,907	163,459
Depreciation recovered	(170,001)	(90,139)
Loss/(Gain) on Disposal of Property Plant and Equipment	(907,685)	(167,308)
Provisions made	362	172
Adjustments for Movements in		
(Increase)/Decrease in Receivables	(697,629)	1,817
Increase/(Decrease) in Payables	(28,573)	(12,931)
Increase/(Decrease) in Provisions	(11,101)	(3,441)
(Increase)/Decrease in Development Work in Progress	(2,584,216)	-
Net Operating Cash Inflow/(Outflow)	<u>1,675,706</u>	<u>1,208,451</u>

14. Operating Leases

Operating lease as lessee

	Group 2017 \$	Group 2016 \$
Less than one year	13,000	11,362
Between one and five	26,000	39,000
Total non-cancellable operating lease payments	<u>39,000</u>	<u>50,362</u>

The Trust has entered into an operating lease for office premises. The initial term was for 1 year the lease was renewed on 1 April 2016 for a further 3 years. The next rent review date is 1 April 2018.

Operating lease as lessor

The future non-cancellable minimum lease payments of operating leases as lessor at reporting date are \$2,325,392 (2016: \$761,614).





Independent Auditor's Report

To the Trustees of Queenstown Lakes Community Housing Trust

Opinion

We have audited the financial statements of Queenstown Lakes Community Housing Trust (the 'entity') and its subsidiaries ('the group'), which comprise the consolidated statement of financial position as at 31 March 2017, and the consolidated statement of comprehensive revenue and expense, statement of movements in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements, on pages 2 to 15, present fairly, in all material respects, the consolidated financial position of the group as at 31 March 2017, and its consolidated financial performance and cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime.

Basis for opinion

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

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

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 the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants*, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in the entity or any of its subsidiaries. These services have not impaired our independence as auditor of the entity or group.

Board of Trustees' responsibilities for the consolidated financial statements

The Board of Trustees are responsible on behalf of the group for the preparation and fair presentation of the consolidated financial statements in accordance with Public Benefit Entity Standards Reduced Disclosure Regime, and for such internal control as the Board of Trustees 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 Board of Trustees are responsible on behalf of the group for assessing 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 Board of Trustees either intend to liquidate the group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated 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 ISAs and ISAs (NZ) 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 on at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-7>

This description forms part of our auditor's report.



Restriction on use

This report is made solely to the Board of Trustees, as a body, in accordance with our engagement letter dated 17 May 2017. Our audit has been undertaken so that we might state to the Board of Trustees 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 Board of Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Deloitte Limited

Dunedin, New Zealand
18 July 2017