

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

Consolidated Annual Report
For the year ended 31st March 2012

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

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FOR THE YEAR ENDED 31ST MARCH 2012

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QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

TRUST DIRECTORY
FOR THE YEAR ENDED 31ST MARCH 2012

<u>SETTLOR</u>	Graeme Morris Todd
<u>DATE SETTLED</u>	15 January 2007
<u>DATE OF INCORPORATION</u>	12 July 2007
<u>TRUSTEES</u>	D A Cole B J P Robertson D L Pezaro B P Donnelly S Brent
<u>ACCOUNTANTS</u>	McCulloch & Partners P O Box 64 Queenstown
<u>SOLICITORS</u>	Anderson Lloyd Lawyers Queenstown
<u>BANKERS</u>	ASB Bank, Queenstown SBS Bank, Queenstown
<u>AUDITORS</u>	Deloitte, Dunedin
<u>IRD NUMBER</u>	97-121-805

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 31ST MARCH 2012

	Group 2012 \$	Group 2011 \$	Parent 2012 \$	Parent 2011 \$
<u>INCOME</u>				
Property Sales	1,375,865	-	-	-
Cost of Property Sold	1,347,937	-	-	-
Gross Surplus from Property Sales	27,928	-	-	-
<u>OTHER INCOME</u>				
Interest Received	25,265	22,399	17,113	19,183
Lease Rentals	29,078	14,292	8,333	4,917
Sundry Income	3,453	6,506	1,591	6,506
Starter Loan Fees	2,540	-	-	-
Capital Gain on Disposal of Fixed Assets	-	866	-	866
Grants Received	50,000	50,000	50,000	50,000
Management Fees Received	10,850	9,448	10,850	9,448
Developer Contributions Received	-	168,000	-	168,000
HNZ Loan Amortisation	200,548	214,368	200,548	214,368
HNZC Grant Received	1,333,650	323,850	1,333,650	323,850
TOTAL OTHER INCOME	1,655,384	809,729	1,622,085	797,138
TOTAL INCOME	1,683,312	809,729	1,622,085	797,138
<u>LESS EXPENSES</u>				
ADMINISTRATION EXPENSES	122,296	106,256	78,929	84,288
OPERATING EXPENSES	52,186	114,162	22,967	28,381
<u>OTHER EXPENSES</u>				
Audit Fees	8,443	6,522	8,443	6,522
Depreciation	86,147	67,674	41,724	67,674
Interest	48,426	10	7	-
Loss on Sale of Fixed Assets	2,203	13,575	2,203	13,575
Trustee Fees	70,650	77,100	70,650	77,100
Impairment - Development Work in Progress	80,772	-	-	-
Wages	80,818	68,118	80,818	68,118
TOTAL OTHER EXPENSES	377,459	232,999	203,845	232,989
TOTAL EXPENSES	551,941	453,417	305,741	345,658
<u>SURPLUS FOR THE YEAR</u>	<u>1,131,371</u>	<u>356,312</u>	<u>1,316,344</u>	<u>451,480</u>

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 2012

	Group 2012 \$	Group 2011 \$	Parent 2012 \$	Parent 2011 \$
Opening Balance	6,086,124	5,729,812	6,174,173	5,722,693
<u>PLUS</u> Surplus for the Year	1,131,371	356,312	1,316,344	451,480
Balance at Year End	<u>\$7,217,495</u>	<u>\$6,086,124</u>	<u>\$7,490,517</u>	<u>\$6,174,173</u>

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 2012

	Note	Group 2012 \$	Group 2011 \$	Parent 2012 \$	Parent 2011 \$
<u>EQUITY</u>					
Trustees' Accumulated Income Account		7,217,495	6,086,124	7,490,517	6,174,173
<u>TOTAL EQUITY</u>		<u>7,217,495</u>	<u>6,086,124</u>	<u>7,490,517</u>	<u>6,174,173</u>
<u>REPRESENTED BY -</u>					
<u>NON CURRENT ASSETS</u>					
Land and Buildings	4	6,637,302	4,688,176	-	4,723,127
Mortgages Issued	5	988,513	-	-	-
<u>TOTAL NON CURRENT ASSETS</u>		<u>7,625,815</u>	<u>4,688,176</u>	<u>-</u>	<u>4,723,127</u>
<u>CURRENT ASSETS</u>					
Development Land		1,629,665	2,250,176	-	-
ASB Bank Accounts		983,040	258,625	815,073	254,788
SBS Bank Accounts		454,414	294,814	122,281	294,099
Development - Work in Progress	6	241,842	209,032	-	-
Tax Paid		1,662	1,185	19	-
Accounts Receivable		802	-	802	-
Accrued Interest		2,993	982	1,596	982
GST		5,460	28,649	5,460	7,734
Advance QLCHT Developments Ltd		-	-	1,815,787	2,524,221
Advance Queenstown Housing Bonds		-	-	22,613	-
Advance QLCHT Property Portfolio		-	-	6,482,649	-
<u>TOTAL CURRENT ASSETS</u>		<u>3,319,878</u>	<u>3,043,463</u>	<u>9,266,280</u>	<u>3,081,824</u>
<u>TOTAL ASSETS</u>		<u>10,945,693</u>	<u>7,731,639</u>	<u>9,266,280</u>	<u>7,804,951</u>

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

STATEMENT OF FINANCIAL POSITION
AS AT 31ST MARCH 2012

	Note	Group 2012	Group 2011	Parent 2012	Parent 2011
<u>LESS LIABILITIES</u>					
<u>NON CURRENT LIABILITIES</u>					
SBS Term Loans	7	416,596	-	-	-
Central Lakes Trust Advance	8	1,266,035	-	-	-
Housing Corp NZ Ltd	7	1,752,584	1,585,632	1,752,584	1,585,632
<u>TOTAL NON CURRENT LIABILITIES</u>		3,435,215	1,585,632	1,752,584	1,585,632
<u>CURRENT LIABILITIES</u>					
Current Portion of Loans	8	29,220	-	-	-
Accounts Payable		175,891	57,253	20,177	42,516
Accruals		3,420	-	-	-
PAYE Deductions Payable		3,001	2,630	3,001	2,630
GST		81,452	-	-	-
<u>TOTAL CURRENT LIABILITIES</u>		292,984	59,883	23,178	45,146
<u>TOTAL LIABILITIES</u>		3,728,199	1,645,515	1,775,762	1,630,778
<u>NET ASSETS AS PER TOTAL EQUITY</u>		7,217,495	\$6,086,124	\$7,490,517	\$6,174,173

Signed _____ Trustee

Date

Signed _____ Trustee

Date

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 2012

STATEMENT OF ACCOUNTING POLICIES REPORTING ENTITY

Queenstown Lakes Community Housing Trust operates 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 as required by the New Zealand Institute of Chartered Accountants for general purpose financial reports.

The entity qualifies for differential reporting as it is not publicly accountable and the entity does not exceed the size criteria. All differential reporting exemptions have been taken advantage of, with the exception of SSAP 22 Related Party Transactions.

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

Grant and Developer Contribution revenue is recognised upon receipt. Interest revenue is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable.

Depreciation

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

Taxation

The income tax expense recognised in the statement of financial performance is the estimated income tax payable in the current year, adjusted for any differences between the estimated and actual income tax payable in prior years. Deferred tax is not accounted for, due to the election of the company to apply differential reporting exemptions.

Fixed Assets

Buildings are stated at cost less accumulated depreciation, and land is stated at cost.

Investments

All investments are recorded at the lower of cost or net realisable value.

Accounts Receivable

Accounts receivable are stated at expected realisable value.

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.

Development Properties

Development properties are stated at the lower of cost or net realisable value. Cost includes planning expenditure and any other expenditure to bring the Development property to its present condition.

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 2012**

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.

Investment in subsidiaries are measured at cost in the parent Trust's financial statements.

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.

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

NOTES

1. Capital Expenditure

As at 31 March 2012 the Group is not committed to any property purchases under the Shared Ownership Programme. (2011: \$nil).

2. Contingent Liabilities

The Trust has an existing contingency of \$2,490 (2011:nil) under the Rent Saver Programme. This amount represents a contribution that would be payable by the Trust should any participant in the Rent Saver Programme choose to purchase the property from the Trust.

3. Related Parties

Stephen Brent is a partner in the firm Anderson Lloyd who provide legal services to the Group. In 2012 the aggregate of these payments totalled \$61,858 (2011 \$15,239).

The Parent paid \$11,000 (2011: \$71,500) to Robertson Property for management of the Lake Hayes Estate development during the year. Barry Robertson is a trustee of the Parent and is the principal of Robertson Property.

The Parent has advanced \$1,815,787 (2011:\$ 2,524,221) to its subsidiary QLCHT Developments Limited. The advance is interest free and repayable upon demand.

The Parent has advanced \$6,482,649 (2011:\$ nil) to its subsidiary QLCHT Property Portfolio Limited. Included within the advance is \$4,925,028 representing Land and Buildings transferred. The advance is interest free and repayable upon demand.

The Parent has advanced \$22,613 (2011:\$ nil) to its subsidiary Queenstown Housing Bonds Limited. The advance is interest free and repayable upon demand.

During the QLCHT Developments sold \$1,362,538 (2011:\$nil) of Land and Buildings to QLCHT Property Portfolio Limited.

4. Fixed Assets

2012	Group			Net Book Value
	Cost	Depn Charge	Accumulated Depn	
Land	2,772,888	-	-	2,772,888
Buildings	4,076,523	86,017	212,604	3,863,919
Plant and Equipment	625	130	130	495
Total as At 31 March 2012	6,850,036	86,147	212,734	6,637,302

2012	Parent			Net Book Value
	Cost	Depn Charge	Accumulated Depn	
Land	-	41,724	-	-
Buildings	-	-	-	-
Plant and Equipment	-	-	-	-
Total as At 31 March 2012	-	41,724	-	-

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2012

During the year the Parent entity transferred its interest in the fixed assets to the subsidiary entity, QLCHT Property Portfolio Ltd on 1 November 2011. The transfer of the fixed asset was carried out at book value of \$4,883,304 as at the date of transferring the fixed assets. Included in the Parent entity statement of financial performance is a depreciation charge of \$41,724 incurred on buildings prior to their transfer to the subsidiary QLCHT Property Portfolio Ltd on 1 November 2011.

4. Fixed Assets (cont'd)

2011	Group			Net Book Value
	Cost	Depn Charge	Accumulated Depn	
Land	2,342,569	-	-	2,342,569
Buildings	2,482,998	67,674	137,391	2,345,607
Total as At 31 March 2011	4,825,567	67,674	137,391	4,688,176

2011	Parent			Net Book Value
	Cost	Depn Charge	Accumulated Depn	
Land	2,377,520	-	-	2,377,520
Buildings	2,482,998	67,674	137,391	2,345,607
Total as At 31 March 2011	4,860,518	67,674	137,391	4,723,127

5. Mortgages Issued

	Group		Parent	
	2012 \$	2011 \$	2012 \$	2011 \$
Mortgage #1	234,232	-	-	-
Mortgage #2	274,574	-	-	-
Mortgage #3	179,707	-	-	-
Mortgage #4	300,000	-	-	-
Total as At 31 March 2012	988,513	-	-	-

Maturity

Mortgage #1	28 January 2017
Mortgage #2	24 February 2017
Mortgage #3	28 February 2017
Mortgage #4	7 March 2017

All Mortgages have a five year term and are secured by a registered charge over the certificate of title of the property purchased. Interest is charged at a rate of 5.2% per annum

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2012

6. Development Work in Progress

	Group		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
Opening Balance	209,032	19,502	-	-
Plus Additions	1,454,722	189,531	-	-
Less Impairment Losses	80,772	-	-	-
Less Disposals	1,341,141	-	-	-
Closing Balance	241,842	209,032	-	-

The Impairment loss of \$80,772 has arisen due to the excess of the cost over the agreed sale price for a committed sale at 31 March 2012 (2011 : nil).

7. Borrowings

	Group		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
Housing NZ -Loan 1	1,585,632	1,800,000	1,585,632	1,800,000
Opening Balance				
Less Amortisation	200,548	214,368	200,548	214,368
Closing Balance	1,385,084	1,585,632	1,385,084	1,585,632
	Group		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
Housing NZ -Loan 2	-	-	-	-
Opening Balance				
Plus Drawdowns	367,500	-	367,500	-
Closing Balance	367,500	-	367,500	-
Total Housing NZ Loan Balance	1,752,584	-	1,752,584	-

Loan 1 is interest free (subject to meeting the terms of the agreement) and will be forgiven after 10 years provided that the terms of the agreement are observed by the Parent. The loan has been drawn down to \$2,000,000. The loan has been amortised from the date of each individual draw down at a straight line rate of 10% per annum. In 2012, \$200,548 was amortised leaving an unamortised balance of \$1,385,084 which will continue to be amortised on the basis the conditions of the suspensory loan agreement are complied with.

Loan 2 was advanced from Housing New Zealand for the purposes of financing the Rent Saver Programme. This loan is interest free for 10 years from the 15th November 2011 and due for repayment 15 November 2036.

HNZ Loans 1 and 2 are secured through a general security agreement over the assets of the Trust and QLCHT Property Portfolio Limited. HNZ Loan 2 has additional security in the form of 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 2012

7. Borrowings (cont'd)

	Group		Parent	
	2012	2011	2012	2011
SBS	\$	\$	\$	\$
Opening Balance				
Plus Drawdowns	416,596	-	-	-
Closing Balance	416,596	-	-	-

The SBS loan balance consists of \$298,673 that is due for repayment on the 12 March 2037 and has interest charged at a rate of 6.15% p.a. The remaining \$117,923 is due for repayment on the 15 November 2036 and has interest charged at a rate of 5.89% p.a.

All of the Loans with SBS are secured with a first ranking mortgage over the certificate of title of the properties included within the Rent Saver Programme

8. Central Lakes Trust

	Group		Parent	
	2012	2011	2012	2011
	\$	\$	\$	\$
Current Portion	29,220	-	-	-
Non Current Portion	1,266,035	-	-	-
	1,295,255	-	-	-

The advance is secured with a general security arrangement over the assets of the Trust and has a guarantee of indemnity from the Queenstown Lakes District Council. Interest is charged on the advance 4.45% per annum... The advance is due to be repaid on the 1 February 2017.

9. Subsidiaries

Name of entity	Balance Date	Country of Incorporation	Ownership interest	
			2012 %	2011 %
Subsidiary				
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%	-

Queenstown Housing Bonds Limited was established on the 30th June 2011 and commenced trading on the 26th of January 2012

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2012

10. Charitable Status

In the prior year financial statements the Trustees noted the Charities Commission had revoked the Charitable status of the Trust effective from 15th July 2011. At the time of presenting the prior year financial statements the Trustees were uncertain of the impacts arising from the resulting change in tax status.

During the current year the Trustees and management of the Trust have been working with tax advisors and the Inland Revenue Department (IRD) to determine the likely impact of the change in tax status. As a result of this work the Trustees have been able to confirm the change in tax status may result in certain activities of the Trust that were previously thought to be exempt from tax now having to be assessed as taxable activities.

Furthermore, the Trustees note the change in tax status is applied retrospectively, meaning the IRD will assess the Trust's taxable income since inception.

The Trustees note there remains significant uncertainty as to what sources of revenue are likely to be considered taxable, in particular the treatment of grants. The Trustees and the Trust's tax advisors are engaged in on-going discussions with the IRD to determine the scope and extent of taxable activities undertaken by the Trust, and in particular whether the grants are considered a taxable income source.

The Trustees, in conjunction with management, have completed tax calculations based on the outcome they believe is likely in respect of the IRD discussions. Specifically, the tax calculations have been prepared on the assumption that any grants received by the Trust from Queenstown Lakes District Council and Housing Corporation of New Zealand are non-taxable. These calculations indicate the Trust has sufficient unclaimed tax losses to offset any potential taxable income arising from the change in tax status. Given the uncertainty related to the outcome of the on-going discussions with the IRD the Trustees have not recognised any tax benefit in the financial statements at 31 March 2012.

In the event the grants were determined by the IRD to be a taxable income source, the Trust would not have sufficient tax losses to offset the potential tax liability. In this case the Trust would need to recognise a tax liability on its balance sheet and a corresponding charge to tax expense.

11. Capital Commitments

At balance date the Trust had one capital commitment of \$2,244(2011: \$649,986) representing an unconditional agreement to construct a house at 11 Dairy Close. The prior year commitments of \$649,986 represent the committed construction of 2 Houses within the Nerin Square Development.



**INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF
QUEENSTOWN LAKES COMMUNITY HOUSING TRUST**

Report on the Financial Statements

We have audited the financial statements of Queenstown Lakes Community Housing Trust and group on pages 2 to 12, which comprise the consolidated and separate statements of financial position of Queenstown Lakes Community Housing Trust, as at 31 March 2012, the consolidated and separate statements of financial performance, statements of movements in equity for the year then ended, and a summary of significant accounting policies and other explanatory information.

Board of Trustees' Responsibility for the Financial Statements

The Board of Trustees are responsible for the preparation and fair presentation of financial statements in accordance with generally accepted accounting practice in New Zealand and for such internal control as the Board of Trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities

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

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

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

Other than in our capacity as auditor and the provision of taxation advice, we have no relationship with or interests in Queenstown Lakes Community Housing Trust or any of its subsidiaries.

Opinion

In our opinion, the financial statements on pages 2 to 12 present fairly, in all material respects, the financial position of Queenstown Lakes Community Housing Trust and group as at 31 March 2012, and their financial performance for the year ended on that date in accordance with generally accepted accounting practice in New Zealand.

Emphasis of Matter

Without qualifying our opinion, we draw your attention to note 10 in the financial statements which indicates a significant uncertainty related to the tax treatment of certain aspects of Queenstown Lakes Community Housing Trust's operations.

Chartered Accountants
16 August 2012
DUNEDIN, NEW ZEALAND

