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MANAWATŪ COMMUNITY TRUST

ANNUAL REPORT

For the year ended 30 June 2022



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Chairman's Report

Manawatū Community Trust For the year ended 30 June 2022

On behalf of the Trustees of the Manawatū Community Trust I am pleased to present our Annual Report for the year ending 30 June 2022.

It is important to again note the contribution of Tony Murphy who unfortunately passed away in the last year of his second term as a Trustee. In true Tony-style, he kept on giving his time and expertise to the Trust despite his failing health, at times contributing even when it was obvious he was not comfortable. Tony's commercial expertise was more than balanced by his social heart, a valuable mix for a Trust like ours. You remained missed by us all Tony.

While the reduced number of lockdowns due to COVID made our operations a little easier as the year progressed, a number of other challenges popped up. Seven of our tenants had to be evacuated from their homes at the Elizabeth flats on Queen Street, and luckily Mayor Worboys, the Council and Ministry of Social Development all rallied around to help organise alternative accommodation for those that needed it. Shortages of building supplies made refurbishment a tricky process.

Refurbishment of the Clevely Wing achieved practical completion on 14 June, with the local Colspec Construction team navigating all the uncertainties that the building sector faced over the year. This was a very important project for our community given the increasing demand for health services in our District. One of our Trustees, Liam Greer, successfully chaired the project governance group throughout the build, ensuring that the Trust, Feilding Health Care, and Colspec Construction were all on top of progress. While the inevitable variations popped up, these were within the contingency amounts that the Trust had allowed for.



Our team has also made a strong start to the capital works to meet compliance with the Healthy Homes requirements. Heatpumps were installed at Elizabeth, Rangimarie, Rawhiti, Shelton and Tate blocks, and an additional 19 units also had them installed over the year. 128 of our flats now have rangehoods installed and 151 have bathroom vents. This puts us ahead of our original timelines for this work, meaning we should be completed before the legislatively required date in 2024.

We have also started implementing our asset maintenance star ratings, allowing us to start planning major maintenance work according to specific building elements at particular blocks. For example, we are now able to identify roofing upgrades well ahead of time and understand how to prioritise this against bathroom and other interior refreshing. This means our old notion of a flat refurbishment as a measure of improvement needs to change. We do however recognise the need to balance the asset focus with the desire of our tenants to have their flats refreshed – while a lick of paint on the internal walls may not make difference at an overall asset perspective, it does from a tenant perspective.

The Trust's second manager Kevin Petersen retired toward the end of year, ending nearly four years of hard work with the Trust. Kevin built a strong team and put a number of new processes in place during his time which will hold us in good stead for the future. We were also grateful for Kevin's flexibility in staying on a little longer than he had probably hoped, allowing a smooth transition to our newly appointed General Manager Teresa Hague. Teresa joins us from a strong management background in the health sector, and even after only a few months has shown how this will be valuable experience in terms of the challenges the Trust must navigate in coming years.

There have also been two other appointments worth noting during the year. Nigel Hartley joined us in April as our new Maintenance Services Officer, helping us to respond to the maintenance issues that arise but also to complete some proactive work where we can. Council also appointed Allan Davey as a new Trustee with a three-year term. Allan is a quantity surveyor and project manager by profession, and also has significant community ties through his work with the Salvation Army and Cactus programme in Feilding.

Financially the Trust remains in good health. We have been able to maintain our surplus despite the difficulties of recent times, and revaluations mean that our asset base is now over \$35 million. Borrowing is still modest as a percentage of total assets, and thanks to Council passing on its favourable interest rates our debt remains affordable. However, this will continue to be tested as we need to purchase more land and construct more units to achieve our goal of 250 units by 2030.


Tyson Schmidt
Chairman


Date: 21/2/23

Entity Information

Manawatū Community Trust For the year ended 30 June 2022

Legal Name

The Manawatū Community Trust (the Trust)

Entity Type and Legal Basis

The Trust is incorporated in New Zealand under the Charitable Trusts Act 1957. The Trust is controlled by The Manawatū District Council as a council-controlled organisation as defined in section 6 of the Local Government Act 2002.

The Trust's Purpose or Mission

The primary objective of the Trust is to promote and provide housing, health and wellbeing services that are relevant and meet the long term needs of the community.

Structure of the Trust's Operations, Including Governance Arrangements

The Trust comprises a Board of five Trustees who oversee the governance of the Trust, a Trust Manager/General Manager, Kevin Petersen (appointed 31 July 2018, resigned 25 May 2022), replaced by Teresa Hague (appointed 16 May 2022), who is responsible for the day to day management of the Trusts business and all reporting requirements of the Trust which includes reporting to the Trust Board. The Trust also employs four other people with particular responsibilities for housing, accounts and office administration. The Trustees are appointed by Manawatu District Council for a three year term. The Trust produces an Annual Statement of Intent which is approved by the Manawatu District Council, the Trust reports to Manawatu District Council on a 6 monthly basis.

Main Sources of the Trust's Cash and Resources

Rental and lease receipts received from tenants of the residential and commercial properties are the primary sources of funding to the Trust.

Trustees

Allan Davey (appointed 6/05/2022)
Anthony Murphy (resigned 30/11/2021)
Joanne Shortall
Liam Greer
Tracey Hunt
Tyson Schmidt

Auditors

Audit New Zealand - 31 Amesbury Street, Palmerston North

Bankers

ANZ Bank New Zealand Limited – Commercial Banking PO Box 92210, Auckland 1142

Attorneys

John W Key Barristers -Solicitors - Law House 71 Kimbolton Road, Feilding

Statement of Comprehensive Revenue and Expenses

Manawatū Community Trust
For the year ended 30 June 2022

	NOTES	2022	2021
Revenue			
Residential Rents Received		1,633,291	1,508,852
Commercial Lease Receipts		705,234	674,829
Interest Revenue		1,907	1,384
Grants and Donations	1	20,000	1,500
Gain on Disposal of Fixed Assets		-	130
Other Revenue		21,868	27,343
Total Revenue		2,382,300	2,214,039
Expenses			
Employee Benefit Expenses	2	273,959	195,224
Costs Related to Providing Goods or Services	3	807,345	784,496
Depreciation of Property, Plant and Equipment	6	811,498	444,606
Trustees Fees	15	97,183	132,749
Interest on Borrowing		142,757	140,204
Total Expenses		2,132,742	1,697,279
Surplus/(Deficit) for the Year		249,558	516,760

The accompanying notes and policies form part of these financial statements.

Statement of Financial Position

Manawatū Community Trust

As at 30 June 2022

	NOTES	30 JUN 2022	30 JUN 2021
Assets			
Current Assets			
Bank Accounts and Cash	4	-	833,001
Debtors and Prepayments	5	228,620	166,366
GST Receivable		24,111	-
Total Current Assets		252,731	999,367
Non-Current Assets			
Debtors and Prepayments	5	11,752	11,752
Property, Plant and Equipment	6	39,858,800	33,212,191
Intangibles	7	5,949	10,172
Total Non-Current Assets		39,876,501	33,234,115
Total Assets		40,129,232	34,233,482
Liabilities			
Current Liabilities			
Bank Accounts and Cash	4	42,329	-
Creditors and Accrued Expenses	8	424,363	191,254
GST Payable		-	5,765
Current Portion Loan from MDC	9	339,484	333,793
Current Portion Loan from ANZ	9	216,000	158,917
Current Portion of Lease Payable		4,466	35,979
14 Bowen Street Deferred payment	10	-	90,000
Employee Costs Payable	11	48,409	38,956
Other Current Liabilities		-	-
Total Current Liabilities		1,075,051	854,664
Non-Current Liabilities			
Loan from MDC	9	4,051,885	2,932,413
Loan from ANZ	9	1,226,000	1,499,083
Lease Payable		119,195	107,437
14 Bowen Street Deferred payment	10	90,000	90,000
Total Non-Current Liabilities		5,487,080	4,628,933
Total Liabilities		6,562,131	5,483,597
Total Assets less Total Liabilities (Net Assets)		33,567,101	28,749,886
Accumulated Funds			
Capital Contributed by Owners or Members	12	10	10
Accumulated Surpluses or (Deficits)	12	14,513,145	14,263,587
Asset Revaluation Reserve	12	19,053,946	14,486,289
Total Accumulated Funds		33,567,101	28,749,886

The accompanying notes and policies form part of these financial statements.

These financial statements have been approved and authorised for issue by:



Chairman
Christina
21/2/23



Trustee

Date

The accompanying notes and policies form part of these financial statements.



Statement of Cash Flows

Manawatū Community Trust For the year ended 30 June 2022

	2022	2021
Cash flows from operating activities		
Receipts from residential rents	1,619,720	1,508,852
Receipts from commercial lease	715,442	678,028
Interest receipts	1,907	1,384
Donations, fundraising and other similar receipts	41,868	28,974
Net GST movement	2,297	12,469
Payments to suppliers and employees	(1,214,378)	(1,090,994)
Interest paid	(129,505)	(128,132)
Net cash from operating activities	1,037,351	1,010,581
	2022	2021
Cash flows from investing activities		
Receipts from sale of property, plant and equipment	1,154	-
Receipts from maturing investments	-	-
Payments to acquire property, plant and equipment	(2,803,243)	(573,295)
Payments of investments	-	-
Net cash from investing activities	(2,802,089)	(573,295)
	2022	2021
Cash flows from financing activities		
Proceeds from loans	1,400,000	-
Repayments of loans	(510,592)	(484,134)
Net cash from financing activities	889,408	(484,134)
	2022	2021
Cash and cash equivalents		
Net (decrease)/increase in cash for the year	(875,330)	(46,847)
Add opening bank accounts and cash	833,001	879,848
Closing bank accounts and cash	(42,329)	833,001

The accompanying notes and policies form part of these financial statements.

Statement of Accounting Policies

Manawatū Community Trust For the year ended 30 June 2022

Basis of Preparation

The Trust has elected to apply PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) on the basis that the Trust does not have public accountability (as defined) and has total annual expenses of less than \$2million in the two years prior to 30 June 2022.

All transactions in the financial statements are reported using the accrual basis of accounting.

The financial statements are prepared on the assumption that the Trust will continue to operate in the foreseeable future.

Goods and Services Tax (GST)

The Trust is registered for GST. All amounts in the financial statements are recorded exclusive of GST, except for debtors and creditors, which are stated inclusive of GST. The Trust also carries out transactions which fall under exempt supplies legislation for GST purposes and therefore are not applicable for GST and are recorded gross in the financial statements.

Summary of Significant Accounting Policies

Revenue

Rental/Lease Income

Rental revenue is recognised as revenue on a straight-line basis over the term of the agreement.

Grants

Council, government, and non-government grants are recognised as revenue when the funding is received unless there is an obligation to return the funds if conditions of the grant are not met (“use or return condition”). If there is such an obligation, the grant is initially recorded as a liability and recognised as revenue when conditions of the grant are satisfied.

Sale of goods

Revenue from the sale of goods is recognised when the goods are sold to the customer.

Sale of services

Revenue from the sale of services is recognised by reference to the stage of completion of the services delivered at balance date as a percentage of the total services to be provided.

Donated assets

Revenue from donated assets is recognised upon receipt of the asset if the asset has a useful life of 12 months or more, and the value of the asset is readily obtainable and significant.

Interest

Interest revenue is recorded as it is earned during the year.

Employee Related Costs

Wages, salaries, and annual leave are recorded as an expense as staff provide services and become entitled to wages, salaries, and leave entitlements

Superannuation contributions are recorded as an expense as staff provide services.

Advertising, Marketing, Administration, Overhead, and Fundraising Costs

These are expensed when the related service has been received.

Lease Expense

Lease payments are recognised as an expense on a straight-line basis over the lease term.

Bank Accounts and Cash

Bank accounts and cash comprise cash on hand, cheque or savings accounts, and deposits held at call with banks.

Debtors

Debtors are initially recorded at the amount owed. When it is likely the amount owed (or some portion) will not be collected, a provision for impairment is recognised and the loss is recorded as a bad debt expense.

Property, Plant and Equipment

Property, plant and equipment consist of rental accommodation available for the elderly and disabled and property leased out and operated as an integrated health centre in Feilding. This has been classified as property plant and equipment rather than investment property as it is held to meet service delivery objectives rather than to earn rentals or for capital appreciation.

Land is measured at fair value, and buildings are measured at fair value less accumulated depreciation. All other asset classes are measured at cost less accumulated depreciation and impairment losses.

Revaluation

Operation Land and buildings are revalued with sufficient regularity to ensure that their carrying amount does not differ materially from the assets' fair value and at least every three years.

The carrying values of revalued assets are assessed annually to ensure that they do not differ materially from the assets' fair values. If there is a material difference, then an off-cycle asset valuation is undertaken.

Revaluations of property, plant, and equipment are accounted for on a class-of-asset basis.

The net revaluation results of revaluing are credited or debited to the asset revaluation reserve in equity. Where this would result in a debit balance in the asset revaluation reserve, this balance is recognised in the Statement of Comprehensive Revenue and Expenses. Any subsequent increase on revaluation that reverses a previous decrease in value recognised in the Statement of Comprehensive Revenue and Expenses will be first recognised in the Statement of Comprehensive Revenue and Expenses up to the amount previously expensed, and then recognised in equity.

Additions

The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that the asset will provide future economic benefits or service potential to the Trust and the cost of the item can be measured reliably.

Work in progress is recognised at cost less impairment and is not depreciated.

In most instances, an item of property, plant and equipment is recognised at its cost. Where an asset is acquired at no cost, or for a nominal cost, it is recognised at fair value as at the date of acquisition.

Disposals

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount of the asset. Gains and losses on disposals are included in the Statement of Financial Performance. When revalued assets are sold, the amounts included in asset revaluation reserves in respect of those assets are transferred to retained earnings.

Subsequent costs

Costs incurred subsequent to initial acquisition are capitalised only when it is probable that future economic benefits or service potential associated with the item will flow to the Trust and the cost of the item can be measured reliably.

The costs of day-to-day servicing of property, plant and equipment are recognised in the Statement of Financial Performance.

Depreciation

Depreciation is provided on a straight-line basis on all property, plant and equipment other than land (which is not depreciated), at rates that will write off the cost (or valuation) of the assets over their useful lives. The residual value and useful life of an asset is reviewed and adjusted, if applicable, at each financial year end.

The useful lives and associated depreciation rates of major classes of assets have been estimated as follows:

Buildings	25 - 80 years	1.25% - 4%
Motor Vehicles	5 years	20%
Plant and Equipment	3 - 10 years	10% - 33%

Impairment of Assets

Property, plant, and equipment assets subsequently measured at cost that have a finite useful life are reviewed for impairment whenever events or changes in circumstances indicated that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

If an asset's carrying amount exceeds its recoverable amount, the asset is regarded as impaired and the carrying amount is written-down to the recoverable amount. The total impairment loss is recognised in the Statement of Financial Performance. The reversal of an impairment loss is recognised in the Statement of Financial Performance.

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 (or fair value for items acquired through non-exchange transactions) less accumulated amortisation and impairment. The Trust has no intangible assets with indefinite useful lives. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in surplus or deficit as incurred.

Amortisation

Amortisation is recognised in surplus or deficit on a straight-line basis over the estimated useful lives of each amortisable intangible asset.

The estimated useful lives amortisation rates are:

- Software 3 years (2021: 3 years)

Creditors and Accrued Expenses

Creditors and accrued expenses are measured at the amount owed.

Loans

Loans are recorded at the amount borrowed from the lender. Loan balances include any interest accrued at balance that has not yet been paid.

Employee Costs Payable

A liability for employee costs payable is recognised when an employee has earned the entitlement.

These include salaries and wages accrued up to balance date and annual leave earned but not yet taken at balance date.

Income Tax

The Manawatū Community Trust has been granted charitable status by the Inland Revenue Department, and therefore is exempt from income tax.

Tier 2 PBE Accounting Standards Applied

The Trust has elected to apply Tier 2 Accounting Standard PBE IPSAS 17 Property, Plant and Equipment, PBE IPSAS 31 Intangible Assets and PBE IPSAS 16 Investment Property when preparing its financial statements.

Changes in Accounting Policies

The accounting policies detailed have been applied consistently to all periods presented in these financial statements except the following which addresses voluntary changes in accounting policies.

Property Plant and Equipment – NZ IPSAS 17

The Trust has reviewed the components and classes of property, plant and equipment including the depreciation rates applied relative to the estimated remaining useful life of assets provided by the independent property valuer. As a result the Trust has incorporated the services asset component into the structure component of buildings as it believes this more accurately reflects the nature of the building. In addition, the Trust has been provided an independent estimated remaining useful life of each asset component, these useful life estimations are considered more accurate than the previously utilised rates.

Furthermore, due to the size and nature of residential land and buildings the Trust has elected to separate commercial buildings, residential land and residential buildings into separate classes of assets. While this does not have an impact on the surplus or deficit of total assets of the Trust it does provide transparency. Note 6 - Property, Plant and Equipment details the new classes effective 1 July 2021.

Notes to the Performance Report

Manawatū Community Trust For the year ended 30 June 2022

	2022	2021
1. Grants and Donations		
Donations	-	1,500
Grants	20,000	-
Total Grants and Donations	20,000	1,500
	2022	2021
2. Employee-Related Costs		
Staff Related Expenses	246,537	178,502
Superannuation Contributions	10,077	7,156
Increase/(Decrease) in Employees' Annual Leave	17,345	9,566
Total Employee-Related Costs	273,959	195,224
	2022	2021
3. Costs of Providing Goods and Services		
Housing		
Bad Debt Expense	-	7
Electricity	58	904
General Expenses	1,021	2,204
Healthy Homes Compliance	32,566	13,307
Maintenance	107,701	88,507
Major Maintenance	72,762	51,875
Property Insurance	160,209	130,358
Rates	131,132	142,555
Rubbish Removal	10,768	11,314
Valuation Expenses	34,155	17,250
Volumetric Water Charges	43,477	43,209
Total Housing	593,849	501,489
FIFHC Expenses		
General Expenses	6,567	4,908
Grounds Maintenance	8,691	12,348
Lease Expense	10,246	35,979
Property Insurance	42,284	42,278
Rates	1,776	1,583
Repairs & Maintenance	28,079	52,378
Valuation Expenses	3,600	3,200
Rental Discount - Covid	-	41,240
Total FIFHC Expenses	101,242	193,914

	2022	2021
Bowen Street Expenses		
Maintenance	3,950	-
Property Expenses	3,534	-
Total Bowen Street Expenses	7,484	-
Administration		
Accounting Fees	13,349	14,125
Amortisation Expense	5,518	5,086
Audit Fees	29,027	28,247
Bank Charges	571	605
Legal Fees	1,560	3,639
Non Property Insurances	3,212	3,144
Office Expenses	22,110	16,602
Printing & Stationery	1,222	1,389
Telephone & Tolls	7,369	4,691
Trustee Expenses	606	3,475
Valuations of Potential Capital Purchases	9,382	4,063
Vehicle Expenses	5,239	4,026
Trust Development Fund	5,605	-
Total Administration	104,770	89,093
Total Costs of Providing Goods and Services	807,345	784,496
	2022	2021

4. Cash at bank and In hand

	2022	2021
Bank accounts and cash		
ANZ - MCT Cheque Account	182,162	272,353
ANZ - MCT Savings Account	16,694	560,966
ANZ - MCT Commercial Flexi Facility	(241,244)	(939)
Petty Cash	59	621
Total Cash at bank and In hand	(42,329)	833,001
	2022	2021

5. Debtors and Prepayments

Trade receivables	28,524	17,923
Prepayments	200,095	136,704
Deferred GST receivable - Current Portion	-	11,739
Deferred GST receivable - Non-current Portion	11,752	11,752
Total Debtors and Prepayments	240,372	178,118

The carrying value of debtors and prepayments approximates their fair value. The trade receivables have been individually assessed as impaired where the tenant has vacated the premises and management have concluded that it is remote that the overdue amounts will be recovered. The amount of trade receivables written off during the period was \$Nil (30 June 2021: \$Nil).

The Trust holds no collateral as security against these financial assets.

6. Property, Plant and Equipment 2022

Cost	Commercial Land & Buildings	Residential Land	Residential Buildings & Improvements	Work in Progress	Plant & Equipment	Vehicles	Total
Opening 1 July 2021	-	9,696,000	23,200,000	280,642	63,788	19,800	33,260,230
Additions	-	-	188,851	2,678,413	-	24,339	2,891,603
Sales	-	-	-	-	(3,900)	-	(3,900)
Revaluation	2,312,500	405,000	1,850,158	-	-	-	4,567,658
Revalued Depreciation	(214,416)	-	(586,934)	-	-	-	(801,350)
Work in progress transferred to capital	2,693,916	-	22,925	(2,716,841)	-	-	-
Transferred to Commercial Land & Buildings	8,313,000	(253,000)	(8,060,000)	-	-	-	-
Closing Cost Amount	13,105,000	9,848,000	16,615,000	242,214	59,888	44,139	39,914,241
Accumulated Depreciation							
Opening accumulated depreciation	-	-	-	-	(36,674)	(11,365)	(48,039)
Depreciation expense	(214,416)	-	(586,934)	-	(6,975)	(3,173)	(811,498)
Reverse accumulated depreciation	214,416	-	586,934	-	2,746	-	804,096
Closing Accumulated Depreciation	-	-	-	-	(40,903)	(14,538)	(55,441)
Net book value							
As at 1 July 2020		28,449,706		110,479	27,036	11,465	28,573,998
As at 30 June 2021		32,896,000		280,642	27,114	8,435	33,212,191
As at 30 June 2022	13,105,000	9,848,000	16,615,000	242,214	18,985	29,601	39,858,800

Property, Plant and Equipment 2021

Cost	Land, Buildings & Improvements	Work in Progress	Plant & Equipment	Vehicles	Total
Opening 1 July 2020	28,878,665	110,479	56,598	19,800	29,065,542
Additions	262,560	292,242	7,786	-	562,588
Sales	-	-	(596)	-	(596)
Revaluation - movement	4,496,070	-	-	-	4,496,070
Work in progress transferred to capital	122,079	(122,079)	-	-	-
Revalued Accumulated Depreciation	(863,374)	-	-	-	(863,374)
Closing Cost Amount	32,896,000	280,642	63,788	19,800	33,260,230
Accumulated Depreciation					
Opening Accumulated Depreciation	(492,788)	-	(29,562)	(8,335)	(530,685)
Prior Period Error Correction (Refer to Note 18)	63,829	-	-	-	63,829
Depreciation Expense	(434,415)	-	(7,161)	(3,030)	(444,606)
Reversal Accumulated Depreciation	-	-	49	-	49
Revalued Accumulated Depreciation	863,374	-	-	-	863,374
Closing Accumulated Depreciation	-	-	(36,674)	(11,365)	(48,039)
Net book value					
As at 1 July 2019	28,380,004	165,648	25,088	3,258	28,573,998
As at 30 June 2020	28,449,706	110,479	27,036	11,465	28,598,686
As at 30 June 2021	32,896,000	280,642	27,114	8,435	33,212,191

Residential Land, Buildings, and Improvements

Land and buildings were revalued as at 30 June 2021 using an independent valuer (Morgans). In estimating the fair value of land and buildings, the Fair Value method was used under a highest and best use scenario.

The Fair Value method does not make significant use of observable prices in active markets and recent market transactions on an arm's length basis. The Highest and Best Use is defined as the most probable use of the asset that is physically possible, appropriately justified, legally permissible, financially feasible, and which results in the highest value.

For the year ended 30 June 2022 JP Morgans and Associates Limited ("Morgans") have been engaged by the Trust to consider and analyse the indicative percentage movement of the residential properties under the ownership of the Trust for the 12-month period from 1 July 2021 to 30 June 2022. This review is not a full revaluation of the assets, but rather a review of movements in market values for land and improvements. It provides an indicative estimate of the degree of market movement likely to be revealed in the event that a full valuation was commissioned but does not contain the depth of analysis or robustness of a comprehensive valuation.

Due to the significant increase that the Morgans review indicates for the fair value of land and residential buildings, the Trust has used the review as a basis for adjusting the carrying value of land and residential buildings as at 30 June 2022.

Significant assumptions in the 30 June 2022 valuation of residential property include market rents and market yields:

- Market rents for a unit range from \$220/pw - \$270/pw
- Market yields ranged from 2.59% - 8.16%. The yield of 2.59% related to a property with a large amount of surplus land. The yield on the assessed market rental excluding surplus land is 5.19%.

Commercial land and buildings

A full revaluation of the Feilding Health Centre has been undertaken by Morgans for the year ended 30 June 2022. In determining fair value Morgans have utilised an assessment of the following approaches:

- Replacement cost approach – the replacement cost of new structures less an allowance for depreciation and saleability.
- Income approach
 - Income capitalisation approach - references the capitalisation of the passing and/or potential net rental income utilising yields have been derived from sales of comparable properties.
 - Discounted cash flow method – discount of known and potential income streams after allowing for growth, non-recovered outgoings, any capital expenditure and other related costs
- Market approach – provides an indication of value by comparing the assets with identical or comparable assets for which price information is available.

Significant assumptions in the 30 June 2022 valuation of the FHC include rental increase and capitalisation rate:

- Rental increase of 2.50%
- Capitalisation rates of 7.55% - 8.05% on actual rentals.
- Discount rates in the range of 9.0% to 9.50% have been utilised reflecting the current ten-year Government Stock plus an increased margin for investment risk/property type.

Valuation uncertainties

The valuer has noted for both residential land, buildings and improvements and commercial land and buildings that there are currently uncertainties for valuations because of the impacts of the ongoing Covid-19 pandemic, current high inflationary environment and Government and Trading Bank Lending Restrictions which continue to provide potential market uncertainty.

Restrictions over titles

The land and buildings situated at 100 Awahuri Street Feilding, with a valuation of \$4.1m as at 30 June 2022 are pledged as a security for the loan advanced by Manawatu District Council to the Trust. Land and buildings situated at 1-7 Duke Street, with a valuation of \$11.8m as at 30 June 2022, are pledged as a security for the loan advanced by ANZ. ANZ also holds a General Security Agreement of the Assets of the Trust (Please refer to note 9 for more information on loans). There are no other restrictions over the title of the Trust's property, plant and equipment.

7. Intangible Assets 2022

Cost	Software
Opening 1 July 2021	15,258
Additions	1,295
Closing Cost Amount	16,553
Accumulated Amortisation	
Opening Accumulated Amortisation	5,086
Amortisation	5,518
Closing Accumulated Amortisation	10,604
Net Book Value	5,949
As at 1 July 2020	-
As at 30 June 2021	10,172
As at 30 June 2022	5,949

Intangible Assets 2021

Cost	Software
Opening 1 July 2020	-
Additions	15,258
Closing Cost Amount	15,258
Accumulated Amortisation	
Opening Accumulated Amortisation	-
Amortisation	5,086
Closing Accumulated Amortisation	5,086
Net Book Value	10,172
As at 1 July 2019	-
As at 30 June 2020	-
As at 30 June 2021	10,172

	2022	2021
8. Creditors and Accrued Expenses		
Trade Creditors	321,434	96,265
Other Creditors	76,754	64,463
Income in Advance	26,175	30,526
Total Creditors and Accrued Expenses	424,363	191,254

Trade and other payables are non-interest bearing and are normally settled on 30-day terms, therefore the carrying value of trade and other payables approximates their fair value.

	2022	2021
9. Borrowings		
Manawatū District Council Loans A & B		
Total Outstanding	544,813	650,979
Less:		
Current Portion	108,417	104,862
Term Portion	436,395	546,117
Manawatū District Council - Feilding Integrated Family Health Centre		
Total Outstanding	1,411,057	1,575,782
Less:		
Current Portion	166,464	164,283
Term Portion	1,244,593	1,411,499
Manawatū District Council - 14 Bowen Street		
Total Outstanding	35,499	39,445
Less:		
Current Portion	4,030	3,895
Term Portion	31,469	35,550
Manawatū District Council - LTP Loan 1		
Total Outstanding	1,000,000	1,000,000
Less:		
Current Portion	60,573	60,753
Term Portion	939,427	939,247
Manawatū District Council - LTP Loan 2		
Total Outstanding	1,400,000	-
Term Portion	1,400,000	-

	2022	2021
ANZ Term Facilities - Feilding Integrated Family Health Centre		
Total Outstanding	1,442,000	1,658,000
Less:		
Current Portion	216,000	158,917
Total Less:	216,000	158,917
Term Portion	1,226,000	1,499,083
Total Term Loans	5,277,885	4,431,496

Manawatū District Council Loans A & B

Interest is incurred at the Council's borrowing rate of 2.10% p.a. for the twelve months ended 30 June 2022 (interest rate of 2.60% p.a. for year ended 30 June 2021). The loan from Manawatū District Council is secured by way of registered first mortgage over the land owned by the Trust at 100 Awahuri Road Feilding.

Manawatū District Council - Feilding Integrated Family Health Centre

The loan was granted by the Council to assist with the development of the Feilding Integrated Family Health Centre. The interest rate applicable to the interest bearing portion of the loan at 30 June 2022 was 1.05% (30 June 2021: 2.60%). No security is held for this loan.

Manawatū District Council - 14 Bowen Street

The loan was granted by the Council to assist with the purchase of 14 Bowen Street. The interest rate applicable to the interest bearing portion of the loan at 30 June 2022 was 2.10% (30 June 2021: 2.60%). No security is held for this loan.

Manawatū District Council - LTP Loan 1

The term of the loan is 15 years from the date of the first drawing (18 November 2019). The interest rate applicable to the interest bearing portion of the loan at 30 June 2022 was 2.42% (30 June 2021: 2.42%). No security is held for this loan.

Manawatū District Council - LTP Loan 2

The term of the loan is 15 years from the date of the first drawing (15 December 2021). The interest rate applicable to the interest bearing portion of the loan at 30 June 2022 was 2.10%. No security is held for this loan.

ANZ Term Facilities - Feilding Integrated Family Health Centre

ANZ Term Loan 1001 is for 36 months with interest rate at 30 June 2022 was floating at 5.35% (2021: 3.60%) with a service line fee of 0.75%. Maturity date for this loan is set at 30 November 2022. ANZ holds a General Security Agreement of the assets of the Trust. This loan has been refinanced and proceeds have been used to repay previous loans.

The Trust has access to an ANZ Commercial Flexi Facility of \$1,500,000 which is an on-demand facility and can be repaid at any time and interest is incurred at 3.24%. As at 30 June 2022 \$241,244 was drawn down (2021: \$938).

	2022	2021
10. 14 Bowen Street - Deferred Settlement		
Total Outstanding	90,000	180,000
Less:		
Current Portion	-	90,000
Term Portion	90,000	90,000

The remaining \$90,000 is due on 6 July 2024. No interest is due on this deferred settlement.

	2022	2021
11. Employee Costs Payable		
Annual Leave	17,345	14,506
Salary and Wage Accrual	31,064	24,450
Total Employee Costs Payable	48,409	38,956

There has been no provision for sick leave or long service leave allowed.

	2022	2021
12. Trust Equity		
Capital contributed by owners or members		
Share capital	10	10
Total Capital contributed by owners or members	10	10
Accumulated surpluses or (deficits)		
Retained earnings/Accumulated funds	14,263,587	13,682,997
Prior Period Error Correction (Refer to Note 18)	-	63,829
Current year earnings	249,558	516,760
Total Accumulated surpluses or (deficits)	14,513,145	14,263,587
Asset Revaluation Reserve		
Opening Balance	14,486,289	9,990,219
Gain on revaluation of Property, Plant and Equipment	4,567,657	4,496,070
Total Asset Revaluation Reserve	19,053,946	14,486,289
Total Trust Equity	33,567,101	28,749,886

13. Statement of Commitments

Operating Lease Commitments

Land lease for Feilding Integrated Family Health Centre

The Trust has entered into a 34 years and 11 months lease of the land effective from 13 April 2015. Under the terms of the agreement the Trust received a five year rental holiday, which expired on 13 April 2020. Should the lease not be renewed at the end of the 36 year term the Trust will sell the buildings to the Lessor at a prescribed purchase price. The amounts payable as operating commitments are as follows:

	2022	2021
Land Lease		
Not later than one year	30,000	30,000
Later than one year and not later than five years	120,000	120,000
Later than five years	680,000	710,000
Total Land Lease	830,000	860,000

Capital Commitments

The Manawatū Community Trust has signed an agreement to purchase a motor vehicle which is expected to arrive in July 2023. The total cost of the motor vehicle is \$24,339 and a deposit of \$1,739 has been paid as at 30 June 2022.

The Trust has no other capital commitments as at 30 June 2022 (30 June 2021: Nil).

All commitments are stated exclusive of GST.

14. Related Party Transactions

The Manawatū Community Trust is a Council Controlled Organisation of Manawatū District Council. The related party transactions are within a normal supplier or client/recipient relationship on terms and conditions no more favourable or less favourable than those that is reasonable to expect the Trust would have adopted in dealing with the party at arm's length in the same circumstances, except for the \$2,500,000 loan from the Manawatū District Council that interest is only charged on 50% of the outstanding loan balance.

No provision has been required, nor any expense recognised, for the impairment of receivables from related parties.

Allan Davey was appointed as a Trustee effective the 6th of May 2022. At that time Allan was contracted to the Trust as a project engineer for the Clevely redevelopment. The contract started on 7 April 2021 and was agreed prior to being appointed as Trustee. All transactions are conducted on an arms-length commercial basis.

The Trustees are considered key management personnel. Other than fees in note 15 there were no other benefits paid to Trustees. Additional payments were made to Trustees to reimburse for costs incurred such as travel.

	2022	2021
The following transactions were carried out with related parties:		
Loan repaid during the period	274,842	268,136
Rates to Manawatū District Council	131,233	126,320
Volumetric water charges by Manawatū District Council	45,253	44,792
Interest to Manawatū District Council	68,097	65,278
	2022	2021
Amounts owing at balance date to related parties:		
Manawatū District Council	47,288	46,222
Loan outstanding to Manawatū District Council at period end	4,391,368	3,266,206
Interest payable at period end	2,017	2,017

	2022	2021
15. Trustee Fees		
Allan Davey	3,262	-
Anthony Murphy	7,916	19,500
Colin McJannett	-	19,500
Joanne Shortall	19,570	11,250
John Culling	-	20,833
Liam Greer	19,570	11,250
Mary Ann Baskerville	-	15,000
Tracey Hunt	19,570	11,250
Tyson Schmidt (Chairman)	27,295	24,166
Total Trustee Fees	97,183	132,749

16. Statement of Contingent Assets and Liabilities

The Manawatū Community Trust is not aware of any contingent assets and liabilities as at 30 June 2022 (30 June 2021: Nil).

17. Capital Management

The Trust's capital is its equity, which comprises Trust capital and retained surpluses. Equity is represented by net assets. The Trust deed requires the Trustees to manage all aspects of the business prudently. The Trust's equity is largely managed as a by-product of managing all financial dealings. The objective of managing the Trust's equity is to ensure the Trust effectively achieves its objectives and purpose, whilst remaining a going concern.

18. Prior Period Error Correction

The Trust incorrectly calculated depreciation in the previous financial year resulting in an overstatement of depreciation and a corresponding understatement of property, plant and equipment at 30 June 2020. The amount of the error is \$63,829 which the Trust has corrected by adjusting the 1 July 2020 balances for the following items in the Statement of Financial Position in the current financial year:

- Decreased property, plant and equipment - accumulated depreciation by \$63,829
- Increased accumulated surpluses or (deficits) by \$63,829.

The comparatives have not been corrected as per the requirements of the Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) accounting standard.

19. Legislative Compliance

The Trust presented its Performance Report in September 2022 but due to external Covid-19 related factors was unable to complete its Performance Report until 22 December 2022 and therefore did not meet the requirements of section 67 of the Local Government Act 2002 which requires the Board of Directors to complete the Group's Performance Report within 5 months after the end of the financial year.

20. Events After Balance Date

There were no events that have occurred after the balance date that would have a significant impact on the Performance Report.

Statement of Intent

Manawatu Community Trust For the year ended 30 June 2022

This Statement of Intent covers the year 1 July 2021 to 30 June 2022

PURPOSE

The purpose of this statement of intent is to

- (a) state publicly the activities and intentions of this council-controlled organisation for the year and the objectives to which those activities will contribute; and
- (b) provide an opportunity for shareholders¹ to influence the direction of the organisation; and
- (c) provide a basis for the accountability of the directors² to their shareholders for the performance of the organisation.

OBJECTIVES OF THE COUNCIL CONTROLLED ORGANISATION

1. Section 59 of the Local Government Act 2002 provides:

Principal objective of a council-controlled organisation

(1) The principal objective of a council-controlled organisation is to

- (a) achieve the objectives of its shareholders, both commercial and non-commercial, as specified in the statement of intent; and
- (b) be a good employer; and
- (c) exhibit a sense of social and environmental responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage these when able to do so; and
- (d) if the council-controlled organisation is a council-controlled trading organisation, conduct its affairs in accordance with sound business practice.

(2) In subsection (1)(b), good employer has the same meaning as in clause 36 of Schedule 7 of the Local Government Act 2002.

¹ 'Shareholders' include any partners, joint venture partners, members or other persons holding equity securities in relation to the organisation. In this case the shareholders will be the Mayor and the Councillors of the Manawātū District Council.

² 'Directors' and the 'Board' include trustees, managers or office holders (however described in the organisation).

NATURE AND SCOPE OF ACTIVITIES

Nature

The Nature of the Trust is to promote and provide housing and wellbeing services that are relevant and meet long term community needs.

Scope

The Trust is a robust, professional, and viable organisation that is providing a modern healthy living environment, up to date, good quality, sustainable housing and health facilities that address the needs of the community to enhance the long-term wellbeing of Manawatū residents.

OBJECTIVES OF THE MANAWATŪ COMMUNITY TRUST

The objectives of the Manawatū Community Trust as identified in its Deed of Trust are:

1. Any charitable purpose within the Manawatū District
2. To create a fund to be used for:
 - 2.1 The promotion of any purpose or purposes within the Manawatū District for the relief of poverty and for the benefit of the residents of the Manawatū District.
 - 2.2 The promotion and provision of housing for the elderly and disabled residents of the Manawatū District.
 - 2.3 The promotion of health services for the residents of the Manawatū District.
 - 2.4 The promotion of wellbeing services for residents of the Manawatū District – these services shall include services promoting the improvement of the lifestyle, health and welfare of residents in the Manawatū District and creating a sense of community for the benefit of the residents of the Manawatū District.
 - 2.5 To accept gifts and grants of whatever description, provided that any private benefit conferred on any individual is incidental to the above purposes.

GOVERNANCE

Five Trustees have been appointed by the Manawatū District Council to the Trust with terms as set out below.

- **Tyson Schmidt**, Chairperson, reappointed for 3 years from 1 July 2022 – 30 June 2025
- **Tony Murphy**, reappointed for 3 years from 1 July 2019 – 30 June 2022. Passed away November 2021
- **Liam Greer**, appointed for 3 years from 1 April 2021 – 31 March 2024
- **Joanne Shortall**, appointed for 3 years from 1 April 2021 – 31 March 2024
- **Tracey Hunt**, appointed for 3 years from 1 July 2021 – 30 June 2024
- **Allan Davey**, appointed for 3 years from 6 May 2022 – 5 May 2025

The Trust meets on a regular basis with the Trust Manager to conduct the operational business of the Trust.

ESTIMATE OF THE AMOUNT OR PROPORTION OF ACCUMULATED PROFITS AND CAPITAL RESERVES THAT IS INTENDED TO BE DISTRIBUTED TO THE SHAREHOLDERS

The Trust uses accumulated profits and capital reserves for the development of and to increase assets, therefore there are no accumulated profits and capital reserves intended to be distributed to the shareholders.

PERFORMANCE TARGETS AND OTHER MEASURES BY WHICH THE PERFORMANCE OF THE TRUST MAY BE JUDGED IN RELATION TO ITS OBJECTIVES:

1. A housing portfolio that provides a modern, healthy living environment for the elderly and the disabled

Objective	Baseline/Measure	Target	Result to 30 June 2022	Comments
The promotion and provision of housing for the elderly and disabled residents in the Manawatū district	All occupied flats meet or exceed healthy Living Standard Regulations Carry out refurbishment or complete upgrades on flats to ensure that they meet appropriate standards	8 flats per annum	Partially achieved. One flat renovation completed, one completed in July 22, and a further five renovations started in the year but not completed.	We have experienced delays in accessing tradespeople and materials to complete these renovations due to a combination of COVID-19 and a very busy construction sector. We have also had to put effort into meeting healthy housing requirements.
Additional Housing Stock	Strategic Plan and cash flow beyond 5 years updated and actively followed.	2022: 10 new units	In progress.	Building consent for 12 new units submitted (Corrick Development).

2. Be responsive to urgent maintenance requirements or resident health and safety needs

Objective	Baseline/Measure	Target	Result to 30 June 2022	Comments
The promotion and provision of housing for the elderly and disabled residents in the Manawatū district	Maintenance requests from tenants are recorded electronically and are subsequently responded to in accordance with their priority. Service Contractors are engaged with regard to their ability to provide prompt and reliable services to our tenants.	A permanent handyperson is employed to undertake all general maintenance requests as required. Service contractors are engaged in accordance with the priority of the maintenance request. All maintenance requests are electronically monitored to ensure efficiency and appropriateness	Achieved.	A total of 679 jobs were entered into our maintenance database for the year. Of those, 13 were regarded as urgent. All of these were water related and were referred to our plumber as 'urgent' jobs.

3. Maintain a high occupancy level

Objective	Baseline/Measure	Target	Result to 30 June 2022	Comments
The promotion and provision of housing for the elderly and disabled residents in the Manawatū district.	From June 2018: 97% occupancy.	Average month end occupancy level ≥ 95%.	Achieved.	Average month end occupancy to June 22 = 96%.

4. Facilitate the redevelopment of Clevely Wing in Duke Street

Objective	Baseline/Measure	Target	Result to 30 June 2022	Comments
The promotion of health and welfare services for the residents of the Manawatu District	The development of the Clevely Wing.	Clevely Wing productively operational by June 2023.	In progress.	<p>The construction stage of the Clevely Wing redevelopment was completed on 14 June 2022.</p> <p>The Clevely Wing was officially opened to the tenant (Feilding Health Centre) on 15 June 2022.</p>

5. The Manawatū Community and Development

Objective	Baseline/Measure	Target	Result to 30 June 2022	Comments
The promotion of wellbeing services promoting the improvement of lifestyle, health and welfare and creating a sense of community for the benefit of the residents of the Manawatū District.	Collaborate with groups working with older persons to explore where opportunities exist to improve or provide wellbeing services.	Develop and maintain working project partnerships consistent with the Trusts vision with two other community groups by June 2023.	Achieved.	A collaboration between Manawatu District Council, Manchester House Social Services, Massey and MCT produced a report 'Smart Community Wellbeing-Providing Services for Age-Friendly Communities of the Future in the Manawatū.'
Collaborate with the MDC in defining, developing, and refining a strategy to address housing needs for elderly and disabled residents in the Manawatū District.	Availability of suitable land and residential planning regulations have been assessed.	Agreements reached on co-operative goals. The Trust has access to land for development by June 2023.	Ongoing.	Discussions continue with MDC relating to potential sites for additional housing.

6. Accounting policies: Comply with all legislative and regulatory provisions relating to its operations and performance. The Trust will comply with current accounting policies.

Objective	Baseline/Measure	Target	Result to 30 June 2022	Comments
Ensure that a positive financial return on investment in line with the nature and condition of the Trust's assets is achieved for re-investment and repayment of Capital Loans.	<p>From June 2019, 54% of housing rental income was spent on capital improvements and major maintenance.</p> <p>Measure: Actual percentage of housing rental income for the year spent of capital improvements and major maintenance.</p>	The level of housing rental income for the year to be spend on capital improvements and major maintenance to be 45-55%.	Not achieved. Capital and major maintenance spend to 30 June 2022 = 26.2%.	<p>Target not reached due to delays in flat renovations under current supply and tradesman shortages.</p> <p>12 new units (Corrick Development) are in the process of receiving Building Consent, but progress has been delayed.</p>
Provide financial Reporting to the Manawatū District Council as required. The Trust will apply the PBE SFR-A (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector).	<p>From year ending June 2018 Annual report submitted by 30 September, and six-monthly report submitted by 28 February.</p> <p>Measure: Each report is prepared and presented before the due date</p>	Report as at 30 June and as at 31 December reported by 30 September and 28 February respectively,	Not achieved. Audited Annual report 2021 not submitted 30 November 2021.	The MCT reports were prepared on time, but Audit NZ was unable to start our audit until 1 November, and final reports were not returned to us until mid-January 2022.
Maintain the percentage of consolidated Trust funds in relation to total assets be no less than 60%.	<p>From year ending June 2019 – 79.8%.</p> <p>Measure: Actual percentage as evidenced in the annual financials as at 30 June.</p>	≥ 60%.	Achieved.	As at 30 June = 81%



Budget To Actual to 30 June 2022

	Budget FY2022	Actual FY2022	Variance		
Consolidated Income					
Sundry Income	300	43,775	43,475		Notes
Residential Housing Income					Unbudgeted MDC Grant. The Budget includes the recognition of the MDC rates rebate of \$129k as income received. This is not included in the annual reporting. This rebate will not be included in future budgets for ease of comparison. (2024 onwards). There was also a reduction in rental income due to the delay of the new development in the Corrick complex.
Commercial Rental Income	1,809,290	1,633,291	-175,999		Delays in new development - Clevely.
Total Consolidated Income	2,569,130	2,382,300	-186,830		
Consolidated Expenses					
Administration Expenses	229,370	157,147	-72,223		The Budget included spending for consultants and legal advice which was underspent by \$55k.
Maintenance - All	256,030	264,575	8,545		
Rates	339,160	197,701	-141,459		As per the Residential Income note above, the Rates Budget includes the full cost of rates without offsetting the rebate we received.
Insurance	190,210	209,238	19,028		
Trustee & Staff Expenses	364,680	371,142	6,462		
Interest Expense	183,120	142,757	-40,363		Delays in new developments, Corrick & Clevely, have reduced the level of borrowing required for the year.
Total Consolidated Expenses	1,562,570	1,342,560	-220,010		
Operating Surplus / Deficit	1,006,560	1,039,740	33,180		
Depreciation					
Depreciation	504,050	811,498	-307,448		There has been a change in depreciation calculations as required by Audit NZ.
Net Surplus / (Deficit)	502,510	228,242	340,628		
Planned Capital and Major Maintenance Programme					
Refurbishments / Major maintenance	285,600	80,063	205,537		There have been significant delays in refurbishments due to unavailable tradespeople and materials.
New Developments	5,094,400	2,598,353	2,496,047		The Corrick development was budgeted to be completed by the end of the year, but has not yet started.
Healthy Homes Compliance (Heat pumps)	136,900	188,848	-51,948		Heatpumps are being installed as stock and tradespeople become available. We are now ahead of our 3 year schedule.
Misc	5,000	24,339	-19,339		Purchase of a vehicle for General Manager - unbudgeted.
Total Capital Programme	5,521,900	2,891,603	2,630,297		

Independent Auditor's Report

To the readers of Manawatu Community Trust's financial statements and performance information for the year ended 30 June 2022

The Auditor-General is the auditor of Manawatu Community Trust (the Trust). The Auditor-General has appointed me, Debbie Perera, using the staff and resources of Audit New Zealand, to carry out the audit of the financial statements and performance information of the Trust on his behalf.

Opinion

We have audited:

- the financial statements of the Trust on pages 5 to 23 and 29, that comprise the statement of financial position as at 30 June 2022, the statement of comprehensive revenue and expenses, and statement of cash flows for the year ended on that date and the statement of accounting policies and the notes to the financial statements that include other explanatory information; and
- the performance information (Performance targets) of the Trust on pages 26 to 28.

In our opinion:

- the financial statements of the Trust on pages 5 to 23 and 29:
 - present fairly, in all material respects:
 - its financial position as at 30 June 2022; and
 - its financial performance and cash flows for the year then ended; and
 - comply with generally accepted accounting practice in New Zealand in accordance with the Public Benefit Entity Simple Format Reporting – Accrual (Public Sector) Standard; and
- the performance information of the Trust on pages 26 to 28 presents fairly, in all material respects, the Trust's actual performance compared against the performance targets and other measures by which performance was judged in relation to the Trust's objectives for the year ended 30 June 2022.

Our audit was completed on 21 February 2023. 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 Trust Board and our responsibilities relating to the financial statements and the performance information, we comment on other information, and we explain our independence.

Basis for our 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 Trust Board for the financial statements and the performance information

The Trust Board is responsible on behalf of the Trust for preparing financial statements that are fairly presented and that comply with generally accepted accounting practice in New Zealand. The Trust Board is also responsible for preparing the performance information for the Trust.

The Trust Board is responsible for such internal control as they determine is necessary to enable them to prepare financial statements and performance information that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements and the performance information, the Trust Board is responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern. The Trust Board is also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless the Trust Board intends to liquidate the Trust or to cease operations, or has no realistic alternative but to do so.

The Trust Board's responsibilities arise from the Local Government Act 2002 and the Trust Deed of the Trust.

Responsibilities of the auditor for the audit of the financial statements and the performance information

Our objectives are to obtain reasonable assurance about whether the financial statements and the performance information, 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 financial statements and the performance information.

For the budget information reported in the financial statements and the performance information, our procedures were limited to checking that the information agreed to the Trust's statement of intent.

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

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 risks of material misstatement of the financial statements and the performance information, 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 Trust Board.
- We evaluate the appropriateness of the reported performance information within the Trust's framework for reporting its performance.
- We conclude on the appropriateness of the use of the going concern basis of accounting by the Trust Board 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 financial statements and the performance information 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 financial statements and the performance information, including the disclosures, and whether the financial statements and the performance information represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trust Board 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.

Other Information

The Trust Board is responsible for the other information. The other information comprises the information included on pages 1 to 6 and 24 to 25, but does not include the financial statements and the performance information, and our auditor's report thereon.

Our opinion on the financial statements and the performance information does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the financial statements and the performance information, our responsibility is to read the other information. In doing so, we consider whether the other information is materially inconsistent with the financial statements and the performance information or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on our work, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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: International Code of Ethics for Assurance Practitioners issued by the New Zealand Auditing and Assurance Standards Board.

Other than the audit, we have no relationship with, or interests in, the Trust.



Debbie Perera
Audit New Zealand
On behalf of the Auditor-General
Palmerston North, New Zealand