



Ōtautahi Community Housing Trust
CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

Ōtautahi Community Housing Trust

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Ōtautahi Community Housing Trust Directory

As at 30 June 2024

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) - resigned September 2023 Vicki Buck Darren Evans (ARC Chair from September 2023) Sina Cotter Tait Pauline Cotter Jake McLellan Philippa Jones - appointed October 2023 Geoff Walker - appointed October 2023
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 2024

	Note	2024 (\$000)	2023 (\$000)
Revenue			
Revenue from exchange transactions	5	38,108	31,913
Total revenue		38,108	31,913
Expenses			
Direct expenses	6	4,920	4,089
Maintenance undertaken for Christchurch City Council	20	10,750	10,705
Lease to Christchurch City Council	20	5,373	4,728
Employee benefit expenses	7	3,429	3,285
Depreciation	13	2,018	2,042
Amortisation	14	16	5
Other expenses	8	1,636	1,634
Total expenses		28,142	26,488
Operating surplus		9,966	5,425
Impairment loss	13	-	(397)
(Loss)/gain on investment property	15	-	(543)
(Loss)/gain on sale of land and buildings		20	(1,261)
Finance income	9	354	213
Finance expenses	9	(3,136)	(2,381)
Surplus for the year		7,204	1,056
Other comprehensive revenue			
Revaluation of property plant and equipment	13	10,159	(953)
Total comprehensive revenue for the year		17,363	103

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 2024

	Revaluation reserve (\$000)	Retained earnings (\$000)	Total (\$000)
Balance as at 1 July 2022	45,054	47,026	92,080
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>
Surplus for the period	-	7,204	7,204
Other comprehensive revenue	10,159	-	10,159
Total comprehensive revenue for the year	<u>10,159</u>	<u>7,204</u>	<u>17,363</u>
Transactions with owners in their capacity as owners:			
Equity contribution via concessionary loan (Note 20)	-	-	-
Transfer of revaluation on sale of property	-	-	-
Balance as at 30 June 2024	<u>53,431</u>	<u>56,144</u>	<u>109,575</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 2024

	Note	2024 (\$000)	2023 (\$000)
Current assets			
Cash and cash equivalents	10	5,802	8,922
Receivables from exchange transactions	11	1,721	1,008
Prepayments		1,275	1,092
		<u>8,798</u>	<u>11,022</u>
Non-current assets			
Work in progress	12	7,853	12,697
Property, plant and equipment	13	167,630	135,052
Intangible assets	14	132	12
Investment property	15	4,783	4,783
		<u>180,398</u>	<u>152,544</u>
Total assets		<u>189,196</u>	<u>163,566</u>
Current liabilities			
Payables from exchange transactions	16	6,177	8,022
Revenue in advance	17	4,469	318
Employee benefit liability	18	278	226
Provision for proactive maintenance to Christchurch City Council	19	329	-
Finance lease payable	23	11	16
		<u>11,264</u>	<u>8,582</u>
Non-current liabilities			
Capitalisation loan	22	15,228	14,493
Development loan	22	39,651	39,056
Community Finance loan	22	13,478	9,212
Finance lease payable	23	-	11
		<u>68,357</u>	<u>62,772</u>
Total liabilities		<u>79,621</u>	<u>71,354</u>
Net assets		<u>109,575</u>	<u>92,212</u>
Equity			
Retained earnings		56,144	48,940
Revaluation reserve		53,431	43,272
Total equity		<u>109,575</u>	<u>92,212</u>



Board Chair

Date 27 September 2024



ARC Chair

Date 27 September 2024

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 2024

	Note	2024 (\$000)	2023 (\$000)
Cash flows from operating activities			
Cash was provided from:			
Cash receipts from customers		33,442	31,599
Interest received		354	211
Receipt of government grants		3,429	-
Cash was disbursed to:			
Payments to suppliers and employees		(20,688)	(21,560)
Lease paid to Christchurch City Council		(5,916)	(4,773)
Net cash inflow from operating activities		10,621	5,477
Cash flows from investing activities			
Cash was provided from:			
Cash received for future sales of properties		4,961	-
Sale of property held for sale		-	857
Cash was disbursed to:			
Purchase of development work in progress		(20,838)	(10,953)
Purchase of property, plant and equipment		(98)	(144)
Net cash outflow from investing activities		(15,975)	(10,240)
Cash flows from financing activities			
Cash was provided from:			
Proceeds from loans		4,266	9,212
Cash was disbursed to:			
Payment of loan interest		(2,032)	(1,256)
Net cash inflow from financing activities		2,234	7,956
Net increase in cash and cash equivalents held		(3,120)	3,193
Cash and cash equivalents at the beginning of the year		8,922	5,729
Cash and cash equivalents at the end of the year	10	5,802	8,922

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 2024

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 and the Ōtautahi Community Housing Development GP Ltd. Ōtautahi Community Housing Development LP was dissolved during the year. It was non-trading and had \$nil assets.

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 2024 due to its total expenditure being below the \$33 million threshold in the current and prior years.

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 27 September 2024.

(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.

(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 2024 include the following:

Area of estimate or judgement	Note
Valuation of property	13
Valuation of investment property	15
Accounting for concessionary loans	22

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


Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2024

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. Similarly GST has been claimed on the construction costs for properties which are built for onward sale.

(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 20 and note 23 for further details of this lease.

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2024

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

Revenue from exchange transactions	2024 (\$000)	2023 (\$000)
Rent received - Assisted rental	8,821	9,450
Rent received - IRR/IRRS	24,333	21,088
Other income	4,954	1,375
Total revenue from exchange transactions	38,108	31,913

Other income includes \$3.4 million of grants from Ministry of Housing and Urban Development for the construction of affordable rentals.

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.

	2024 (\$000)	2023 (\$000)
Maintenance	2,402	1,818
Property insurance	1,109	962
Property rates	758	747
Other direct expenses	651	562
Total direct expenses	4,920	4,089

7 Employee benefit expenses

	2024 (\$000)	2023 (\$000)
Salary and wages	3,330	3,199
KiwiSaver	99	86
	3,429	3,285

Ōtautahi Community Housing Trust Notes to the financial statements

For the year ended 30 June 2024

8 Other expenses	2024 (\$000)	2023 (\$000)
Consultants fees	370	218
Audit fees	60	59
Governance fees	230	189
Kilmore Street - rent	201	207
Other expenses	775	961
Total other expenses	1,636	1,634

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 all loans to fund developments as well as the notional interest on concessionary loans.

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

	2024 (\$000)	2023 (\$000)
Interest income	354	213
Total finance income	354	213
Interest expense - capitalisation loan notional interest	(735)	(701)
Interest expense - development loan notional interest	(595)	(550)
Interest expense - development loan actual interest	(1,096)	(1,100)
Interest expense - Community Finance loan actual Interest	(710)	(30)
Total finance expenses	(3,136)	(2,381)
Net finance expenses	(2,782)	(2,168)

10 Cash and cash equivalents

	2024 (\$000)	2023 (\$000)
Bank - current account	5,434	8,676
Bank - retentions account	368	246
Total cash and cash equivalents	5,802	8,922

Annual interest rate applicable to components of cash and cash equivalents at year end:

Bank - current account	5.25 - 5.5%	5.50%
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Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2024

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.

	2024 (\$000)	2023 (\$000)
Trade receivables	1,620	400
Other receivables	101	608
Total receivables from exchange transactions	1,721	1,008

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 2024 financial year two developments were completed, with another development in the final stages of completion at year-end.

	2024 (\$000)	2023 (\$000)
Opening balance	12,697	2,245
Plus in progress development work completed	19,537	16,404
Less completed developments transferred to property, plant and equipment	(24,381)	(5,952)
Closing balance	7,853	12,697

Included within work in progress is the construction costs to date of five Secure Homes which are to be sold to parties taking their first step towards full home ownership. Secure Homes are carried at cost until such time as the right to occupy the building is sold under the progressive home ownership scheme administered by the Trust. While practical completion on the first development was obtained prior to balance date, the property titles were received post balance sheet date and no right to occupy had been settled prior to the reporting period and accordingly all units are recorded at cost.

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2024

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.

 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.

Ōtautahi Community Housing Trust
Notes to the financial statements

For the year ended 30 June 2024

13 Property, plant and equipment (continued)

	Land and buildings	Plant and equipment	Motor vehicles	Total
	(\$000)	(\$000)	(\$000)	(\$000)
Cost or valuation				
Balance at 1 July 2023	134,848	962	304	136,114
Additions (exchange)	7	17	74	98
Developments transferred from WIP (note 12)	24,381	-	-	24,381
Revaluation gain	7,858	-	-	7,858
Disposals	-	-	(92)	(92)
Balance at 30 June 2024	167,094	979	286	168,359
Accumulated depreciation and impairment				
Balance at 1 July 2023	(397)	(478)	(187)	(1,062)
Depreciation	(1,904)	(98)	(48)	(2,050)
Net reversal of depreciation on revaluation	2,301	-	-	2,301
Disposals	-	-	82	82
Balance at 30 June 2024	(0)	(576)	(153)	(729)
Net book value				
As at 30 June 2023	134,451	484	117	135,052
As at 30 June 2024	167,094	403	133	167,630

e i. Property was revalued as at June 2024 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 2024 year saw a total revaluation gain of \$10.16 million which comprises a revaluation gain of \$7.86 million and a reversal of depreciation of \$2.30 million. The total revaluation gain of \$10.16 million, is disclosed as other comprehensive revenue.

ii. Included in land and buildings is \$55.2 million of land (2023: \$50.1 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 \$0.01 million of plant and equipment (2023: \$0.03 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. As at the 30 June 2024, 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.

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2024

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 2023	150
Additions	136
Balance at 30 June 2024	286
Accumulated amortisation and impairment	
Balance at 1 July 2023	(138)
Amortisation	(16)
Balance at 30 June 2024	(154)
Net book value	
As at 30 June 2023	12
As at 30 June 2024	132

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.

	2024	2023
	(\$000)	(\$000)
Cost or valuation		
Opening balance	4,783	5,326
Revaluation (loss)/gain	-	(543)
Closing balance	4,783	4,783


e Investment property was valued as at 30 June 2024 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.

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2024

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.

	2024 (\$000)	2023 (\$000)
Trade and other payables	982	2,539
Total accounts payable	982	2,539
Other payables and accruals		
Accrued expenses	524	594
Lease accrual	4,119	4,663
Retentions	220	183
Maintenance accrual	332	43
Total other payables and accruals	5,195	5,483
Total payables from exchange transactions	6,177	8,022

17 Revenue in advance

	2024 (\$000)	2023 (\$000)
Rental income received in advance	335	318
Payments received in advance of sale of property	4,133	-
	4,469	318

18 Employee benefit liability

i. Short-term employee liabilities

Short-term employee liabilities relate to annual leave entitlements and PAYE taxes due and are expected to be settled within twelve months of the reporting date. Short-term employee liabilities are measured on an undiscounted basis and expensed in the period in which employment services are provided.

	2024 (\$000)	2023 (\$000)
Short-term employee liabilities	278	226
Total employee liabilities	278	226

19 Provisions

At the inception of each financial year the Trust agrees a maintenance budget with the Christchurch City Council to maintain the housing portfolio. During the 2024 financial year the Trust underspent the maintenance budget by \$329k. This underspend has been moved to a provision to be expended in the 2025 financial year on proactive maintenance.

	2024 (\$000)	2023 (\$000)
Proactive maintenance provision	329	-
	329	-

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2024

20 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 2024 financial year the \$45 million loan has been recognised as a concessionary loan with \$15.2 million (2023: \$14.5 million) treated as debt. (note 21)

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 only.

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 \$nil (2023: \$nil). There were no amounts written off or impaired during the period (2023: 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 \$6.4 million (2023: \$5.6 million). These were purchased on normal trade terms and conditions. At reporting date there is a total of \$4.1 million (2023: \$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 \$nil (2023: \$0.7 million) for the development of community housing and refinanced \$2.7 million of maturing bonds. 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 2024 there is a total of \$42.2 million (2023: \$42.2 million) prior to fair value adjustments in development loan advances (note 21).

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. As per the Deed of Lease, the Trust recovers 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.

	2024	2023
	(\$000)	(\$000)
Lease cost	19,574	18,651
Less operational deductions	(3,451)	(3,218)
Less maintenance deductions	(10,750)	(10,705)
Total Council lease payments	5,373	4,728

Ōtautahi Community Housing Trust Notes to the financial statements

For the year ended 30 June 2024

20 Related parties (continued)

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.

Three trustees are appointed by Christchurch City Council.

	2024		2023	
	Remuneration (\$000)	Number of individuals	Remuneration (\$000)	Number of individuals
Members of the Board	230	8 - 9 Trustees & 1 Internship	189	7 - 8 Trustees
Senior leadership team	863	4 - 5 FTEs	973	4 - 5 FTEs
	<u>1,093</u>		<u>1,162</u>	

21 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, development loan, Community Finance loan, concessionary loan, and finance lease payable.

	2024		2023	
	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	5,802	-	8,922	-
Receivables from exchange transactions	1,721	-	1,008	-
Payables from exchange transactions	-	6,177	-	8,022
Capitalisation loan	-	15,228	-	14,493
Development loan	-	39,651	-	39,056
Community Finance loan	-	13,478	-	9,212
Finance leases payable	-	11	-	27
	<u>7,523</u>	<u>74,545</u>	<u>9,930</u>	<u>70,810</u>

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2024

22 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:

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 (2023: \$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:

	2024 (\$000)	2023 (\$000)
Opening balance at 1 July 2023	14,493	13,792
Notional interest unwind	735	701
Closing balance at 30 June 2024	15,228	14,493
Non-current capitalisation loan	15,228	14,493

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 (2023: \$42.2 million)
- Contractual interest rate: Council Local Government Funding Agency rate plus a 20 basis point margin
- Maturity: June 2048
- The first repayment of \$3 million is scheduled for 2026

Ōtautahi Community Housing Trust Notes to the financial statements

For the year ended 30 June 2024

22 Loans received (continued)

Development loan (continued)

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

	2024 (\$000)	2023 (\$000)
Opening balance at 1 July 2023	39,056	37,845
Nominal value of loan received	-	690
Notional interest unwind	595	550
Fair value adjustment	-	(29)
Closing balance at 30 June 2024	39,651	39,056
Non-current development loan	39,651	39,056

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 2024 loan principal of \$42.2 million; \$39.5 million was fixed into tranches in September 2021 with maturity dates ranging from 2026 to 2032; \$2.7 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: following practical completion, the outstanding principal converted to a Post Construction Facility, with a maturity date in December 2027.

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

	2024 (\$000)	2023 (\$000)
Opening balance at 1 July 2023	9,212	-
Loan drawn down	4,266	9,212
Closing balance at 30 June 2024	13,478	9,212
Non-current Community Finance loan	13,478	9,212

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2024

23 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	2024		2023	
	(\$000)		(\$000)	
	Operating lease	Office lease	Operating lease	Office lease
Less than one year	6,203	231	5,376	227
Between one and five years	23,724	979	21,484	952
Greater than five years	12,451	607	18,015	864
Total non-cancellable operating lease payments	42,378	1,817	44,875	2,043

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 2024 has been included below:

	1 Year	1-5 Years	5 Years +	Total
	(\$000)	(\$000)	(\$000)	(\$000)
Lease cost	20,311	83,075	48,774	152,160
Less projected operational deductions	(3,507)	(14,028)	(8,203)	(25,738)
Less projected maintenance deductions	(10,601)	(45,323)	(28,120)	(84,044)
Total non-cancellable operating lease payments	6,203	23,724	12,451	42,378

Ōtautahi Community Housing Trust

Notes to the financial statements

For the year ended 30 June 2024

23 Leases (continued)

(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

	2024 (\$000)	2023 (\$000)
Less than one year	11	16
Between one and five years	-	11
Greater than five years	-	-
Total finance leases payable	11	27

24 Capital commitments

As at 30 June 2024, the Trust had \$209k of capital commitments in relation to a housing development project (2023: \$2.3 million).

25 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.

Ōtautahi Community Housing Trust Notes to the financial statements

For the year ended 30 June 2024

25 Group entities (continued)

	Country of incorporation	Ownership interest	
		2024 %	2023 %
Ōtautahi Community Housing Development GP LTD	New Zealand	100	100
Ōtautahi Community Housing Development LP	New Zealand	Dissolved	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.

26 Events occurring after balance date

Since balance date, on 24 July 2024 the Trust transferred the titles of 10 units for the Carey Street development to Paenga Kupenga and on 7 August 2024 the Hills Road development received practical completion.

INDEPENDENT AUDITOR'S REPORT

TO THE READERS OF OTAUTAHU COMMUNITY HOUSING TRUST'S CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2024

The Auditor-General is the auditor of Otautahi Community Housing Trust (the Trust). The Auditor-General has appointed me, Michael Rondel, using the staff and resources of BDO Christchurch Audit Limited, to carry out the audit of the consolidated financial statements of the Trust on his behalf.

Opinion

We have audited the consolidated financial statements of the Trust on pages 2 to 21, that comprise the consolidated statement of financial position as at 30 June 2024, the consolidated statement of comprehensive revenue and expenses, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, and the notes to the consolidated financial statements that include accounting policies and other explanatory information.

In our opinion, the consolidated financial statements of the Trust:

- present fairly, in all material respects:
 - its consolidated financial position as at 30 June 2024; and
 - its consolidated financial performance and cash flows for the year then ended; and
- comply with generally accepted accounting practice in New Zealand in accordance with Public Benefit Entity Standards with disclosure concessions.

Our audit was completed on 27 September 2024. This is the date at which our opinion is expressed.

The basis for our opinion is explained below. In addition, we outline the responsibilities of the Trustees and our responsibilities relating to the consolidated financial statements, and we explain our independence.

Basis for opinion

We carried out our audit in accordance with the Auditor-General's Auditing Standards, which incorporate the Professional and Ethical Standards and the International Standards on Auditing (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board. Our responsibilities under those standards are further described in the Responsibilities of the auditor section of our report.

We have fulfilled our responsibilities in accordance with the Auditor-General's Auditing Standards.

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

Responsibilities of the Trustees for the consolidated financial statements

The Trustees are responsible on behalf of the Trust for preparing consolidated financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Trustees are responsible for such internal control as they determine is necessary to enable them to prepare consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Trustees are responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Trustees are also responsible for disclosing, as applicable, matters relating to going concern and using the going concern basis of

accounting, unless the Trustees intend to wind up the Trust or to cease operations, or have no realistic alternative but to do so.

The Trustees' responsibilities arise from clause 18.1 of the Trust Deed of the Trust.

Responsibilities of the auditor for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit carried out in accordance with the Auditor-General's Auditing Standards will always detect a material misstatement when it exists. Misstatements are differences or omissions of amounts or disclosures, and can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of readers taken on the basis of these consolidated financial statements.

We did not evaluate the security and controls over the electronic publication of the consolidated financial statements.

As part of an audit in accordance with the Auditor-General's Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. Also:

- We identify and assess the risk of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- We obtain an understanding of internal control relevant to the audit 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 Trust's internal control.
- We evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements, or if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Trust to cease to continue as a going concern.
- We evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Our responsibilities arise from the Public Audit Act 2001.

Independence

We are independent of the Trust in accordance with the independence requirements of the Auditor-General's Auditing Standards, which incorporate the independence requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board.

Other than in our capacity as auditor, we have no relationship with, or interests in, the Trust.

BDO Christchurch Audit Limited

Michael Rondel
BDO Christchurch Audit Limited
On behalf of the Auditor-General
Christchurch, New Zealand