



Ōtautahi Community Housing Trust

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2023

Ōtautahi Community Housing Trust

Contents of consolidated financial statements

For the year ended 30 June 2023

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Ōtautahi Community Housing Trust Directory

As at 30 June 2023

| | |
|-------------------------------------|--|
| Nature of business | Community housing provider |
| Registered office | 61 Kilmore Street Christchurch Central Christchurch 8013 |
| Trustees | Alexander Skinner (Chair) Pamela Sharpe (Deputy Chair) Lloyd Mander (ARC Chair) Vicki Buck Darren Evans Sina Cotter Tait Pauline Cotter Jake McLellan |
| Auditor | BDO Christchurch Audit Limited |
| Lawyer | Anthony Harper |
| Banker | Bank of New Zealand |
| Certificate of incorporation | 2637371 |
| IRD number | 119-732-050 |
| Charity number | CC53251 |

Ōtautahi Community Housing Trust
Consolidated statement of comprehensive revenue and expense

For the year ended 30 June 2023

| | Note | 2023 (\$000) | 2022 (\$000) |
|--|------|-----------------|-----------------|
| Revenue | | | |
| Revenue from exchange transactions | 5 | 31,913 | 28,595 |
| Total revenue | | 31,913 | 28,595 |
| Expenses | | | |
| Direct expenses | 6 | 4,089 | 3,818 |
| Maintenance undertaken for Christchurch City Council | 18 | 10,705 | 9,991 |
| Lease to Christchurch City Council | 18 | 4,728 | 5,347 |
| Employee benefit expenses | 7 | 3,285 | 2,709 |
| Depreciation | 13 | 2,042 | 2,448 |
| Amortisation | 14 | 5 | 4 |
| Other expenses | 8 | 1,634 | 1,863 |
| Total expenses | | 26,488 | 26,180 |
| Operating surplus | | 5,425 | 2,415 |
| Impairment loss | 13 | (397) | (295) |
| (Loss)/gain on investment property | 15 | (543) | 1,761 |
| (Loss)/gain on sale of land and buildings | | (1,261) | 1,518 |
| Finance income | 9 | 213 | 23 |
| Finance expenses | 9 | (2,381) | (1,875) |
| Surplus for the year | | 1,056 | 3,547 |
| Other comprehensive revenue | | | |
| Revaluation of property plant and equipment | 13 | (953) | 26,395 |
| Total comprehensive revenue for the year | | 103 | 29,942 |

These Consolidated Financial Statements are to be read in conjunction with the accompanying notes and the Independent Auditor's Report.

Ōtautahi Community Housing Trust
Consolidated statement of changes in equity

For the year ended 30 June 2023

| | Revaluation reserve | Retained earnings | Total |
|---|------------------------|----------------------|---------------|
| | (\$000) | (\$000) | (\$000) |
| Balance as at 1 July 2021 | 19,275 | 38,791 | 58,066 |
| Surplus for the period | - | 3,547 | 3,547 |
| Other comprehensive revenue | 26,395 | - | 26,395 |
| Total comprehensive revenue for the year | <u>26,395</u> | <u>3,547</u> | <u>29,942</u> |
| Transactions with owners in their capacity as owners: | | | |
| Equity contribution via concessionary loan (Note 20) | - | 4,072 | 4,072 |
| Transfer of revaluation on sale of property | (616) | 616 | - |
| Balance as at 30 June 2022 | <u>45,054</u> | <u>47,026</u> | <u>92,080</u> |
| Surplus for the period | - | 1,056 | 1,056 |
| Other comprehensive revenue | (953) | - | (953) |
| Total comprehensive revenue for the year | <u>(953)</u> | <u>1,056</u> | <u>103</u> |
| Transactions with owners in their capacity as owners: | | | |
| Equity contribution via concessionary loan (Note 20) | - | 29 | 29 |
| Transfer of revaluation on sale of property | (829) | 829 | - |
| Balance as at 30 June 2023 | <u>43,272</u> | <u>48,940</u> | <u>92,212</u> |

These Consolidated Financial Statements are to be read in conjunction with the accompanying notes and the Independent Auditor's Report.

Ōtautahi Community Housing Trust

Consolidated statement of financial position

As at 30 June 2023

| | Note | 2023 (\$000) | 2022 (\$000) |
|--|------|-----------------------|-----------------------|
| Current assets | | | |
| Cash and cash equivalents | 10 | 8,922 | 5,729 |
| Receivables from exchange transactions | 11 | 1,008 | 1,645 |
| Prepayments | | 1,092 | 1,034 |
| | | <u>11,022</u> | <u>8,408</u> |
| Non-current assets | | | |
| Work in progress | 12 | 12,697 | 2,245 |
| Property, plant and equipment | 13 | 135,052 | 136,374 |
| Intangible assets | 14 | 12 | 17 |
| Investment property | 15 | 4,783 | 5,326 |
| | | <u>152,544</u> | <u>143,962</u> |
| Total assets | | <u>163,566</u> | <u>152,370</u> |
| Current liabilities | | | |
| Payables from exchange transactions | 16 | 8,022 | 8,068 |
| Revenue in advance | | 318 | 204 |
| Employee benefit liability | 17 | 226 | 339 |
| Finance lease payable | 21 | 16 | 16 |
| | | <u>8,582</u> | <u>8,627</u> |
| Non-current liabilities | | | |
| Capitalisation loan | 20 | 14,493 | 13,792 |
| Development loan | 20 | 39,056 | 37,845 |
| Community Finance loan | 20 | 9,212 | - |
| Finance lease payable | 21 | 11 | 26 |
| | | <u>62,772</u> | <u>51,663</u> |
| Total liabilities | | <u>71,354</u> | <u>60,290</u> |
| Net assets | | <u>92,212</u> | <u>92,080</u> |
| Equity | | | |
| Retained earnings | | 48,940 | 47,026 |
| Revaluation reserve | | 43,272 | 45,054 |
| Total equity | | <u>92,212</u> | <u>92,080</u> |

_____ Board Chair

Date **29 September 2023**

_____ ARC Chair

Date **29 September 2023**

These Consolidated Financial Statements are to be read in conjunction with the accompanying notes and the Independent Auditor's Report.

Ōtautahi Community Housing Trust

Consolidated statement of cash flows

For the year ended 30 June 2023

| | Note | 2023 (\$000) | 2022 (\$000) |
|---|-----------|-----------------|-----------------|
| Cash flows from operating activities | | | |
| Cash was provided from: | | | |
| Cash receipts from customers | | 31,599 | 28,323 |
| Interest received | | 211 | 20 |
| Warm and Dry recoveries | | - | 817 |
| Cash was disbursed to: | | | |
| Payments to suppliers and employees | | (21,560) | (16,974) |
| Lease paid to Christchurch City Council | | (4,773) | (5,184) |
| Net cash inflow from operating activities | | 5,477 | 7,002 |
| Cash flows from investing activities | | | |
| Cash was provided from: | | | |
| Sale of property held for sale | | 857 | 2,491 |
| Cash was disbursed to: | | | |
| Purchase of development work in progress | | (10,953) | (13,512) |
| Purchase of property, plant and equipment | | (144) | (1,103) |
| Net cash outflow from investing activities | | (10,240) | (12,124) |
| Cash flows from financing activities | | | |
| Cash was provided from: | | | |
| Proceeds from loans | | 9,212 | 8,500 |
| Cash was disbursed to: | | | |
| Payment of loan interest | | (1,256) | (895) |
| Net cash inflow from financing activities | | 7,956 | 7,605 |
| Net increase in cash and cash equivalents held | | 3,193 | 2,483 |
| Cash and cash equivalents at the beginning of the year | | 5,729 | 3,246 |
| Cash and cash equivalents at the end of the year | 10 | 8,922 | 5,729 |

These Consolidated Financial Statements are to be read in conjunction with the accompanying notes and the Independent Auditor's Report.

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

1 Reporting entity

Ōtautahi Community Housing Trust (ŌCHT) is a public benefit entity for the purpose of financial reporting in accordance with the Financial Reporting Act 2013.

These consolidated financial statements include the Ōtautahi Community Housing Trust, the Ōtautahi Community Housing Trust General Partner Ltd and the Ōtautahi Community Housing Trust Limited Partnership.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). They comply with Public Sector Public Benefit Entity Standards Reduced Disclosure Regime (PBE Standards RDR) as appropriate for Tier 2 public sector public benefit entities.

The Trust qualifies as a Tier 2 reporting entity for 2023. It is expected to report as a Tier 1 entity for 2024 on the basis that its total expenditure exceeded \$30 million during 2023, and is budgeted to exceed \$30 million in 2024.

The information is presented in New Zealand dollars. All values are rounded to the nearest thousand dollars (\$000). These financial statements were authorised and issued by the Board of Trustees on 29 September 2023.

(b) Measurement basis

The accounting principles recognised as appropriate for the measurement and reporting of the financial statements on a historical cost basis are followed by the Trust, unless otherwise stated in the specific accounting policies.

3 Use of judgements and estimates

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected. In particular, information about significant areas of estimating uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described as follows:

(a) Judgements

In the process of applying the Trust's accounting policies, the Trustees have made the following judgements that have had the most significant effect on the amounts recognised in the financial statements:

- The Trustees have judged that the Trust is a public benefit entity. They believe that the charitable objects of the Trust are consistent with the public benefit entity requirements. Any equity has been provided with a view to supporting these charitable objects rather than for a financial return.
- The Trustees have judged that the Trust is a going concern.

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

3 Use of judgements and estimates (continued)

(b) Assumptions and estimation uncertainties.

Assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2023 include the following:

| Area of estimate or judgement | Note |
|------------------------------------|------|
| Valuation of property | 13 |
| Valuation of investment property | 15 |
| Accounting for concessionary loans | 20 |

Significant estimates are designated by an \ominus symbol in the notes to the financial statements.

4 Accounting policies

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

Accounting policies are disclosed within each of the applicable notes to the financial statements and are designated by a ⌘ symbol. Where a note is not required, the applicable accounting policy is disclosed below.

(a) Impairment of non-financial assets

The carrying amounts of the Trust's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

Indefinite life intangible assets, and intangible assets not yet available for use are tested annually for impairment. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

(b) Impairment of non-derivative financial assets

A financial asset not subsequently measured at fair value through surplus or deficit is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a counterparty, restructuring of an amount due to the Trust on terms that the Trust would not consider otherwise, indications that a counterparty or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers of the Trust, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an equity security classified as an available-for-sale financial asset, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(c) Income tax

As the Trust is a registered charity it is not required to pay income tax.

(d) Goods and Services Tax (GST)

In the 2017 financial year the Trust registered for GST. Although the activities of the Trust are residential rental accommodation and therefore exempt from GST, the Trust is required to incur and on charge specific expenses on a plus GST basis therefore required GST registration. Properties were transferred to the Trust that fell outside of community housing therefore were a taxable supply to the Trust. GST has been claimed on these properties.

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

4 Accounting policies (continued)

(e) Agency payments and credits

The Trust leases the community housing portfolio from the Council and in that capacity it incurs expenses operating and maintaining the Council's community housing portfolio, for which it receives a credit against the lease payable to the Council for community housing assets. The Trust does not recognise this credit as revenue, recognising the net lease cost, operating costs and maintenance costs in the profit and loss and operating cashflows. See note 18 and note 21 for further details of this lease.

5 Revenue



Revenue is recognised when the amount of revenue can be measured reliably and it is probable that economic benefits will flow to the Trust and measured at the fair value of consideration received or receivable. The following specific recognition criteria in relation to the Trust's revenue streams must also be met before revenue is recognised.

i. Revenue from exchange transactions

Rental income is recognised in surplus or deficit on a straight-line basis over the term of the lease. Tenants bonds are received from tenants and forwarded to Tenancy Services in the Trust's capacity as agent. These bonds are not recorded as revenue.

Rent received is related to rental income from community housing tenants. The Trust has determined that, after considering the substance of these transactions, rent received is to be categorised as an exchange transaction. Rent received is therefore measured at the fair value of the consideration received, being the rental amount paid by tenants.

Other Income includes the grants and Ministry of Housing and Urban Development service fees for the provision of Housing First services.

ii. Revenue from non-exchange transactions

Non-exchange transactions are those where the Trust receives an inflow of resources (i.e. cash and other tangible or intangible items) but provides no or nominal direct consideration in return.

With the exception of services-in-kind, inflows of resources from non-exchange transactions are only recognised as assets where both:

- It is probable that the associated future economic benefit or service potential will flow to the entity, and
- Fair value is reliably measurable.

Inflows of resources from non-exchange transactions that are recognised as assets are recognised as non-exchange revenue, to the extent that a liability is not recognised in respect of the same inflow, and:

- It is probable that an outflow of resources embodying future economic benefit or service potential will be required to settle the obligation, and
- The amount of the obligation can be reliably estimated.

iii. Grants, donations, legacies and bequests

The recognition of non-exchange revenue from grants, donations, legacies and bequests depends on the nature of any stipulations attached to the inflow of resources received, and whether this creates a liability (i.e. present obligation) rather than the recognition of revenue.

Stipulations that are 'conditions' specifically require the Trust to return the inflow of resources received if they are not utilised in the way stipulated, resulting in the recognition of a non-exchange liability that is subsequently recognised as non-exchange revenue as and when the 'conditions' are satisfied.

Stipulations that are 'restrictions' do not specifically require the Trust to return the inflow of resources received if they are not utilised in the way stipulated, and therefore do not result in the recognition of a non-exchange liability, which results in the immediate recognition of non-exchange revenue.

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

5 Revenue (continued)

iv. Prior period reclassification

In the year ended 30 June 2022, the Trust received \$0.2m of salary recovery from Housing First, it was recorded as a credit balance in employee benefit expenses in the consolidated statement of comprehensive revenue and expense. Due to the fact that the funds received by the Trust was for the provision of tenancy services to Housing First, it was reasonable to reclass the \$0.2m to other income as a part of revenue from exchange transactions.

As a result, the balance of other income increased from \$0.8m reported in prior year's financial statements to \$1m restated below.

| Revenue from exchange transactions | 2023 (\$000) | 2022 (\$000) |
|---|-----------------|-----------------|
| Rent received - Assisted rental | 9,450 | 10,330 |
| Rent received - IRR/IRRS | 21,088 | 17,260 |
| Other income | 1,375 | 1,005 |
| Total revenue from exchange transactions | 31,913 | 28,595 |

6 Direct expenses

Direct expenses comprise those costs directly attributable to the maintenance of the Trust's community housing portfolio. Other direct expenses comprise other property related expenses such as lease payments to Housing First private landlords, and utilities.

In the year ended 30 June 2022, the Trust's maintenance team's employee benefit expenses totalling \$1.1m was reclassified to Maintenance undertaken for Christchurch City Council from Direct expenses. For clarity, we have now reversed this entry and reclassified it from Employee benefit expenses. This reclassification is consistent with current year treatment.

| | 2023 (\$000) | 2022 (\$000) |
|------------------------------|-----------------|-----------------|
| Maintenance | 1,818 | 1,718 |
| Property insurance | 962 | 848 |
| Property rates | 747 | 617 |
| Other direct expenses | 562 | 635 |
| Total direct expenses | 4,089 | 3,818 |

7 Employee benefit expenses

In the year ended 30 June 2022, the Trust's maintenance team's employee benefit expenses totalling \$1.1m was included in the employee benefit expenses. For clarity, this is now disclosed within maintenance undertaken for Christchurch City Council in both financial year 2022 and 2023. This reclassification is consistent with current year treatment.

| | 2023 (\$000) | 2022 (\$000) |
|------------------|-----------------|-----------------|
| Salary and wages | 3,199 | 2,528 |
| KiwiSaver | 86 | 181 |
| | 3,285 | 2,709 |

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

| 7 Employee benefit expenses (continued) | 2023 (\$000) | 2022 (\$000) |
|--|-----------------|-----------------|
| Included in Maintenance undertaken for Christchurch City Council | | |
| Salary and wages - maintenance team | 1,445 | 1,131 |
| KiwiSaver - maintenance team | 13 | 15 |
| | <u>1,458</u> | <u>1,146</u> |

| 8 Other expenses | 2023 (\$000) | 2022 (\$000) |
|-----------------------------|-----------------|-----------------|
| Consultants fees | 218 | 769 |
| Audit fees | 59 | 58 |
| Governance fees | 189 | 156 |
| Kilmore Street - rent | 207 | 207 |
| Other expenses | 961 | 673 |
| Total other expenses | <u>1,634</u> | <u>1,863</u> |

9 Net finance expenses

i. Finance income

Finance income comprises interest income on financial assets.

Interest income is recognised as it accrues in surplus or deficit, using the effective interest method.

ii. Finance expenses

Finance expenses comprise interest expense on financial liabilities including the notional interest on concessionary loans.

All borrowing costs are expensed in the period they are incurred.

| | 2023 (\$000) | 2022 (\$000) |
|--|-----------------|-----------------|
| Interest income | 213 | 23 |
| Total finance income | <u>213</u> | <u>23</u> |
| Interest expense - capitalisation loan notional interest | (701) | (669) |
| Interest expense - development loan notional interest | (550) | (417) |
| Interest expense - development loan actual interest | (1,130) | (789) |
| Total finance expenses | <u>(2,381)</u> | <u>(1,875)</u> |
| Net finance expenses | <u>(2,168)</u> | <u>(1,852)</u> |

| 10 Cash and cash equivalents | 2023 (\$000) | 2022 (\$000) |
|--|-----------------|-----------------|
| Bank - current account | 8,676 | 5,375 |
| Bank - retentions account | 246 | 354 |
| Total cash and cash equivalents | <u>8,922</u> | <u>5,729</u> |

Annual interest rate ranges applicable to components of cash and cash equivalents:

| | | |
|------------------------|-------|-------|
| Bank - current account | 5.50% | 2.25% |
|------------------------|-------|-------|

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

11 Receivables from exchange transactions



Trade and other receivables from exchange transactions are initially recognised at fair value. Debts which are known to be uncollectable are written off by reducing the carrying amount directly.

The expected credit loss provision for receivables was calculated using the PBE IPSAS 41 model, which is based on forward-looking information, as well as current and historic information. The Trust has applied the simplified approach to all receivables which requires the recognition of lifetime expected credit losses at all times.

| | 2023 (\$000) | 2022 (\$000) |
|---|-----------------|-----------------|
| Trade receivables | 400 | 299 |
| Other receivables | 608 | 1,346 |
| Total receivables from exchange transactions | 1,008 | 1,645 |

12 Work in progress



Work in Progress (WIP) or self constructed assets include:

- Costs of materials and direct labour;
- Costs directly attributable to bringing the assets to a working condition for their intended use; and
- When the Trust has an obligation to remove the asset or restore the site, an estimate of the costs of removing the items and restoring the site on which they are located.

WIP is initially recognised at cost, subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the WIP to its present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale. WIP is not subject to depreciation.

A primary objective of the Trust is to increase community housing in Christchurch which involves the development of new units on land transferred to the Trust. During the 2023 financial year one development was completed, with another development in the final stages of completion at year-end.

| | 2023 (\$000) | 2022 (\$000) |
|--|-----------------|-----------------|
| Opening balance | 2,245 | 4,907 |
| Plus in progress development work completed | 16,404 | 12,299 |
| Less completed developments transferred to property, plant and equipment | (5,952) | (14,961) |
| Closing balance | 12,697 | 2,245 |

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

13 Property, plant and equipment



i. Recognition and measurement

Items of property, plant and equipment are initially measured at cost which includes expenditure directly attributable to the acquisition of the asset, except those assets acquired through non-exchange transactions which are instead measured at fair value as their deemed cost at initial recognition. After initial recognition assets are measured on the following basis:

- Cost model: cost less accumulated depreciation and impairment (all property and equipment except land and buildings);
- Revaluation model: fair value less accumulated depreciation and accumulated impairment losses recognised after the date of the most recent revaluation (land and buildings).

Valuations are performed with sufficient frequency to ensure that the fair value of a revalued asset does not differ materially from its carrying amount.

Gains and losses on revaluation are recognised in other comprehensive revenue and expense and presented in the revaluation reserve within equity. Gains or losses relating to individual items are offset against those from other items in the same class of property, plant and equipment; however gains or losses between classes of property, plant and equipment are not offset. Any revaluation losses in excess of credit balance of the revaluation surplus for that class of property, plant and equipment are recognised in surplus or loss as impairment.

When an item of property, plant and equipment is revalued, the carrying amount of that asset is individually adjusted. Revaluation gains are first applied against accumulated depreciation and impairment, with any residual gain applied to the cost of the asset. Any reduction in asset value on revaluation is applied to accumulated depreciation and impairment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) 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 statement of comprehensive revenue and expense. Upon disposal of revalued items of property, plant and equipment, any associated gain or losses on revaluation to that item are transferred from the revaluation surplus to accumulated surplus.

ii. Subsequent expenditure

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Trust. All other repairs and maintenance are recognised as expenses in surplus or deficit in the financial period in which they are incurred.

All property (land and buildings) is subject to revaluation annually to determine market movement in the fair value, with any material movement in the market value recognised in the revaluation reserve.

iii. Depreciation

For plant and equipment, depreciation is based on the cost of an asset less its residual value. For buildings, depreciation is based on the revalued amount less its residual value. Significant components of individual assets that have a useful life that is different from the remainder of those assets, are depreciated separately.

Depreciation is recognised in the statement of comprehensive revenue and expense on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Land and assets under construction are not depreciated.

Ōtautahi Community Housing Trust
Notes to the financial statements

For the year ended 30 June 2023

13 Property, plant and equipment (continued)

The estimated straight-line depreciation rates are:

| | |
|------------------------|-------------|
| Land | 0% |
| Buildings | 1.1 - 7.7% |
| Leasehold improvements | 7% - 13.50% |
| Plant and equipment | 6% - 67 % |
| Motor vehicles | 21% |

Depreciation methods, useful lives and residual values are reviewed at reporting date and adjusted if appropriate.

| | Land and buildings | Plant and equipment | Motor vehicles | Total |
|--|-------------------------------|--------------------------------|---------------------------|----------------|
| | (\$000) | (\$000) | (\$000) | (\$000) |
| Cost or valuation | | | | |
| Balance at 1 July 2022 | 140,508 | 903 | 301 | 141,712 |
| Additions (exchange) | 67 | 64 | 13 | 144 |
| Developments transferred from WIP (note 12) | 5,952 | - | - | 5,952 |
| Revaluation loss | (7,040) | - | - | (7,040) |
| Disposals | (4,639) | (5) | (10) | (4,654) |
| Balance at 30 June 2023 | 134,848 | 962 | 304 | 136,114 |
| Accumulated depreciation and impairment | | | | |
| Balance at 1 July 2022 | (4,769) | (409) | (160) | (5,338) |
| Depreciation | (1,934) | (71) | (37) | (2,042) |
| Net reversal of depreciation on revaluation | 6,087 | - | - | 6,087 |
| Impairment | (397) | - | - | (397) |
| Disposals | 616 | 2 | 10 | 628 |
| Balance at 30 June 2023 | (397) | (478) | (187) | (1,062) |
| Net book value | | | | |
| As at 30 June 2022 | 135,739 | 494 | 141 | 136,374 |
| As at 30 June 2023 | 134,451 | 484 | 117 | 135,052 |

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

13 Property, plant and equipment (continued)

- e i. Property was revalued as at June 2023 by an independent registered valuer and these revaluations have been reflected in the fixed asset register. The approach used to value the properties was the Sales Comparison Approach. This method includes such factors as date of sale, location, standard of accommodation, discernible differences valuation analyses comparable sales after making allowances between the properties and other pertinent factors to assist the assessment of market value. The 2023 year saw a net revaluation gain of \$0.5 million which comprises a revaluation loss of \$5.2 million and a reversal of depreciation of \$5.7 million. The revaluation loss of \$7 million disclosed above consists of \$5.2 million of revaluation loss and \$1.8 million of revaluation loss upon disposal and other adjustments. The other comprehensive revenue of (\$1 million) disclosed in the consolidated statement of other comprehensive revenue and expenses comprises \$7 million of revaluation loss and \$6 million of net reversal of depreciation on revaluation.
- ii. Included in land and buildings is \$50.1 million of land (2022: \$47.4 million).
- iii. Lease property, plant and equipment:
The Trust has entered into finance leases for items of property, plant and equipment. The carrying amount of leased items within the property, plant and equipment includes \$0.03 million of plant and equipment (2022: \$0.04 million).
- iv. The Trust's land and buildings were subject to a 2017 general security agreement that secures assets of the Trust in favour of Christchurch City Council. In the year ended 30 June 2023, the following properties were subject to a first mortgage security by Community Finance Limited: 21 Willard Street, Spreydon; 27 Glovers Road, Halswell; 1-47 Mabel Howard Place, Avonside.

14 Intangible assets

Recognition and measurement

Intangible assets are initially measured at cost. All of the Trust's intangible assets are subsequently measured in accordance with the cost model, being cost less accumulated amortisation and impairment. The amortisation method used is straight-line.

The Trust's intangible assets comprise of the finance software. The useful life of these intangible assets is five years and they are amortised accordingly.

The Trust has no intangible assets with indefinite useful lives.


| | Software |
|--|-----------------|
| | (\$000) |
| Cost or valuation | |
| Balance at 1 July 2022 | 150 |
| Balance at 30 June 2023 | 150 |
| Accumulated amortisation and impairment | |
| Balance at 1 July 2022 | (133) |
| Amortisation | (5) |
| Balance at 30 June 2023 | (138) |
| Net book value | |
| As at 30 June 2022 | 17 |
| As at 30 June 2023 | <u>12</u> |

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

15 Investment property


 Investment property is property held to earn rental income or for capital appreciation or for both, but are not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment property is initially measured at cost, except those acquired through non-exchange transactions which are instead measured at fair value as their deemed cost at initial recognition. Cost includes expenditure that is directly attributable to the acquisition of the investment property. Investment property is subsequently measured under the fair value model with fair value measured annually at balance date. Fair value is based on an independent market valuation. (Losses)/gains on re-measurement are recognised in profit and loss in the period to which they relate.

| | 2023 (\$000) | 2022 (\$000) |
|--------------------------|-----------------|-----------------|
| Cost or valuation | | |
| Opening balance | 5,326 | 3,565 |
| Revaluation (loss)/gain | (543) | 1,761 |
| Closing balance | 4,783 | 5,326 |

e Investment property was valued as at 30 June 2023 by an independent registered valuer. The approach used to value the property was the Sales Comparison Approach. This method of valuation analyses comparable sales after making allowances for such factors as date of sale, location, standard of accommodation, discernible differences between the properties and other pertinent factors to assist the assessment of market value.

16 Payables from exchange transactions

 Trade and other payables are recognised at face value as they are generally settled within 30 days, and are measured at amortised cost.

| | 2023 (\$000) | 2022 (\$000) |
|--|-----------------|-----------------|
| Trade and other payables | 2,539 | 2,701 |
| Total accounts payable | 2,539 | 2,701 |
| Other payables and accruals | | |
| Accrued expenses | 594 | 493 |
| Lease accrual | 4,663 | 4,709 |
| Retentions | 183 | 118 |
| Maintenance accrual | 43 | 47 |
| Total other payables and accruals | 5,483 | 5,367 |
| Total payables from exchange transactions | 8,022 | 8,068 |

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

17 Employee benefit liability

i. Short-term employee benefits

Short-term employee benefit liabilities are recognised when the Trust has a legal or constructive obligation to remunerate employees for services provided and that are expected to be settled within twelve months of the reporting date. Short-term measured on an undiscounted basis and expensed in the period in which employment services are provided.

| | 2023 (\$000) | 2022 (\$000) |
|---|-----------------|-----------------|
| Short-term employee benefits | 226 | 339 |
| Total employee benefit liability | 226 | 339 |

18 Related parties

The Trust was established by Christchurch City Council (Council) in 2016 to manage the Council's social housing portfolio. The Council's Housing Accord commitments required it to capitalise the Trust with \$50 million of assets (land and buildings). The Council resolved that the \$50 million would comprise \$5 million of gift and \$45 million as an interest free loan only to be repaid to Council in the event of the Trust winding up. As at the end of the 2023 financial year the \$45 million loan has been recognised as a concessionary loan with \$14.5 million (2022: \$13.8 million) treated as debt. (note 20)

Christchurch City Council retains ownership of the balance of its community housing portfolio and leases these assets to the Trust. Under PBE IPSAS accounting standards the Trust is consolidated into the Council for financial reporting purposes.

Transactions with the Council are as follows:

Sale of goods and services

During the period the Trust sold goods and services relating to maintenance totalling \$0.02 million (2022: \$0.1 million). These were sold on normal trade terms and conditions. There were no amounts written off or impaired during the period (2022: nil).

Purchase of goods and services

During the period the Trust purchased goods and services primarily related to the Council property portfolio lease payments, property rates and consents, totalling \$5.6 million (2022: \$6.2 million). These were purchased on normal trade terms and conditions. At reporting date there is a total of \$4.7 million (2022: \$4.7 million) payable which is included within payables from exchange transactions in note 16.

Receipt of loans

During the period the Trust received loan advances totalling \$0.7 million (2022: \$8.5 million) for the development of community housing. These advances are subject to the Council's Local Government Funding Agency interest rate plus 20 basis points and are therefore concessionary in nature as they are at lesser terms than would be expected in the retail market. At 30 June 2023 there is a total of \$42.2 million (2022: \$41.5 million) prior to fair value adjustments in development loan advances (note 20).

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

18 Related parties (continued)

Council community housing portfolio lease

The Council leases its community housing portfolio to the Trust. The Trust is responsible for tenancy management, rent-setting and property maintenance. Responsibility for major repairs and renewals transferred to the Trust in July 2021. The Trust has a guaranteed right to recover its operational and maintenance costs in relation to the lease and is therefore deemed to be acting as agent on behalf of the Council with the lease cost in expenses being shown net of operational and maintenance expenses. The reconciliation below shows the gross lease payment less the operational and maintenance deductions. The Council lease, operational and maintenance expenses are included in direct expenses, employee benefit expenses, depreciation and other expenses.

| | 2023 (\$000) | 2022 (\$000) |
|-------------------------------------|-----------------|-----------------|
| Lease cost | 18,651 | 18,007 |
| Less operational deductions | (3,218) | (2,669) |
| Less maintenance deductions | (10,705) | (9,991) |
| Total Council lease payments | 4,728 | 5,347 |

Key management personnel

The Trust classifies its key personnel into two classes:

- Members of the Board
- Senior leadership team

Members of the Board are paid a monthly fee while the key management are employees of the Trust on normal employment terms.

| | 2023 | | 2022 | |
|------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
| | Remuneration (\$000) | Number of individuals | Remuneration (\$000) | Number of individuals |
| Members of the Board | 189 | 7-8 Trustees | 156 | 7-8 Trustees |
| Senior leadership team | 973 | 4 - 5 FTE's | 946 | 6 - 7 FTE's |
| | <u>1,162</u> | | <u>1,102</u> | |

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

19 Financial instruments

The classification of the Trust's financial assets and liabilities depends on the purpose for which the assets were acquired or liabilities were incurred. Management determines the classification of its financial assets and liabilities at initial recognition and re-evaluates this designation at every balance date. Financial assets and financial liabilities classed as measured at amortised cost are carried at amortised cost less any impairment.

Financial assets measured at amortised costs include cash and cash equivalents and receivables from exchange transactions.

Financial liabilities measured at amortised cost include payables from exchange transactions, commercial loan, Community Finance loan, concessionary loan, and finance lease payable.

| | 2023 | | 2022 | |
|--|--|---|--|---|
| | Carrying amount (\$) | | Carrying amount (\$) | |
| | Financial assets at amortised cost (\$000) | Financial liabilities at amortised cost (\$000) | Financial assets at amortised cost (\$000) | Financial liabilities at amortised cost (\$000) |
| Cash and cash equivalents | 8,922 | - | 5,729 | - |
| Receivables from exchange transactions | 1,008 | - | 1,645 | - |
| Payables from exchange transactions | - | 8,022 | - | 8,068 |
| Capitalisation loan | - | 14,493 | - | 13,792 |
| Development loan | - | 39,056 | - | 37,845 |
| Community Finance loan | - | 9,212 | - | - |
| Finance leases payable | - | 27 | - | 42 |
| | <u>9,930</u> | <u>70,810</u> | <u>7,374</u> | <u>59,747</u> |

20 Loans received

Concessionary loans

Concessionary loans issued are loans received from third parties at rates and/or terms below market.

Concessionary loan received - day-one fair value difference

Concessionary loans are initially measured at fair value in accordance with the market effective interest rate. Any difference between fair value and the transaction price of the concessionary loan at initial recognition is accounted for on the existence and nature of any stipulations attached to the loan:

- Conditional stipulations: a non-exchange liability is initially and subsequently recognised as non-exchange revenue as and when the 'conditions' are satisfied.
- Restrictive stipulations: immediate recognition of non-exchange revenue.

The trust has received two concessionary loans from the Council, the capitalisation loan and the development loan. The details of these loans are set out below:

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

20 Loans received (continued)

Capitalisation loan

During the 2019 and 2020 financial years, the Trust received a \$45 million concessionary loan from Christchurch City Council at terms and rates that are below market terms that a similar entity would have received commercially. The loan was received to facilitate the transfer of land and buildings from the Council to the Trust as part of the Trust capitalisation.

The loan was received with the following terms:

- Loan principal: \$45 million (2022: \$45 million)
- Contractual interest rate: 0%
- Maturity: October 2046

A reconciliation of the opening and closing carrying amounts of the capitalisation concessionary loan is provided below:

| | 2023 (\$000) | 2022 (\$000) |
|--|-----------------|-----------------|
| Opening balance at 1 July 2022 | 13,792 | 13,123 |
| Notional interest unwind | 701 | 669 |
| Closing balance at 30 June 2023 | 14,493 | 13,792 |
| | | |
| Non-current capitalisation loan | 14,493 | 13,792 |
| | 14,493 | 13,792 |

e In determining the day-one fair value of the concessionary loan, a market effective interest rate of 5.5% was used for the 2019 drawdowns while rates of between 3.90% - 4.71% was used for all 2020 drawdowns to discount principal back to present value. The market interest rate used was the rate that would have been obtained in the market for a loan with identical terms and counter party risk.

Development loan

The Trust has a \$55 million development loan agreement with Christchurch City Council. The interest on the loan is set by reference to the Council's Local Government Funding Agency debt costs plus a 20 basis point margin. The loan is deemed to be a concessionary loan as the interest rate terms are below market for a similar loan with a commercial bank.

The development loan was received with the following terms:

- Loan Facility: \$55.7 million
- Loan principal: \$42.2 million (2022: \$41.5 million)
- Contractual interest rate: Council Local Government Funding Agency rate plus a 20 basis point margin
- Maturity: June 2048

A reconciliation of the opening and closing carrying amounts of the concessionary development loan is provided below:

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

20 Loans received (continued)

Development loan (continued)

| | 2023 | 2022 |
|--|---------------|---------------|
| | (\$000) | (\$000) |
| Opening balance at 1 July 2022 | 37,845 | 33,000 |
| Nominal value of loan received | 690 | 8,500 |
| Notional interest unwind | 550 | 417 |
| Fair value adjustment | (29) | (4,072) |
| Closing balance at 30 June 2023 | 39,056 | 37,845 |
| | | |
| Non-current development loan | 39,056 | 37,845 |
| | 39,056 | 37,845 |

e In the year ended 30 June 2023, \$0.7 million was drawn down from the loan to fund a land transaction with Christchurch City Council, which resulted in a fair value adjustment of \$0.03 million. Included in 2022 loan principal of \$41.5 million; \$39.5 million was fixed into tranches in September 2021 with maturity dates ranging from 2026 to 2032; \$2 million was refinanced until August 2027. In determining the fair value of the concessionary loans on fixing the drawn down amounts during 2022 and 2023, a concessionary loan margin of 1.46% was calculated by benchmarking the interest rates achieved against comparable market rates. The comparable market interest rates used were the rates that would have been obtained in the market for a loan with identical terms and counter party risk.

Community Finance loan

In the year ended 30 June 2023, the Trust entered into a \$14 million loan agreement with Community Finance to fund the construction of 35 units at Willard Street.

The Community Finance loan was received with the following terms:

- Loan facility: \$14 million
- Contractual interest rate: floating interest rate reset every 90 days based on the corresponding Bank Bill Market rate plus a margin
- Maturity: upon practical completion, the outstanding principal will convert to a Post Construction Facility, with a maturity date in December 2027.

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

20 Loans received (continued)

Community Finance loan (continued)

A reconciliation of the opening and closing carrying amounts of the Community Finance development loan is provided below:

| | 2023 (\$000) | 2022 (\$000) |
|--|-----------------|-----------------|
| Opening balance at 1 July 2022 | - | - |
| Loan drawn down | 9,212 | - |
| Closing balance at 30 June 2023 | 9,212 | - |
| | | |
| Non-current Community Finance loan | 9,212 | - |
| | 9,212 | - |

21 Leases

(i) Finance leases

A finance lease is a lease that transfers to the lessee substantially all the risks and rewards incidental to ownership of an asset, whether or not title is eventually transferred. At the commencement of the lease term, finance leases are recognised as assets and liabilities in the statement of financial position at the lower of the fair value of the leased item or the present value of the minimum lease payments. The finance charge is charged to the remaining balance of the liability.

The amount recognised as an asset is depreciated over its useful life. If there is no certainty as to whether the Trust will obtain ownership at the end of the lease term, the asset is fully depreciated over the shorter of the lease term and its useful life.

(ii) Operating leases

Leases that are not finance leases are classified as operating leases. Operating lease assets are not recognised in the Trust's consolidated statement of financial position. Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

(a) Leases as a lessee

The future non-cancellable minimum lease payments of operating leases as lessee at reporting date are detailed in the table below:

| Operating leases | 2023 (\$000) | | 2022 (\$000) | |
|---|-----------------|--------------|-----------------|--------------|
| | Operating lease | Office lease | Operating lease | Office lease |
| Less than one year | 5,376 | 227 | 4,088 | 104 |
| Between one and five years | 21,484 | 952 | 17,886 | 70 |
| Greater than five years | 18,015 | 864 | 24,513 | - |
| Total non-cancellable operating lease payments | 44,875 | 2,043 | 46,487 | 174 |

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

21 Leases (continued)

The Trust has entered into a lease to manage the operable part of the Council's existing community housing stock. The lease commenced on 3 October 2016 with an initial term of five years with five further terms of five years. The first term expired on 3 October 2021. The Trust subsequently exercised its right to renew the lease and during the year extended the right of renewal terms from 5 years to 10 years. The key terms of the revised lease are as follows:

- Current lease term expires on 3 October 2031;
- Three further rights of renewal of 10 years;
- Rent reviews take place on 3 October each year and are indexed to inflation;
- Operating costs in relation to managing the properties are deductible from the lease; and
- Maintenance costs incurred in maintaining the properties are deductible from the lease.

As the Trust has a guaranteed right to recover operational and maintenance costs in relation to the Council lease, these costs have been netted against the minimum operating lease payments noted above. The amounts involved are material to understanding the financial statements and a reconciliation of the operating lease commitment at 30 June 2023 has been included below:

| | 1 Year (\$000) | 1-5 Years (\$000) | 5 Years + (\$000) | Total (\$000) |
|---|-------------------|----------------------|----------------------|------------------|
| Lease cost | 19,529 | 82,477 | 69,549 | 171,555 |
| Less projected operational deductions | (3,398) | (14,101) | (11,676) | (29,175) |
| Less projected maintenance deductions | (10,755) | (46,892) | (39,858) | (97,505) |
| Total non-cancellable operating lease payments | 5,376 | 21,484 | 18,015 | 44,875 |

(b) Leases as a lessor

The Trust leases community housing to tenants as a lessor. Details of the revenue generated from leases are included in note 5.

A portion of Salisbury Street property is recorded as an investment property as per note 15. The property is leased for five years with the lease ending in 2026.

(c) Finance lease

| | 2023 (\$000) | 2022 (\$000) |
|-------------------------------------|-----------------|-----------------|
| Less than one year | 16 | 16 |
| Between one and five years | 11 | 26 |
| Greater than five years | - | - |
| Total finance leases payable | 27 | 42 |

22 Capital commitments

As at 30 June 2023, the Trust had \$2.3 million of capital commitments in relation to a housing development project (2022: \$0.5 million).

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2023

23 Group entities

Basis of consolidation – accounting policy

(i) Controlled entities

Controlled entities are entities controlled by the Group. The Group controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control. The financial statements of the Group's controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Subsequent changes in a controlled entity that do not result in a loss of control are accounted for as transactions with owners of the controlling entity in their capacity as owners, within equity.

The financial statements of the controlled entities are prepared for the same reporting period as the controlling entity, using consistent accounting policies.

(ii) Loss of control of a controlled entity

On the loss of control, the Group derecognises the assets and liabilities of the controlled entity, any non-controlling interest, and the other components of net assets/equity related to the controlled entity. Any surplus or deficit arising on the loss of control is recognised in surplus or deficit.

If the Group retains any interest in the previously controlled entity, then such interest is measured at fair value at the date that control is lost. Subsequently, the retained interest is either accounted for as an equity-accounted associated or an available-for-sale financial asset depending on the level of influence retained.

iii. Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity accounted associates and jointly-controlled-entities are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

| | Country of incorporation | Ownership interest | |
|---|--------------------------|--------------------|------|
| | | 2023 | 2022 |
| | | % | % |
| Ōtautahi Community Housing Development GP LTD | New Zealand | 100 | 100 |
| Ōtautahi Community Housing Development LP | New Zealand | 100 | 100 |

All controlled entities have the same reporting date as the controlling entity.

There are no significant restrictions regarding the transfer of dividends, loan repayments, and other funds from controlled entities.

The entities were established for the purposes of property development and have not traded to date.

24 Events occurring after balance date

Since balance date, the Trust obtained Code of Compliance for Willard Street housing development.