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MANAWATŪ COMMUNITY TRUST

ANNUAL REPORT

For the year ended 30 June 2023



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Chairperson's Report

Manawatū Community Trust For the year ended 30 June 2023

On behalf of the Trustees of the Manawatū Community Trust I am pleased to present our Annual Report for the year ending 30 June 2023.

The 2022/23 year has been one of continued progress for the Trust. It is almost hard to believe that we finally had a year without any COVID-19 lockdowns or restrictions and have been able to return to a 'normal' state of operations after two years of pandemic difficulties for both our tenants and our staff. This return to normality will even hopefully help in some of the least celebrated aspects of our work – for example, being able to have our audit completed in time to meet statutory deadlines.

Meeting the Healthy Homes requirements has continued to be a key focus of ours over the last year, and despite being given an additional year to comply we are very pleased that this work remains on track to be completed by the original deadline (June 2024). This year we installed 63 heat pumps and 45 rangehoods, leaving only 62 more heat pumps, 27 rangehoods and 16 bathroom vents to complete in the 2023/2024 financial year. In total, the Healthy Homes work has required an investment of over \$700,000.

We had 11 urgent maintenance jobs during the year, 10 of which were due to water leaks of different descriptions, and all were responded to by Empire Plumbing in a very timely manner. Our maintenance officer, Nigel Hartley, maintained his busy work ethic by responding to 568 maintenance jobs over the year, and there were an additional 112 plumbing and 60 electrical jobs.

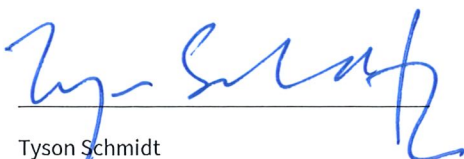
At the same time as making these improvements to units, our staff also worked to better understand the longer-term maintenance requirements. Over the next ten years we estimate around \$6.4 million of maintenance work will be required, and over the next 25 years this sits at about \$18 million. While sobering figures, it is much better that we know the size of the challenge so that we can plan for the work and manage it.

Maintaining our assets are only one part of the equation though – our community needs additional housing to meet the needs of our ageing population. We still work toward the goal of reaching 250 units by 2030, adding 45 units to our current total of 205. One step toward this was the submission and progress of a building consent for 12 units at our Corrick Court complex on Beattie Street. This mix of 1 and 2 bedroom units will be the first of a number of housing developments that the Trust will undertake over coming years.

This year also saw Colspec Construction successfully complete the refurbishment of the Clevely Wing at the Duke Street health centre that the Trust owns. This \$3 million project has brought nearly 1,000 sqm of additional health-related space into service for our community, a testament to how successful the original vision of an integrated healthcare facility for Feilding has been. The Trust is also proud to continue to support the continued growth of MenzShed at the Duke Street site as well.

As a Trust we recognise that ensuring adequate housing remains a significant issue for our community, and additional funding is needed to solve it. We have therefore been committing a lot of effort to exploring options for accessing central Government and other third-party funding, so that the costs do not fall only on our ratepayers. Getting this right will help underpin the wellbeing of the Manawatū for a number of years to come, and I personally appreciate the work by all the Trustees and our staff in exploring these options alongside all the day-to-day work being undertaken.

All of this work comes at a cost, and while there were rent increases, we work hard to ensure that our rents remain well below market levels. We continue to maintain an operating surplus despite interest costs and depreciation increasing compared to last year. Our property assets reduced in value by nearly \$3.5 million due to shifts in the overall market, but our balance sheet remains healthy with nearly \$30 million of total assets and loan levels down to just under \$5.4 million.



Tyson Schmidt
Chairperson

Date: 29/9/23

Entity Information

Manawatū Community Trust For the year ended 30 June 2023

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 - Teresa Hague, 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
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 2023

	NOTES	2023	2022
Revenue			
Residential Rents Received		1,734,733	1,633,291
Commercial Lease Receipts		1,004,408	705,234
Interest Revenue		1,708	1,907
Grants and Donations	1	55	20,000
Other Revenue		22,297	21,868
Total Revenue		2,763,201	2,382,300
Expenses			
Employee Benefit Expenses	2	327,443	273,959
Costs Related to Providing Goods or Services	3	918,962	807,345
Depreciation of Property, Plant and Equipment		917,925	811,498
Trustees Fees	15	105,574	97,183
Interest on Borrowing		221,617	142,757
Loss on Disposal of Fixed Assets		6,137	-
Total Expenses		2,497,658	2,132,742
Surplus/(Deficit) for the Year		265,543	249,558

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




Statement of Financial Position

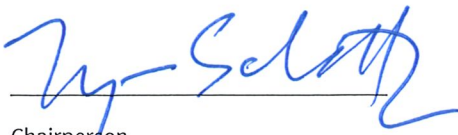
Manawatū Community Trust As at 30 June 2023

	NOTES	30 JUN 2023	30 JUN 2022
Assets			
Current Assets			
Bank Accounts and Cash	4	39,196	198,915
Debtors and Prepayments	5	56,743	228,620
GST Receivable		11,112	24,110
Total Current Assets		107,052	451,645
Non-Current Assets			
Debtors and Prepayments	5	11,752	11,752
Property, Plant and Equipment	6	36,221,554	39,858,800
Intangibles	7	432	5,949
Total Non-Current Assets		36,233,738	39,876,501
Total Assets		36,340,789	40,328,147
Liabilities			
Current Liabilities			
Bank Overdraft	4	87,466	241,244
Creditors and Accrued Expenses	8	299,512	424,363
Current Portion Loan from MDC	9	282,873	339,484
Current Portion Loan from ANZ	9	216,000	216,000
Current Portion of Lease Payable		7,337	4,466
Employee Costs Payable	11	55,370	48,409
Total Current Liabilities		948,557	1,273,966
Non-Current Liabilities			
Loan from MDC	9	3,831,060	4,051,885
Loan from ANZ	9	1,010,000	1,226,000
Lease Payable		123,493	119,195
14 Bowen Street Deferred payment	10	90,000	90,000
Total Non-Current Liabilities		5,054,552	5,487,080
Total Liabilities		6,003,109	6,761,046
Total Assets less Total Liabilities (Net Assets)		30,337,680	33,567,101
Accumulated Funds			
Capital Contributed by Owners or Members	12	10	10
Accumulated Surpluses or (Deficits)	12	14,778,687	14,513,145
Asset Revaluation Reserve	12	15,558,983	19,053,946
Total Accumulated Funds		30,337,680	33,567,101

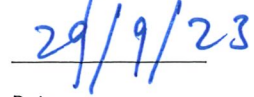
These financial statements have been approved and authorised for issue by:

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



Chairperson



Date



Trustee

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



Statement of Cash Flows

Manawatū Community Trust For the year ended 30 June 2023

	2023	2022
Cash flows from operating activities		
Receipts from residential rents	1,728,945	1,619,720
Receipts from commercial lease	1,017,316	715,442
Interest receipts	1,708	1,907
Donations, fundraising and other similar receipts	24,799	41,868
Net GST movement	37,523	2,297
Payments to suppliers and employees	(1,231,250)	(1,214,378)
Interest paid	(218,784)	(129,505)
Net cash from operating activities	1,360,257	1,037,351
	2023	2022
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	(875,633)	(2,803,243)
Payments of investments	-	-
Net cash from investing activities	(875,633)	(2,802,089)
	2023	2022
Cash flows from financing activities		
Proceeds from loans	-	1,400,000
Repayments of loans	(490,565)	(510,592)
Net cash from financing activities	(490,565)	889,408
	2023	2022
Cash and cash equivalents		
Net (decrease)/increase in cash for the year	(5,941)	(875,330)
Add opening bank accounts and cash	(42,329)	833,001
Closing bank accounts and cash	(48,270)	(42,329)

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




Statement of Accounting Policies

Manawatū Community Trust For the year ended 30 June 2023

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 2023.

The Trust will be required to transition to Tier 2 not-for-profit Public Benefit Entities Standards Reduced Disclosure Regime as the two most recent reporting periods exceed total annual expenses of \$2million. The impact of the transition is still being assessed, however, the Trust has already adopted Tier 2 PBE IPSAS 17 Property, Plant and Equipment and PBE IPSAS 31 Intangible Assets which will lessen the overall impact.

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:

Land	Indefinite	None
Buildings and Improvements	2 - 58 years	1.72% - 50%
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 (2022: 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 and PBE IPSAS 31 Intangible Assets when preparing its financial statements.

Changes in Accounting Policies

There have been no changes in accounting policies. The accounting policies detailed have been applied consistently to all periods presented in these financial statements.

Notes to the Performance Report

Manawatū Community Trust For the year ended 30 June 2023

	2023	2022
1. Grants and Donations		
Grants	55	20,000
Total Grants and Donations	55	20,000
	2023	2022
2. Employee-Related Costs		
Staff Related Expenses	290,627	246,537
Superannuation Contributions	12,785	10,077
Increase/(Decrease) in Employees' Annual Leave	24,031	17,345
Total Employee-Related Costs	327,443	273,959
	2023	2022
3. Costs of Providing Goods and Services		
Housing		
Electricity	1,090	58
General Expenses	2,265	1,021
Healthy Homes Compliance	33,881	32,566
Maintenance	113,252	107,701
Major Maintenance	48,609	72,762
Property Insurance	221,896	160,209
Rates	136,779	131,132
Rubbish Removal	12,271	10,768
Valuation Expenses	17,595	34,155
Volumetric Water Charges	42,648	43,477
Total Housing	630,286	593,849
FIFHC Expenses		
General Expenses	7,285	6,567
Grounds Maintenance	14,375	8,691
Lease Expense	37,168	10,246
Property Insurance	61,348	42,284
Rates	1,799	1,776
Repairs & Maintenance	32,335	28,079
Valuation Expenses	3,500	3,600
Total FIFHC Expenses	157,811	101,242
Bowen Street Expenses		
Maintenance	436	3,950
Property Expenses	6,151	3,534
Total Bowen Street Expenses	6,587	7,484

	2023	2022
Administration		
Accounting Fees	19,809	13,349
Amortisation Expense	5,518	5,518
Audit Fees	35,450	29,027
Bank Charges	447	571
Legal Fees	5,532	1,560
Non Property Insurances	3,286	3,212
Office Expenses	17,610	22,110
Printing & Stationery	435	1,222
Telephone & Tolls	7,648	7,369
Trustee Expenses	967	606
Consultants Fees	10,841	9,382
Vehicle Expenses	12,027	5,239
Trust Development Fund	4,708	5,605
Total Administration	124,278	104,770
Total Costs of Providing Goods and Services	918,962	807,345
	2023	2022

4. Cash at bank and In hand

Bank accounts and cash		
ANZ - MCT Cheque Account	34,576	182,162
ANZ - MCT Savings Account	4	16,694
ANZ - MCT Commercial Flexi Facility	(87,466)	(241,244)
ANZ - MCT Debit Card	4,316	-
Petty Cash	300	59
Total Cash at bank and In hand	(48,270)	(42,329)
	2023	2022

5. Debtors and Prepayments

Current		
Trade receivables	(981)	28,524
Prepayments	57,724	200,095
Total Current	56,743	228,620
Non-current		
Deferred GST receivable	11,752	11,752
Total Non-current	11,752	11,752
Total Debtors and Prepayments	68,495	240,372

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 2022: \$Nil).

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

6. Property, Plant and Equipment 2023

Cost	Commercial Land & Buildings	Residential Land	Residential Buildings & Improvements	Work in Progress	Plant & Equipment	Vehicles	Total
Opening 1 July 2022	13,105,000	9,848,000	16,615,000	242,214	59,888	44,139	39,914,241
Additions	299,099	-	194,174	270,513	1,430	34,602	799,818
Sales	-	-	-	-	(649)	(24,339)	(24,988)
Revaluation - movement	(170,514)	(1,156,000)	(2,168,449)	-	-	-	(3,494,963)
Work in progress transferred to capital	-	-	198,350	(198,350)	-	-	-
Revalued Accumulated Depreciation	(251,586)	-	(659,075)	-	-	-	(910,661)
Closing Cost Amount	12,982,000	8,692,000	14,180,000	314,377	60,669	54,402	36,283,448
Accumulated Depreciation							
Opening Accumulated Depreciation	-	-	-	-	(40,903)	(14,538)	(55,441)
Depreciation Expense	(251,586)	-	(659,075)	-	(4,438)	(2,826)	(917,925)
Disposals	-	-	-	-	-	811	811
Revalued Accumulated Depreciation	251,586	-	659,075	-	-	-	910,661
Closing Accumulated Depreciation	-	-	-	-	(45,341)	(16,553)	(61,894)
Net book value							
As at 1 July 2021	-	32,896,000	-	280,642	27,114	8,435	32,212,191
As at 30 June 2022	13,105,000	9,848,000	16,615,000	242,214	18,985	29,601	39,858,800
As at 30 June 2023	12,982,000	8,692,000	14,180,000	314,377	15,328	37,849	36,221,554

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




Residential Land, Buildings, and Improvements

Land and buildings were revalued as at 30 June 2023 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 2023 QV 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 2022 to 30 June 2023. QV reported a 10-15% decrease in the market valuations. Therefore, JP Morgans and Associates Limited ("Morgans") have been engaged to complete a full valuation of the residential properties. Due to the significant decrease that the Morgans valuation indicates for the fair value of land and residential buildings, the Trust has used the valuation as a basis for adjusting the carrying value of land and residential buildings as at 30 June 2023.

Significant assumptions in the 30 June 2023 valuation of residential property include market rents and market yields:

- Market rents for a unit range from \$200/pw - \$450/pw
- Market yields ranged from 2.95% - 10.31%. The yield of 2.95% related to a property with a large amount of surplus land. The yield on the assessed market rental excluding surplus land is 5.96%.

Commercial land and buildings

A full revaluation of the Feilding Health Centre has been undertaken by Morgans for the year ended 30 June 2023. 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 2023 valuation of the FHC include rental increase and capitalisation rate:

- Rental increase of 3% - 3.50%
- Capitalisation rates of 7.30% - 8.50% on actual rentals.
- Discount rates in the range of 8.15% to 8.65% have been utilised reflecting the current ten-year Government Stock plus an increased margin for investment risk/property type.

Restrictions over titles

The land and buildings situated at 100 Awahuri Road, Feilding, with a valuation of \$3.7m as at 30 June 2023 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 \$12.6m as at 30 June 2023, 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 2023

Cost	Software
Opening 1 July 2022	16,553
Additions	-
Closing Cost Amount	16,553
Accumulated Amortisation	
Opening Accumulated Amortisation	10,604
Amortisation	5,518
Closing Accumulated Amortisation	16,122
Net Book Value	
As at 1 July 2021	10,172
As at 30 June 2022	5,949
As at 30 June 2023	432

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

	2023	2022
8. Creditors and Accrued Expenses		
Trade Creditors	206,479	321,434
Other Creditors	63,768	76,754
Tenancy Bonds Held	1,719	-
Income in Advance	27,545	26,175
Total Creditors and Accrued Expenses	299,512	424,363

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.

	2023	2022
9. Borrowings		
Manawatū District Council Loans A & B		
Total Outstanding	437,805	544,813
Less:		
Current Portion	110,009	108,417
Term Portion	327,796	436,395
Manawatū District Council - Feilding Integrated Family Health Centre		
Total Outstanding	1,244,617	1,411,057
Less:		
Current Portion	168,763	166,464
Term Portion	1,075,854	1,244,593
Manawatū District Council - 14 Bowen Street		
Total Outstanding	31,510	35,499
Less:		
Current Portion	4,101	4,030
Term Portion	27,410	31,469
Manawatū District Council - LTP Loan 1		
Total Outstanding	1,000,000	1,000,000
Less:		
Current Portion	-	60,573
Term Portion	1,000,000	939,427
Manawatū District Council - LTP Loan 2		
Total Outstanding	1,400,000	1,400,000
Term Portion	1,400,000	1,400,000

	2023	2022
ANZ Term Facilities - Feilding Integrated Family Health Centre		
Total Outstanding	1,226,000	1,442,000
Less:		
Current Portion	216,000	216,000
Total Less:	216,000	216,000
Term Portion	1,010,000	1,226,000
Total Term Loans	4,841,060	5,277,885

Manawatū District Council Loans A & B

Interest is incurred at the Council's borrowing rate of 2.77% p.a. for the twelve months ended 30 June 2023 (interest rate of 2.10% p.a. for year ended 30 June 2022). 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 2023 was 1.39% (30 June 2022: 1.05%). 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 2023 was 2.77% (30 June 2022: 2.10%). 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 2023 was 2.42% (30 June 2022: 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 2023 was 2.77% (30 June 2022: 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 2023 was floating at 8.95% (2022: 5.35%). Maturity date for this loan is set at 30 November 2024. 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. Interest is incurred at 3.24% with a service line fee of 0.75%. As at 30 June 2023 \$87,466 was drawn down (2022: \$241,244).

	2023	2022
10. 14 Bowen Street - Deferred Settlement		
Total Outstanding	90,000	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.

	2023	2022
11. Employee Costs Payable		
Annual Leave	24,031	17,345
Salary and Wage Accrual	31,339	31,064
Total Employee Costs Payable	55,370	48,409

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

	2023	2022
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	14,513,145	14,263,587
Current year earnings	265,543	249,558
Total Accumulated surpluses or (deficits)	14,778,687	14,513,145
Asset Revaluation Reserve		
Opening Balance	19,053,946	14,486,289
Gain on revaluation of Property, Plant and Equipment	(3,494,963)	4,567,657
Total Asset Revaluation Reserve	15,558,983	19,053,946
Total Trust Equity	30,337,680	33,567,101

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:

	2023	2022
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	650,000	680,000
Total Land Lease	800,000	830,000

Commitments

The Trust has entered into commitments with:

- Edwards & Hardy Roofing to supply and install a new roof for the Elizabeth Complex of \$27,230. A deposit of \$9,390 has been paid.
- NPE-Tech for power upgrades to Prince Street and Corrick Court of \$82,210. A deposit of \$46,805 had been paid.
- Programmed Property Services Limited for painting and cleaning services at the Feilding Healthcare Centre throughout the 2024 Financial Year, expiring on 31 July 2024. Consisting of annual instalments of \$9,686 subject to a variation based on the weighted indexation.

The total value of the commitments as at 30 June 2023 is \$62,931 (30 June 2022: \$24,339). All commitments are expected to be completed throughout the 2024 financial year.

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.

The Trustees are considered key management personnel. Other than fees in note 15 there were no other benefits paid to Trustees.

	2023	2022
The following transactions were carried out with related parties:		
Loan repaid during the period	277,438	274,842
Rates to Manawatū District Council	135,861	131,233
Volumetric water charges by Manawatū District Council	45,893	45,253
Interest to Manawatū District Council	99,641	68,097
	2023	2022
Amounts owing at balance date to related parties:		
Manawatū District Council	69,175	47,288
Loan outstanding to Manawatū District Council at period end	4,113,932	4,391,368
Interest payable at period end	21,390	2,017

	2023	2022
15. Trustee Fees		
Allan Davey	19,570	3,262
Anthony Murphy	-	7,916
Joanne Shortall	19,570	19,570
Liam Greer	19,570	19,570
Tracey Hunt	19,570	19,570
Tyson Schmidt (Chairperson)	27,294	27,295
Total Trustee Fees	105,574	97,183

16. Statement of Contingent Assets and Liabilities

The Manawatū Community Trust is not aware of any contingent assets and liabilities as at 30 June 2023 (30 June 2022: 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. 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 2022/23

This Statement of Intent covers the year 1 July 2022 to 30 June 2023

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 Manawatu 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 Manawatu residents.

OBJECTIVES OF THE MANAWATU COMMUNITY TRUST

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

1. Any charitable purpose within the Manawatu District
2. To create a fund to be used for:
 - 2.1 The promotion of any purpose or purposes within the Manawatu District for the relief of poverty and for the benefit of the residents of the Manawatu District.
 - 2.2 The promotion and provision of housing for the elderly and disabled residents of the Manawatu District.
 - 2.3 The promotion of health services for the residents of the Manawatu District.
 - 2.4 The promotion of wellbeing services for residents of the Manawatu District – these services shall include services promoting the improvement of the lifestyle, health and welfare of residents in the Manawatu District and creating a sense of community for the benefit of the residents of the Manawatu 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 Manawatu 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
- **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 bimonthly basis, and on a regular basis meets with senior staff to review the operational business of the Trust.

STATEMENT OF ACCOUNTING POLICIES

The Trust has elected to apply PBESFR-A (PS) Public Benefit 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 \$2 million in the two years prior to 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.

PERFORMANCE TARGETS

Goal 1: Develop and maintain existing housing stock

Description	Starting Point	Target	Results to 30 June 2023	Management Comments
<p>Have all occupied housing stock at a 3 Star* rating or above by 2025.</p> <p><i>*A rating system from 1 to 5 Star, 5 Star being the highest.</i></p>	<p>Housing at a 3 Star rating or above as at 30 June 2021: 193 of 205</p>	<p>2023 Target updated to reflect actual unit numbers as at 30 June 2023:</p> <p>2023: 196 of 205</p> <p>2024: 212 of 217</p> <p>2025: 217 of 217</p>	<p>2023: 198 of 205</p>	<p>Achieved.</p> <p><i>Note that 'unit tidiness' was removed from the star rating calculations this year as that is a very changeable state depending on the tenant</i></p>
<p>Maintain average month end occupancy at above 95%</p>	<p>Average month end occupancy 2021: 97%</p>	<p>2023: >95%</p> <p>2024: >95%</p> <p>2025: >95%</p>	<p>2023: 96% average monthly occupancy over the full residential portfolio</p>	<p>Achieved</p>
<p>Be responsive to urgent maintenance requirements or resident health and safety needs</p>	<p>Maintenance requests from tenants are recorded electronically and are subsequently responded to in accordance with their priority.</p> <p>Service Contractors are engaged with regard to their ability to provide prompt and reliable services to our tenants.</p>	<p>Electronic recording indicates maintenance requests are assessed and addressed promptly.</p> <p>Service contractors are engaged in accordance with the priority of the maintenance request.</p>	<p>All maintenance jobs were recorded on the MCT database and allocated to appropriate service people as required</p>	<p>Achieved</p>

Goal 2: Increase the number of housing units.

Description	Starting Point	Target	Results to 30 June 2023	Management Comments
MCT will have a total of 250 housing units by 2030	As at 30 June 2022: 205 units	2023: 217 2024: 219 2025: 221	2023: 205	Not achieved. The Corrick Court development has now received building consent (June 2023).
Collaborate with the MDC in defining, developing, and refining a strategy to address housing needs for elderly and disabled residents in the Manawatu.	Availability of suitable land and residential planning regulations have been assessed	2023: Agreement reached on co-operative goals 2024 – 2025: Advancing goals as determined above	MCT has provided updates in respect of scoping the establishment of a Feilding based CHP at Council meetings.	Achieved. Throughout 2022/2023 year MCT and MDC have communicated regularly on housing strategy, in particular on work that MCT is doing in respect of scoping the possibility of establishing a Feilding based Community Housing provider. By 30th June (and to date) this is still in a scoping phase and no decision has been made to progress.

Goal 3: Develop services promoting health and wellbeing.

Description	Starting Point	Target	Results to 30 June 2023	Management 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 Manawatu.	Needs assessment developed in association with Manchester House.	2023: Outcome decisions made, and planning commenced for community facility 2024 – 2025: Continue development of community facility.	The joint research collaboration between MCT, Manchester House Social Services (funded by MDC) has been completed.	Achieved. By 30th June MCT and MHSS had met to discuss the Smart Community Wellbeing Research that was completed in the 2022/23 year. Findings from this research, alongside an MDC update on the development of the library hub, resulted in the shared view that in the future service development is likely to be community based outreach rather than facility driven.
Continue to offer Manawatu residents the option of rentals at no more than 30% of the superannuation and accommodation benefits available.	April 2022: Highest rental at 25.7% of single superannuation benefit (as at Apr21) including 100% of available accommodation supplement.	2023: <30% 2024: <30% 2025: <30%	The highest rental at 30 June 2023 is \$191 pw, which is 30% of the single superannuation and accommodation benefits available.	Achieved. Note that only 9% of our tenants are at the top rental level, with the lowest rental set at \$158 pw.

Compliance and Financial Performance Targets

Description	Starting Point	Target	Results to 30 June 2023	Management Comments
Provide financial reporting to the MDC as required applying PBE SFR (PS) Public Benefit Entity Simple Format Reporting - Accrual (Public Sector)	Meet half yearly and annual reporting deadlines set by MDC and Audit NZ	2023 - 2025: Reports submitted on time and to the satisfaction of MDC	Failed to meet statutory deadline for Annual Reports FY2022 due to delays in completing audit.	Not achieved
Meet ANZ financial undertakings as per our loan agreements to maintain an effective equity / total tangible asset % greater or equal to 50%	As at 30 June 2021: 84%	2023 – 2025: \geq 50%	83%	Achieved
Maintain an interest coverage ratio of EBITDA to interest at above 3	As at 30 June 2021: 7.9	2023 - 2025: >3	6.3	Achieved

Tyson Schmidt
Chairperson
Manawatu Community Trust



Budget Variance Report FY2023

	Actual FY2023	BUDGET FY2023	Variance	Details
Income				
Residential Rental Income	1,734,733	1,751,660	-16,927	
Commercial Rental Income	1,004,408	1,032,220	-27,812	
MDC Rates Rebate	0	143,280	-143,280	Rates rebate not recognised in report as per audit instructions FY2022
Sundry Income	24,005	1,700	22,305	
MDC Grant Income	55	0	55	A \$2,500 grant for a project which will be completed in FY2024
Total Income	2,763,201	2,928,860	-165,659	
Expenses				
Administration Expenses	124,278	212,090	87,812	Budget for Communications, Consultants and Legal Fees under spent for the year
Maintenance Expenses	378,999	259,660	-119,339	
Rates Expense	138,578	342,580	204,002	Rates rebate not recognised in report as per audit instructions FY2022 - see income above
Insurance Expense	283,244	292,010	8,766	
Trustee & Staff Expenses	433,017	460,870	27,853	
Interest on Borrowing	221,617	285,370	63,753	Significant borrowing for new development did not occur due to delay in development start.
Total Expenses	1,579,733	1,852,580	272,847	
Operating Surplus / Deficit	1,183,468	1,076,280	107,188	
Depreciation				
Depreciation	917,925	551,900	-366,025	A change in depreciation calculation methodology was requested by Auditors for FY2022. This did not occur until after the budget for FY2023 was finalised.
Net Surplus / (Deficit)	265,543	524,380	-258,837	

W P.