

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

Consolidated Annual Report
For the year ended 31st March 2013

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

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FOR THE YEAR ENDED 31ST MARCH 2013

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QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

TRUST DIRECTORY
FOR THE YEAR ENDED 31ST MARCH 2013

<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 R 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 2013

	Note	Group 2013 \$	Group 2012 \$	Parent 2013 \$	Parent 2012 \$
<u>INCOME</u>					
Development Property Sales		1,521,921	1,375,865	-	-
Cost of Development Property Sold		1,526,347	1,347,937	-	-
Gross Surplus / (Deficit) from Property Sales		(4,426)	27,928	-	-
<u>OTHER INCOME</u>					
Interest Received		107,843	25,265	10,520	17,113
Lease Rentals		81,604	29,078	-	8,333
Sundry Income		14,150	3,453	-	1,591
Application Fees Received		1,500	-	1,500	-
Starter Loan Fees		3,810	2,540	-	-
Grants Received		50,000	50,000	50,000	50,000
Property Management Fees Received		14,700	10,850	14,700	10,850
Stakeholder Contributions Received		450,000	-	450,000	-
HNZ Loan Amortisation	8	192,050	200,548	192,050	200,548
HNZC Grant Received		52,500	1,333,650	52,500	1,333,650
TOTAL OTHER INCOME		968,157	1,655,384	771,271	1,622,085
TOTAL INCOME		963,731	1,683,312	771,271	1,622,085
<u>LESS EXPENSES</u>					
ADMINSTRATION EXPENSES		91,479	122,296	45,557	78,929
OPERATING EXPENSES		43,841	52,186	25,085	22,967
<u>OTHER EXPENSES</u>					
Audit Fees	4	8,160	8,443	8,160	8,443
Auditors - Other Remuneration	4	103,262	-	103,262	-
Depreciation		136,410	86,147	-	41,724
Interest		132,532	48,426	5	7
Loss on Sale of Fixed Assets		25,061	2,203	-	2,203
Trustee Fees		84,931	70,650	84,931	70,650
Impairment Loss		-	80,772	-	-
Wages		100,649	80,818	100,649	80,818
TOTAL OTHER EXPENSES		591,005	377,459	297,007	203,845
TOTAL EXPENSES		726,325	551,941	367,649	305,741
<u>SURPLUS FOR THE YEAR</u>		237,406	1,131,371	403,622	1,316,344

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 2013

	Group 2013 \$	Group 2012 \$	Parent 2013 \$	Parent 2012 \$
Opening Balance	7,217,495	6,086,124	7,490,517	6,174,173
<u>PLUS</u> Surplus for the Year	237,406	1,131,371	403,622	1,316,344
Balance at Year End	<u>7,454,901</u>	<u>\$7,217,495</u>	<u>7,894,139</u>	<u>\$7,490,517</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 2013**


	Note	Group 2013 \$	Group 2012 \$	Parent 2013 \$	Parent 2012 \$
<u>EQUITY</u>					
Trustees' Accumulated Income Account		7,454,901	7,217,495	7,894,139	7,490,517
TOTAL EQUITY		7,454,901	7,217,495	7,894,139	7,490,517
<u>REPRESENTED BY -</u>					
<u>NON CURRENT ASSETS</u>					
Land and Buildings	5	7,325,568	6,637,302	-	-
Mortgages Issued	6	2,609,653	988,513	-	-
Advance QLCHT Developments Ltd		-	-	600,538	1,815,787
Advance Queenstown Housing Bonds		-	-	49,450	22,613
Advance QLCHT Property Portfolio		-	-	7,356,479	6,463,053
TOTAL NON CURRENT ASSETS		9,935,221	7,625,815	8,006,467	8,301,452
<u>CURRENT ASSETS</u>					
Development Land		1,186,444	1,629,665	-	-
ASB Bank Accounts		478,445	983,040	54,605	815,073
SBS Bank Accounts		232,962	454,414	103,154	122,281
Deposits on Behalf		11,855	-	-	-
Development - Work in Progress	7	1,557,287	241,842	-	-
Tax Receivable		1,877	1,662	19	19
Accounts Receivable		-	802	-	802
Accrued Interest		6,095	2,993	129	1,596
GST		120,172	5,460	5,839	5,460
Current Portion - Advance QLCHT Developments Ltd		-	-	1,403,332	-
Current Portion - Advance QLCHT Property Portfolio Ltd		-	-	19,596	19,596
TOTAL CURRENT ASSETS		3,595,137	3,319,878	1,586,674	964,827
TOTAL ASSETS		13,530,358	10,945,693	9,593,141	9,266,280


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 2013

	Note	Group 2013	Group 2012	Parent 2013	Parent 2012
<u>LESS LIABILITIES</u>					
<u>NON CURRENT LIABILITIES</u>					
SBS Term Loans	8	409,243	416,596	-	-
Central Lakes Trust Advance	9	2,586,227	1,266,035	-	-
Housing Corp NZ Ltd	8	1,669,968	1,752,584	1,669,968	1,752,584
<u>TOTAL NON CURRENT LIABILITIES</u>		4,665,438	3,435,215	1,669,968	1,752,584
<u>CURRENT LIABILITIES</u>					
Current Portion of SBS Term Loans	8	946,702	-	-	-
Current Portion of Central Lakes Trust Advance	9	63,728	29,220	-	-
Accounts Payable		382,455	175,891	25,539	20,177
Accruals		13,638	3,420	-	-
PAYE Deductions Payable		3,496	3,001	3,496	3,001
GST		-	81,452	-	-
<u>TOTAL CURRENT LIABILITIES</u>		1,410,019	292,984	29,035	23,178
<u>TOTAL LIABILITIES</u>		6,075,457	3,728,199	1,699,003	1,775,762
<u>NET ASSETS AS PER TOTAL EQUITY</u>		7,454,901	\$7,217,495	\$7,894,139	\$7,490,517

Signed  Trustee

Signed  Trustee

Date 13/8/13

Date 13/8/13

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 2013

STATEMENT OF ACCOUNTING POLICIES
REPORTING ENTITY

Queenstown Lakes Community Housing Trust is a Qualifying Trust operating in accordance with its Trust Deed and 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.

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 revenue from stakeholder contributions are 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 expenses required 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 Trust to apply differential reporting exemptions.

Fixed Assets

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

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 2013

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.

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 2013

NOTES

1. Capital Expenditure

As at 31 March 2013 the Group is committed to 3 property purchases under the Shared Ownership Scheme, the total of these funding commitments is \$386,830 (2012: \$nil).

2. Contingent Liabilities

As at 31 March 2013, the Trust is in dispute with a supplier regarding landscaping services provided. The supplier is claiming \$93,000. The dispute is likely to be resolved through an arbitration process, the disclosure of any estimate of liability could be prejudicial to the Groups ability to minimise the effect of any claim should it materialise.

3. Related Parties

Stephen Brent was a partner in the firm Anderson Lloyd who provide legal services to the Group. He left the partnership in December 2012. In 2013 the aggregate of these payments totalled \$36,497 (2012: \$61,858).

The Parent has advanced \$2,003,870 (2012:\$ 1,815,787) to its subsidiary QLCHT Developments Limited. The advance is interest free and repayable upon demand.

The Parent has advanced \$7,376,075 (2012:\$6,482,649) to its subsidiary QLCHT Property Portfolio Limited. The advance is interest free and repayable upon demand.

The Parent has advanced \$49,450 (2012:\$22,613) to its subsidiary Queenstown Housing Bonds Limited. The advance is interest free and repayable upon demand.

During the year ended 31 March 2013, QLCHT Developments sold \$526,643 (2012: \$1,362,538) of Land and Buildings to QLCHT Property Portfolio Limited.

4. Fees Paid to Auditors

	Group		Parent	
	2013	2012	2013	2012
Audit Services	8,160	8,443	8,160	8,443
Taxation Advisory Services	103,262	-	103,262	-
Total as At 31 March 2013	111,422	8,443	111,422	8,443

Fees paid to Deloitte regarding taxation advisory services were in relation to assistance with the matters referred to in note 11. These fees were completely independent of the audit process..

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2013

5. Fixed Assets

2013	Cost	Group		Net Book Value
		Depn Charge	Accumulated Depn	
Land	2,768,373	-	-	2,768,373
Buildings	4,904,328	136,163	347,381	4,556,947
Plant and Equipment	625	247	377	248
Total as At 31 March 2013	7,673,326	136,410	347,758	7,325,568

2013	Cost	Parent		Net Book Value
		Depn Charge	Accumulated Depn	
Land	-	-	-	-
Buildings	-	-	-	-
Plant and Equipment	-	-	-	-
Total as At 31 March 2013	-	-	-	-

2012	Cost	Group		Net Book Value
		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	Cost	Parent		Net Book Value
		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 2013

6. Mortgages Issued

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
Mortgage #1	229,890	234,232	-	-
Mortgage #2	267,540	274,574	-	-
Mortgage #3	176,395	179,707	-	-
Mortgage #4	290,065	300,000	-	-
Mortgage #5	214,121	-	-	-
Mortgage #6	302,387	-	-	-
Mortgage #7	345,668	-	-	-
Mortgage #8	277,601	-	-	-
Mortgage #9	317,285	-	-	-
Mortgage #10	188,701	-	-	-
Total as At 31 March 2013	2,609,653	988,513	-	-

	Maturity	Interest rate
Mortgage #1	28 January 2017	5.20%
Mortgage #2	24 February 2017	5.20%
Mortgage #3	28 February 2017	5.20%
Mortgage #4	7 March 2017	5.20%
Mortgage #5	13 April 2017	5.20%
Mortgage #6	18 October 2017	4.92%
Mortgage #7	19 October 2017	4.92%
Mortgage #8	26 October 2017	4.92%
Mortgage #9	9 November 2017	4.92%
Mortgage #10	29 November 2017	4.92%

All Mortgages have a five year term and are secured by registered charge over the certificate of title of the property purchased.

7. Development Work in Progress

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
Opening Balance	241,842	209,032	-	-
Plus Additions	3,370,913	1,454,722	-	-
Less Impairment Losses	-	(80,772)	-	-
Less Disposals	(2,055,468)	(1,341,141)	-	-
Closing Balance	1,557,287	241,842	-	-

In the year ended 31 March 2013 there was no impairment loss assessed on the Nerin Square development (2012 : \$80,772)

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2013**

8. Borrowings

	Group		Parent	
	2013 \$	2012 \$	2013 \$	2012 \$
Housing NZ -Loan 1				
Opening Balance	1,385,084	1,585,632	1,385,084	1,585,632
Less Amortisation	(192,050)	(200,548)	(192,050)	(200,548)
Closing Balance	1,193,034	1,385,084	1,193,034	1,385,084
	Group		Parent	
	2013 \$	2012 \$	2013 \$	2012 \$
Housing NZ -Loan 2				
Opening Balance	367,500	-	367,500	-
Less Repayments	(13,066)	-	(13,066)	-
Plus Drawdowns	122,500	367,500	122,500	367,500
Closing Balance	476,934	367,500	476,934	367,500
Total Housing NZ Loan Balance	1,669,968	1,752,584	1,669,968	1,752,584

Loan 1 is interest free (subject to meeting the terms of the agreement) and will be terminated 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. In 2013, \$192,050 was amortised leaving an unamortised balance of \$1,193,034 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 Rentsaver Scheme. 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 Rentsaver scheme.

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2013

8. Borrowings (cont'd)

	Group		Parent	
	2013	2012	2013	2012
SBS Term Loans	\$	\$	\$	\$
Opening Balance	416,596	-	-	-
Plus Drawdowns	946,702	416,596	-	-
Less Repayments	(7,353)	-	-	-
Closing Balance	1,355,945	416,596	-	-

	Group		Parent	
	2013	2012	2013	2012
SBS Term Loans	\$	\$	\$	\$
Current Portion	946,702	-	-	-
Non Current Portion	409,243	416,596	-	-
Total	1,355,945	416,596	-	-

The SBS loan balance consists of \$293,478 that is due for repayment on the 12 March 2037 and has interest charged at a rate of 6.15% p.a. , \$115,764 is due for repayment on the 15 November 2036 and has interest charged at a rate of 5.89% p.a., the remaining portion of \$946,702 is due for repayment on the 10 December 2013 and has interest charged at 5.75% p.a.

Of the term debt outlined above, \$409,242 is secured with a first raking mortgage over the certificate of title of the properties included within the Rentsaver Scheme. The remaining \$946,702 is secured with a ranking first mortgage over Lots 1-10 Nerin Square, Lake Hayes Estate.

9. Central Lakes Trust

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
Current Portion	63,728	29,220	-	-
Non Current Portion	2,586,227	1,266,035	-	-
Total	2,649,955	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. The loan from Central Lakes Trust consists of two separate tranches of funding. The first of \$1,266,035 has interest charged on it of 4.45% p.a. and is due to be repaid on the 27 January 2017. The second of \$1,383,920 has interest charged on it of 4.17% p.a. and is due to be repaid on the 21 September 2017.

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST MARCH 2013

10. Subsidiaries

Name of entity	Balance Date	Country of Incorporation	Ownership interest	
			2013 %	2012 %
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%	100%

11. Charitable Status

In the prior year financial statements the Trustees noted the Charities Commission had revoked the Charitable status of the Trust effective from 2 March 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 and stakeholder contributions 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.

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.

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2013

11. Charitable Status (Cont'd)

The note below estimates the likely tax position should the discussions between the Group and the IRD conclude as expected:

	Group		Parent	
	2013	2012	2013	2012
	\$	\$	\$	\$
Tax expense / (credit) comprises				
The prima facie income tax credit on pre-tax accounting surplus reconciles to the income tax credit as follows :				
Surplus before income tax	237,406	1,131,371	403,622	1,316,344
Income tax expense / (credit) at effective rate*	86,655	382,601	133,195	434,394
Non assessable income	(229,202)	(506,285)	(229,202)	(506,285)
Non Depreciation of Buildings	38,126	26,171	-	13,769
Taxable gain on disposal	-	41,863	-	41,863
Non - deductible impairment losses	-	22,616	-	-
Tax expense / (credit)	(104,421)	(33,034)	(96,006)	(16,260)
Opening - Unrecognised Tax Losses	(223,275)	(190,241)	(179,805)	(163,544)
Closing - Unrecognised Tax Losses	(327,696)	(223,275)	(275,812)	(179,804)

*Effective tax rate is the rate calculated to compensate for different tax rates between entity types.

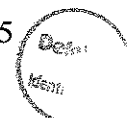
The tax note calculated above assumes that government grants and stakeholder capital contributions are deemed not assessable. In the event that these were to be deemed assessable the principal tax payable is estimated to be \$2,566,538, which includes penalty interest costs of \$685,464.

QUEENSTOWN LAKES COMMUNITY HOUSING TRUST

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31ST MARCH 2013

12. Capital Commitments

At balance date the trust had a total capital commitment of \$1,584,309 (2012 : 2,244) representing the committed construction of 10 houses on lots 1-10 Nerin Square, Lake Hayes Estate. The prior year commitments of \$2,244 represent an unconditional agreement to construct a house at 11 Dairy Close.





**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 15, which comprise the consolidated and separate statements of financial position of Queenstown Lakes Community Housing Trust, as at 31 March 2013, 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 15 present fairly, in all material respects, the financial position of Queenstown Lakes Community Housing Trust and group as at 31 March 2013, 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 11 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
13 August, 2013
DUNEDIN, NEW ZEALAND