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Form RV2

Form version | October 2019

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Post your completed form to: Registrar of Retirement Villages, Private Bag 92061, Victoria Street West, Auckland 1142

Annual return and certificate of registered documents

Sections 13(2) and 16, Retirement Villages Act 2003

Name of village

Aparangi Village

Registration number

2041404

Part 1 — Retirement village details

1. Street address of village:

14 Waerenga Road
Te Kauwhata

2. Address of registered office of village:

This address must be a physical address in New Zealand and must not be a post office box or private bag address.

14 Waerenga Road
Te Kauwhata

3. Address for service of village:

This address must be a physical address in New Zealand and must not be a post office box or private bag address.

14 Waerenga Road
Te Kauwhata

4. Postal address of village:

PO Box 31
Te Kauwhata

5. Email address for village:

6. Telephone number for village:

7. Fax number for village (optional):

Name of village

Aparangi Village

Registration number

2041404

Part 2 — Operator details

1. Name of operator:

Where there is more than one operator continue on a separate sheet and attach all pages to this annual return.

Te Kauwhata Retirement Trust Board

2. Company or other registration number (if any):

211028

3. New Zealand Business Number (if any):

9429042862390

4. Nature of operator:

For example — company, natural person

Charitable Trust

5. Address of registered office of operator:

*This address must be a physical address in New Zealand and must not be a post office box or private bag address.*14 Waerenga Road
Te Kauwhata

6. Address for service of operator:

*This address must be a physical address in New Zealand and must not be a post office box or private bag address.*14 Waerenga Road
Te Kauwhata

7. Postal address of operator to which communications from the Registrar may be sent:

PO Box 31
Te Kauwhata

8. Email address of operator:

9. Telephone number of operator:

10. Fax number of operator (optional):

Name of village

Registration number

Aparangi Village

2041404

Part 3 — Certificate of registered documents

Te Kauwhata Retirement Trust Board

(Insert name of operator)

certify that

for: Aparangi Village

(Insert name of the retirement village)

- Each registered document is correct, current, and not likely to mislead or deceive any resident, intending resident, or the public.
- Documents to update the registered information are attached to the annual return form.
(Form RV3 — Change of circumstances must be completed for material changes).

Signed:

Name of signatory:

ANDREW KERR.

Dated:

29 March 2021

Part 4 — Checklist

To speed up registration, use this checklist to ensure you have included all of the information required.

Have you completed?

- Parts 1, 2 and 3 and have you signed the form *(attach extra pages if applicable)*

Have you attached?

- A copy of the audited financial statements that comply with section 35B of the Retirement Villages Act 2003 (the Act) or, as referred to in section 35F of the Act, the audited financial statements that comply with subpart 3 of Part 7 of the Financial Markets Conduct Act 2013 or section 55 of the Financial Reporting Act 2013; and
- A copy of the audited financial statements which comply with section 35C of the Retirement Villages Act 2003 *(where applicable)*; and
- The documents supporting any information on the register that has changed; and
- A copy of the statutory supervisor's certification addressed to the Registrar *(where applicable)*.

Contact details of person completing this form:

Name: Te Kauwhata Retirement Trust Board

Address:

C/- Anthony Harper
PO Box 2646
Auckland 1140

Fax number (optional):

29 March 2021

The Registrar of Retirement Villages
c/- Companies Office
Ministry of Business, Innovation and Employment
PO Box 5771
Wellesley Street
Auckland 1036

Report of Statutory Supervisor in respect of Aparangi Village (Village)

We confirm that we act as statutory supervisor of the Village.

The terms of our appointment as statutory supervisor are recorded in a Deed of Supervision with the operator of the Village, being Te Kauwhata Retirement Trust Board (**Operator**), dated 7 May 2007 and the Retirement Villages Act 2003 (**Act**).

This report accompanies the Operator's 2020 annual return (**Annual Return**) and has been prepared by us in accordance with sections 13(3) (c) and 42(c) of the Act for the period the subject of the Annual Return only.

In terms of section 13(3) (c) of the Act, we certify that:

1. The Operator has supplied to us a copy of the Operator's audited financial statements for the year ended 30 September 2020. The financial statements of the Operator are the financial statements of the Village.
2. The information contained in the Annual Return is, to the best of our knowledge and belief, accurate.

In terms of section 42(c) of the Act, we report as follows:

1. We have at all times performed our duties and discharged our obligations as statutory supervisor of the Village. In particular, we:
 - a. Have provided and maintained a stakeholder facility for all resident moneys and this facility has been subject to external audit;
 - b. Have monitored the financial position of the Village;
 - c. Will be reporting to the residents on the performance of our duties and the exercise of our powers; and
 - d. Have discharged all other duties imposed on us by the Act, the regulations made under the Act and the Deed of Supervision.
2. The Operator has complied with all covenants and in particular all financial obligations and reporting requirements contained in the Deed of Supervision.



1. We have reviewed all scheduled reports from the Operator for the year ended 30 September 2020.
2. All occupation right agreements issued or terminated during the year ended 30 September 2020 were dealt with in accordance with the relevant provisions of the Act and Deed of Supervision.
3. We have not exercised any of the powers conferred on us as statutory supervisor of the Village pursuant to section 43 of the Act.

Our certification and report have been provided on the basis that, subject to the duties imposed on us as statutory supervisor of the Village by the Act, the regulations made under the Act and the Deed of Supervision, we have relied on the information, explanations and confirmations supplied to us by the Operator and the auditor of the Village and have not carried out an independent check of the same.

Yours faithfully

For Covenant Trustee Services Limited

Jan Signal
Relationship Manager

Te Kauwhata Retirement Trust Board

FINANCIAL STATEMENTS
For the year ended 30 September 2020

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Te Kauwhata Retirement Trust Board

BUSINESS DIRECTORY

For the year ended 30 September 2020

Charities Commission	CC11224
Nature of Business	Retirement Village
Trust Board	Brian Dingle – Chairman John Cunningham – Vice Chairman Neil Bateup Brya Castles Ben Hitchcock Michelle Waters Debbie Sim Glen Beal Tim Searle
General Manager	Andrew Kerr
Address	14 – 18 Waerenga Road Te Kauwhata, 3710
Auditor	PKF Hamilton Audit Limited 1026 Victoria Street Hamilton
Bankers	Bank of New Zealand
Chartered Accountants	RSM New Zealand (Auckland) Highbrook, Auckland
Solicitor	Norris, Ward, McKinnon Hamilton
Statutory Supervisor	Covenant Trustee Services Limited Auckland
Currency	NZ Dollars

Te Kauwhata Retirement Trust Board

**CHAIRMAN'S REPORT
For the year ended 30 September 2020**

It is with pleasure I present the Annual Report of the Te Kauwhata Retirement Trust Board for the year ending 30th September 2020.

This has been an unprecedented year with the global pandemic COVID 19 impacting heavily on our Residents, Staff, Board and Community. While this has created many challenges for us, we are proud that we have been able to keep COVID out of our Village and hope that the policies we have in place will continue to keep our Village safe. During this difficult period our Residents in the Village pulled together and did an amazing job of looking out for each other, staying in their bubbles and following the rules. Life as we know it, had and still has changed for the time being.

COVID 19 put a lot of extra pressure on our staff and I would like to thank them for their dedication towards the resident's safety. We made the decision to shut the Care Unit down early and gained advice from the DHB on how to best protect our residents and staff through a review of our processes. As a result Michelle Feehan (Care Unit Manager) and Nick Inskip (General Manager) left their positions. We have since employed Sue Pollock and Andrew Kerr to fill these positions.

The much anticipated last stage of the Care Unit upgrade was put on hold due to COVID, with plans to move forward on this in the near future.

The Aparangi Village Residents Association is very strong and I would like to thank Len and the committee for their work throughout this year. The new buses have been of great use to the residents.

The Board is still trying to finalise the purchase of the Bowling Club, which will add to the life of our Village greatly.

A huge thanks must go to Scott and his team in keeping the Village grounds in top condition throughout the year. Especially during Level 4 when they did not have to work, but did so and kept on top of things.

The House of Treasures continues to provide us with an income as well as meeting the needs of our local community. Thanks to Sue, Pat and their team of volunteers for all the hours they put into making the House of Treasures what it is. Despite COVID lockdowns they still made approx. \$60,000, an outstanding result.

Financially the Village is doing very well, however occupancy in the Care Unit is down and costs are rising all the time. We have sold 14 Houses/Licence to Occupy. The Board is currently work on where to build next and interest in our Village continues to be high.

Finally, to the Board, this has been an extraordinary year. We have had it all thrown at us in very trying circumstances. We now know what zoom meetings are, and have had to adjust in order to keep things running smoothly. We have put in many extra hours of meetings, work from home as well as interviews. Thank you for all that you do, for working together for the betterment of Aparangi Retirement Village. A unique and beautiful place to reside.


Brian Dingle
Chairman

Te Kauwhata Retirement Trust Board

STATEMENT OF COMPREHENSIVE REVENUE AND EXPENSE
For the year ended 30 September 2020

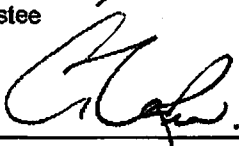
	Note	2020 \$	2019 \$ Restated
Revenue			
Operating Revenue	4	4,704,349	4,318,693
Increase in fair value of investment property		180,000	-
Other Income			
Other Income	5	324,004	361,962
Total Income		5,208,353	4,680,655
Expenses			
Employee Benefits Expense		(2,749,587)	(2,322,885)
Defined Contribution Expense		(56,488)	(45,556)
Depreciation	16	(344,214)	(326,736)
Operating Expenses	8	(1,532,682)	(1,539,235)
Total Expenses		(4,682,971)	(4,234,412)
Surplus before Net Financing Costs		525,382	446,243
Finance Income	7	3,494	5,380
Finance Costs	7	(27,750)	(41,659)
Net Finance Costs		(24,256)	(36,279)
Operating surplus for the year		501,126	409,964
Other comprehensive revenue and expense			
(Loss)/Gain on revaluation of property, plant and equipment		(3,346,160)	884,271
Other comprehensive revenue and expense for the year		(3,346,160)	884,271
Total comprehensive revenue and expense for the year		(2,845,034)	1,294,235

For and on behalf of the Trust board, who authorise the issue of these financial statements on the date shown below:



 Trustee

 Date 29/1/21



 Trustee

 Date 29/1/21



The above statements should be read in conjunction with the notes to and forming part of the financial statements.



Te Kauwhata Retirement Trust Board

STATEMENT OF FINANCIAL POSITION
As at 30 September 2020

	Note	2020 \$	2019 \$ Restated
ASSETS			
Current Assets			
Cash & Cash Equivalents	8	845,944	541,194
Trade & Other Receivables (from exchange transactions)	10	271,706	209,067
Prepayments		87,569	-
Inventory	11	11,842	6,119
Term Deposits	9	109,680	106,276
		1,326,741	862,656
Non-Current Assets			
Property Plant & Equipment	16	9,119,897	12,479,806
Investment Property	17	52,983,457	49,778,327
		62,103,354	62,258,133
TOTAL ASSETS		63,430,095	63,120,789
LIABILITIES			
Current Liabilities			
Trade and Other Payables (from exchange transactions)	12	262,835	383,746
GST Payable		30,399	1
Accrued Employee Benefits	13	298,258	247,498
Fees Received in Advance		46,193	8,345
Deferred Revenue	18	189,219	145,144
Interest Bearing Liabilities	15	118,659	111,808
Residents' Net Liability	14	45,253,458	42,228,328
		46,199,021	43,124,870
Non-Current Liabilities			
Interest Bearing Liabilities	15	482,112	401,923
Unsecured Debentures	22	11,950	11,950
		494,062	413,873
TOTAL LIABILITIES		46,693,083	43,538,743
NET ASSETS/EQUITY			
Accumulated Revenue and Expense		14,050,244	7,739,118
Revaluation Reserve		2,686,768	11,842,928
TOTAL NET ASSETS/EQUITY		16,737,012	19,582,046
TOTAL NET ASSETS/EQUITY AND LIABILITIES		63,430,095	63,120,789

The above statements should be read in conjunction with the notes to and forming part of the financial statements.

Te Kauwhata Retirement Trust Board

STATEMENT OF CHANGES IN NET ASSETS/EQUITY
For the year ended 30 September 2020

	Accumulated Comprehensive Revenue and Expense	Property Plant and Equipment Revaluation Reserve	Total
	\$	\$	\$
Balance at 1 October 2018	7,329,154	10,958,657	18,287,811
Operating surplus for the year	409,964	-	409,964
Gain on revaluation of property, plant and equipment	-	884,271	884,271
Total Comprehensive revenue and expense	409,964	884,271	1,294,235
Balance at 30 September 2019	7,739,118	11,842,928	19,582,046
Balance at 1 October 2019	7,739,118	11,842,928	19,582,046
Reclassification of Investment Property revaluation gains	5,810,000	(5,810,000)	-
Restated Balance at 1 October 2019	13,549,118	6,032,928	19,582,046
Operating surplus for the year	501,126	-	501,126
Gain on revaluation of property, plant and equipment	-	(3,346,160)	(3,346,160)
Total Comprehensive revenue and expense	501,126	(3,346,160)	(2,845,034)
Balance at 30 September 2020	14,050,244	2,686,768	16,737,012

The above statements should be read in conjunction with the notes to and forming part of the financial statements.

Te Kauwhata Retirement Trust Board

STATEMENT OF CASH FLOWS
For the year ended 30 September 2020

	Note	2020 \$	2019 \$
Cash flows from operating activities			
Receipts from residents		3,866,959	3,674,648
Payments to suppliers and employees		(4,458,124)	(3,615,961)
Other Income		320,487	344,104
Receipts from interest		4,292	5,477
Interest Paid		(27,750)	(41,659)
Net cash inflow/(outflow) from operating activities		(294,136)	366,609
Cash flows from investing activities			
(Increase) / Decrease in term deposit		(3,404)	(3,613)
Payments for purchases of plant and equipment		(334,588)	(1,090,143)
Receipts from sales of plant and equipment		7,639	38,362
Net cash inflow/(outflow) from investing activities		(330,353)	(1,055,394)
Cash flows from financing activities			
Funds from sale of ORA		1,058,753	1,030,175
Licences repaid		(216,554)	(109,553)
Settlement of long term debt		(112,960)	(1,106,680)
Drawdown of long term debt		200,000	200,000
Net cash inflow/(outflow) from financing activities		929,239	13,942
Net Increase/(Decrease) in cash and cash equivalents		304,750	(674,843)
Cash and cash equivalents at the beginning of the year	8	541,194	1,216,037
Cash and cash equivalents at end of year	8	845,944	541,194

The above statements should be read in conjunction with the notes to and forming part of the financial statements.

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

1. REPORTING ENTITY

The Te Kauwhata Retirement Trust Board ("the Trust") is a Trust incorporated and domiciled in New Zealand and is registered under the Charitable Trust Act 1957.

The business of Te Kauwhata Retirement Trust Board is to provide independent living units and residential care, nursing, medical and other services for the care and benefit of aged residents. The address of its registered office is 14 Waerenga Road, Te Kauwhata.

2. BASIS OF PREPARATION

a. Statement of compliance

The financial statements have been prepared in accordance with the Charities Act 2005, the Retirement Villages Act 2003 and generally accepted accounting practice in New Zealand. The Board has elected to report in accordance with Tier 2 Not-For-Profit Public Benefit Entity Accounting Standards Reduced Disclosure Regime ("PBE Standards RDR") and has applied disclosure concessions. The Board is eligible to report in accordance with Tier 2 PBE Standards RDR because it is not publicly accountable and does not have expenditure in excess of \$30 million.

These financial statements have been approved for issue by the Board of Trustees on 23rd December 2020. The Trustees do not have the power to amend the financial statements after this date.

b. Basis of measurement

These financial statements have been prepared on the historical cost basis, except certain items of property, plant and equipment and investment property which are measured on a revaluation model as detailed in the policy below.

c. Functional and presentation currency

The financial statements are presented in New Zealand dollars (\$), rounded to the nearest dollar, which is the Trust's functional currency.

d. Use of estimates and judgements

The preparation of financial statements in conformity with PBE Standards RDR requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements, assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 September 2020 include the following:

- o Occupation Right Agreement (ORA) fees - The occupation right agreement fees comprise financial liabilities with a demand feature, and therefore, their fair value may not be less than the amount repayable on demand, which is the fair value at date of occupation.
- o Fair value of Land & Buildings - The fair value of land and buildings has been determined based on the most recent valuation in 2020. The value of Buildings has

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

since been depreciated at a rate of 2% on a straight line method as per depreciation policy. Trustees are of the view that the valuation is reflective of the fair value.

3. STATEMENT OF ACCOUNTING POLICIES

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

a. Investment property

Land and/or buildings for which the present use is solely or predominantly to derive rental income or the property has the potential to realise capital appreciation. Property will be recognised as investment property only when it is probable that future economic benefits associated with the property will flow to the Trust, the cost of the investment property can be measured reliably, and the investment property in its current condition is able to be sold separately or leased out under a lease.

(i) Recognition and measurement

Land is available for use under Occupation Right Agreements, and rental properties are available for use by residents and not the Trust. The Trust has classified land and/or buildings for which the present use is solely or predominantly to derive rental income or the property has the potential to realise capital appreciation. Property will be recognised as investment property only when it is probable that future economic benefits associated with the property will flow to the Trust, the cost of the investment property can be measured reliably, and the investment property in its current condition is able to be sold separately or leased out under a lease. Land is re-valued on a periodic, but at least triennial basis with the valuations performed by external independent valuers.

Fair value movements on investment property are not part of the Revaluation Surplus Reserve. Gains or losses arising on the measurement of fair value of investment property are recognised in the surplus for the year and form part of Accumulated Funds. In the prior year a portion of land held under property, plant & equipment was transferred to investment property, as a result a portion of the revaluation reserve held in relation to the land value has been transferred to retained earnings.

b. Property, plant and equipment

(i) Recognition and measurement

Capital work in progress is not depreciated. The total cost of this work is transferred to the relevant asset category on the completion of the project and then depreciated.

Buildings are carried at fair value, based on periodic, but at least triennial, valuations by external independent valuers. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount of the asset is restated to the re-valued amount of the asset. Depreciation is charged in the years that valuations by external independent valuers have not been undertaken. Buildings are stated at revalued amounts less accumulated depreciation (and impairment) between revaluation cycles.

Increases in the carrying amounts arising on revaluation of property, plant and equipment are credited to revaluation reserves in equity. To the extent that the increase reverses a decrease previously recognised in surplus or deficit, the increase is first recognised in the surplus or deficit. Decreases that reverse previous increases of the same asset are first charged against revaluation reserves directly in net assets/equity to the extent of the remaining reserve attributable to the asset; all other decreases are charged to surplus or deficit.

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

Other items of property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to its working condition for its intended use. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Trust and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to surplus or deficit during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in operating surplus or deficit. When re-valued assets are sold, it is the Trust's policy to transfer the amounts included in the revaluation reserve in respect of those assets to accumulated revenue and expense.

Covenant Trustee Services Limited holds security over the village property in the form of the first registered encumbrance and also a registered General Security Agreement ("GSA").

(ii) Depreciation

Land and capital work in progress are not depreciated.

Depreciation on other assets is charged to surplus or deficit on a diminishing value (DV) or straight line (SL) basis to allocate their cost or re-valued amounts, net of their residual values, over their estimated useful lives, as follows:

- Buildings	SL 2%
- Plant and Equipment	DV 4% - 67%
- Vehicles	DV 20% - 30%

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

c. Financial Instruments

(i) Financial risk management objectives and policies

The Trust classifies its financial instruments in the following categories: loans and receivables, and liabilities at amortised cost. The classification depends on the purpose for which the instruments are acquired. Management determines the classification of its instruments at initial recognition. At the reporting date all financial assets were classified as 'loans and receivables'. All financial liabilities were classified as 'other liabilities at amortised cost'.

The main risks arising from the Trust's financial instruments are liquidity risk, interest rate risk and credit risk. The Trustees review and agree on policies for managing each of these risks as summarised in note 26.

Details of the significant accounting policies and methods adopted, including criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are also disclosed below.

(ii) Non-derivative financial instruments

A financial instrument is recognised if the Trust becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Trust's contractual rights to the cash flows from the financial assets expire or if the Trust transfers the financial asset to another party without retaining control or substantially all the risks and rewards of the asset. Financial liabilities are derecognised if the Trust's obligations specified in the contract expire or are discharged or are cancelled.

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS For the year ended 30 September 2020

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below:

Loans and receivables and other liabilities

Subsequent to initial recognition, these non-derivative instruments are measured at amortised cost using the effective interest method, less any impairment losses in respect of financial assets.

Loans and receivables comprise: cash and cash equivalents; trade receivables; and deposits. Other liabilities comprise: Residents net liabilities (including occupational licence deposits and unamortised amenities contribution fee); loans and borrowings; deposits received and trade and other payables. Further explanation is provided below in regards to some of the more specific financial instruments:

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short term deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Trust's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

Residents' net liabilities

Residents' net liabilities consist of occupational right agreement fees and unamortised administration fees.

Occupational right agreement (ORA) fees

Occupational right agreements are not interest bearing and are payable when both a terminating event has occurred (i.e. receipt by the Manager of an acknowledgement of termination signed by the Resident or the Resident's attorney or the personal representative of a deceased Resident), and there has been a subsequent resale of the licence, and the settlement proceeds from the resale have been received by the Trust. Experience has shown that residents generally reside in the village for an average of 8.2 years for independent units and 4.2 years for semi independent units however occupational right agreements are classified as current, as the Trust does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The residents' deposits are initially recorded at fair value plus directly attributable transaction costs, being the original payment received/amount payable on demand.

d. Impairment of Financial and Non-Financial Assets

Financial Assets

The entity considers evidence of impairment for financial assets measured at amortised cost (trade and other receivables) at a specific asset and not at a collective level. All individually significant assets are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in operating surplus or deficit and reflected in an allowance account against trade and other receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through operating surplus or deficit.

Te Kauwhata Retirement Trust Board

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020**

Non-Financial Assets

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

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in operating surplus or deficit.

The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value and the risks specific to the asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

e. Revenue

Revenue comprises the fair value for the provision of services, net of Goods and Services Tax.

The following specific recognition criteria in relation to the Board's revenue streams must also be met before revenue is recognised.

(i) Revenue from exchange transactions

Occupation Right Agreement (ORA) Fees

At Aparangi, the freehold in the land is retained by the Village Operator (the "Trust") while residents own the improvements. Occupation right agreement fees are payable by residents of the Trust's land under the terms of their ORA. The fees are payable by the residents at the inception of the agreement, however revenue is deferred over the contractual tenancy of the resident being 5 years for independent units and 2 years for semi independent units. The fees are repayable on a pro rata basis only in the event that the occupants sell their units within the specified period; five years for independent units and two years for semi independent units. Any remaining fees are recognised as revenue in the profit and loss component of the statement of comprehensive income when the units are sold if the entire balance has not previously been recognised. The Trust does not have an obligation to buy back the unit but assists in the sale. Any refund of ORA fees payable to a resident, is funded by the ORA fee charged to the new resident of the unit.

Village Outgoings

A weekly village outgoing fee is charged to the owners of the units to cover the upkeep of the village. These fees are recognised in the accounting period in which the associated services are provided to residents.

Rest Home Care Services

Rest Home Care fees are recognised in the accounting period in which the services are rendered on an accruals basis.

Te Kauwhata Retirement Trust Board

**NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020**

Rental Unit Income

Rental Units are provided for rental. The rent received is recognised in the accounting period in which the service is provided. Rent is received on a straight line basis over the rental term.

(ii) Revenue from non-exchange transactions

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

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

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

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

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

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

A liability is only recognised in relation to a non-exchange transaction where there is a condition such as an obligation to return unexpended funds.

Grants, Donations, Legacies and bequests

Non-exchange revenue from Grants or Donations is recognised when the revenue is received unless there are conditions attached to the inflow of revenue, in which case a liability is recognised and revenue is recognised as the conditions are met.

f. Net Finance Costs

Interest Income

Interest income on bank deposits and amounts held by trustees are recognised in the operating surplus or deficit it accrues, using the effective interest method.

Interest expenses

Interest expense comprises interest payable on borrowings and is calculated using the effective interest rate method.

g. Goods and Services Tax

These financial statements have been prepared on a GST exclusive basis, except those retirement activities carried on by the Trust that are determined by Inland Revenue Department, to be an exempt activity under the Goods and Services Act 1985. All items in the statement of financial position have been prepared so that all components are net of GST, with the exception of receivables and payables, which include GST invoiced.

h. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

i. Trade and Other Receivables

Trade receivables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortized cost, less allowance for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. An allowance for doubtful debts are established when there is objective evidence that the Trust will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the asset's carrying amount and the estimated further cash flows discounted at the original effective interest rate. The amount of the allowance is recognised in the operating surplus or deficit.

j. Trade and Other Payables

These amounts represent liabilities for goods and services provided to Te Kauwhata Retirement Trust Board prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are initially recognised at fair value plus directly attributable transaction costs, and subsequently amortised using the effective interest method.

k. Income Tax

The Trust has charitable status and is exempt from income tax.

l. Deferred Revenue

Maintenance fees - These relate to payments from residents in advance for the Trust's periodic maintenance, upgrading and the replacement of large communal items of the Retirement Village in accordance with the Trust's long term maintenance plan. The revenue is deferred until the related maintenance activities are undertaken.

m. Borrowings

Borrowings are initially recognized at fair value, plus directly attributable transaction costs incurred. They are classified as current liabilities unless the Trust has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Any difference between the proceeds (net of transaction cost) and the redemption amount is recognised in the surplus or deficit over the period of the borrowings using the effective interest method. Borrowing costs are expensed as incurred.

n. Employee Benefits

Short-term employee benefits

Short-term employee benefits are recognised when the Trust has a legal or constructive obligation to remunerate employees for services provided beyond 12 months of the reporting date, and is measured on an undiscounted basis and expensed in the period in which employment services are reported.

Liabilities for wages and salaries, annual leave and alternative days leave are recognised in accrued employee benefits in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long-term employee benefits

Long-term employee benefit obligations are recognised when the Trust has a legal or constructive obligation to remunerate employees for services provided beyond 12 months of the reporting date. The Trust pays contributions to Kiwisaver. The contributions are recognised as an employee benefit expense when they are due.

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

o. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in first out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

p. Cash Flow Statement

The following are definitions of the terms used in the cash flow statement:

- Cash comprises cash at bank and cash on hand.
- Investing activities are those activities relating to the acquisition, and holding and disposal of property plant and equipment (PPE).
- Financing activities are those activities relating to the financing of the Trust's activities and include the proceeds from the sales and repayments of ORA's and in long term debt.
- Operating activities include all transaction and other events that are not investing or financing activities.

q. Tier 2 Accounting standards issued but not yet effective

- XRB A1 2019 Amendments to XRB A1 Appendix A
- PBE IFRS 9 Financial Instruments
- PBE IFRS 41 Financial Instruments
- PBE FRS 48 Service Performance Reporting

4. REVENUE

	2020	2019
	\$	\$
Revenue from exchange transactions		
Rest Home Care Services	2,966,696	2,906,624
Rental Income	224,364	210,801
Village Outgoings	516,790	449,763
Other Operating Revenue	154,300	129,465
Occupancy Right Agreement Fees	842,199	622,040
Total	<u>4,704,349</u>	<u>4,318,693</u>

5. OTHER INCOME

	2020	2019
	\$	\$
Revenue from exchange transactions		
Property Sales Fees	173,333	192,025
Settlement Fee	14,067	17,922
Aparangi Shop Sales	71,484	79,970
Gain on sale of Property, Plant & Equipment	3,517	17,858
Insurance Recoveries	60,543	48,224
Revenue from non-exchange transactions		
Grants and Donations	1,060	5,963
Total	<u>324,004</u>	<u>361,962</u>

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

6. EXPENSES

	2020	2019
	\$	\$
Surplus for the year includes the following specific expenses:		
Operating Expenses		
ACC	29,388	22,251
Audit Fees	16,141	13,791
Insurance	111,158	84,920
Rates	232,291	232,324
Repairs and Maintenance	230,300	188,584
Retirement Village Act Compliance	-	3,027
Kitchen Food Supplies	169,179	155,337
Loss on Sale/Disposal of Property, Plant & Equipment	-	348
Other Operating Costs	744,225	838,653
Total operating expenses	1,532,682	1,539,235

7. NET FINANCE COSTS

	2020	2019
	\$	\$
Finance Income		
Interest Income	3,494	5,380
Total Finance Income – loans and receivables	3,494	5,380
Finance Costs		
Interest Expense	27,750	41,659
Total Finance Costs – liabilities at amortised cost	27,750	41,659
Net Finance Costs	24,256	36,279

8. CASH AND CASH EQUIVALENTS

	2020	2019
	\$	\$
Cash on Hand	1,052	806
Bank Balances – Cheque Account	339,750	134,742
Bank Balances – Planned Maintenance Fund	208,517	164,299
Deposits at Call	296,625	241,347
	845,944	541,194

a. Cash at Bank and On Hand

These balances are non-interest bearing.

b. Deposits at Call

The deposits are bearing floating interest rates of 0.10% (2019: 0.10%). These deposits are on daily call.



Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

c. Fair Value

The carrying amount for cash and cash equivalents is stated at fair value.

9. TERM DEPOSITS

	2020	2019
	\$	\$
BNZ 3054 – 210 Days - @ 1.65% (2019: 3.20%)	109,680	106,276
	<u>109,680</u>	<u>106,276</u>

10. TRADE AND OTHER RECEIVABLES (FROM EXCHANGE TRANSACTIONS)

	2020	2019
	\$	\$
Trade Receivables	271,185	207,748
Interest Accrual	521	1,319
Net Receivables from exchange transactions	<u>271,706</u>	<u>209,067</u>

a. Impaired Receivables

Trade receivables that are less than three months past due are not considered impaired. As of 30 September 2020, trade receivables of \$80,812 (2019: \$21,359) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The carrying value of trade and other receivables reflects the fair value. There is no collateral held and maximum exposure equals carrying value.

11. INVENTORY

	2020	2019
	\$	\$
Kitchen and Food Supplies	9,342	3,872
Medical Supplies	2,500	2,247
Total Inventory	<u>11,842</u>	<u>6,119</u>

12. TRADE & OTHER PAYABLES (FROM EXCHANGE TRANSACTIONS)

	2020	2019
	\$	\$
Accruals	79,982	48,698
Trade Payables	182,878	335,048
Net Payables from exchange transactions	<u>262,860</u>	<u>383,746</u>

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

13. ACCRUED EMPLOYEE BENEFITS

	2020	2019
	\$	\$
Employee Benefits		
Wages	116,187	94,064
Annual Leave	182,071	153,434
Total Employee Benefits	298,258	247,498

14. RESIDENTS' NET LIABILITY

	2020	2019
	\$	\$
Refundable occupation rights agreement	32,388,693	28,604,704
Less: Management fees	(4,298,573)	(3,860,983)
Plus: Residents share of capital gains	17,163,337	17,484,607
	45,253,457	42,228,328

Movement in gross occupancy agreements

	2020	2019
	\$	\$
Opening Balance	28,604,704	24,393,184
Plus: new occupancy agreements	5,878,000	6,598,520
Less: amounts paid on termination	(2,094,011)	(2,387,000)
	32,388,693	28,604,704

Gross Occupancy Agreements are non-interest bearing.

15. INTEREST BEARING LIABILITIES

	2020	2019
	\$	\$
Bank of New Zealand - Secured		
Long Term Loan for RCU stage 2	482,112	401,923
Short Term Portion of Loan	118,659	111,808
	600,771	513,731

Bank of New Zealand has provided the Trust with a project finance loan of \$600,771 with the sole purpose of funding the Trust's residential care unit redevelopment project. The loan has a floating portion remaining of \$600,771. The term for the facility is 5 years with a maturity date of 27 January 2022 and a total facility of \$1,858,120. Interest is calculated at 3.82% (2019: 4.57%). Irregular repayments of \$9,590 are made.

BNZ has the following security interest in relation to above loan facilities:

- Registered second mortgage over Aparangi Village, comprising 13.5390ha at 14 Waerenga Road, Te Kauwhata, described in Certificate of Title number SA 42B/674, valued at \$3,650,000.
- Registered second mortgage over 2,612m² at 4 Waerenga Road, Te Kauwhata, described in Certificate of Title number 1205/116, valued at \$180,000
- Perfected security interest in all present and after acquired property of Te Kauwhata Retirement Trust Board, valued at \$5,366,304.
- Total restricted assets are \$11,865,143, which agrees with the total of land and buildings.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

16. PROPERTY, PLANT AND EQUIPMENT

	Note	Land and Buildings	Vehicles	Plant and Equipment	Retirement Village	Capital Work in Progress	Total
		at valuation \$	at cost \$	at cost \$	at valuation \$	at cost \$	\$
Balance at 1 October 2018		11,665,143	15,920	463,567	42,472,851	481,933	55,099,414
Additions/(sales)		665,833	40,008	154,820	-	208,630	1,069,291
Transfer		567,732	-	-	-	(567,732)	-
Revaluation gain		(889,312)	-	-	5,108,238	-	4,218,926
Additions to Residents' Property		-	-	-	2,197,238	-	2,197,238
Depreciation		(209,410)	(2,187)	(115,139)	-	-	(326,736)
Net book value at 30 September 2019		11,799,986	53,741	503,248	49,778,327	122,831	62,258,133
Cost or Valuation		12,179,969	77,899	1,616,374	49,778,327	122,831	63,775,400
Accumulated depreciation		(379,983)	(24,158)	(1,113,126)	-	-	(1,517,266)
Net book value at 30 September 2019		11,799,986	53,741	503,248	49,778,327	122,831	62,258,133

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

Note	Land and Buildings	Care Facility	Vehicles	Plant and Equipment	Retirement Village	Capital Work in Progress	Total
	at valuation \$	at valuation \$	at cost \$	at cost \$	at valuation \$	at cost \$	\$
Balance at 1 October 2019	11,799,986	-	53,741	503,248	49,778,327	122,831	62,258,133
Reclassification of Investment Property	-	-	-	-	(49,778,327)	-	(49,778,327)
Restated Balance at 1 October 2019	11,799,986	-	53,741	503,248	-	122,831	12,479,806
Transfer	(7,924,139)	8,200,240	-	(276,101)	-	-	-
Additions/(sales)	25,515	10,243	-	88,655	-	208,052	330,465
Revaluation loss	(48,845)	(3,297,315)	-	-	-	-	(3,346,160)
Depreciation	(52,517)	(213,168)	(10,748)	(67,781)	-	-	(344,214)
Net book value at 30 September 2020	3,800,000	4,700,000	42,993	246,021	-	330,883	9,119,897
Cost or Valuation	3,800,000	4,700,000	77,899	676,335	-	330,883	9,585,117
Accumulated depreciation	-	-	(34,906)	(430,314)	-	-	(465,220)
Net book value at 30 September 2020	3,800,000	4,700,000	42,993	246,021	-	330,883	9,119,897

Details of security interest held over Property, Plant and Equipment are detailed in Note 15.

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

As at 30 September 2020, the following land and buildings were independently valued at the following amounts:

	\$
Rental Units	2,550,000
Rehabilitation Unit	80,000
Care Facility	4,700,000
Development Land	850,000
Residential Property	<u>520,000</u>
Total re-valued land and buildings	8,500,000

a. Valuation Basis

Land & buildings are re-valued on a periodic basis, but at least triennial, valuation by external independent valuers. The last revaluation was performed by Michael Gunn of CBRE Limited, independent registered valuer and associates of the New Zealand Institute of Valuers in September 2020.

Rental Units

Rental units (included in buildings) were valued at a \$2,550,000. The fair values are based on a gross realisation in one line approach. The value of \$102,000 per unit (25 units was adopted and discounted for disposal costs, an allowance for profit and risk and a notional allowance for holding costs).

Rehabilitation Unit

The rehabilitation unit was valued at \$80,000 on 30 September 2020, using a sales comparison approach and considering the sale price of other rehabilitation units comparable in size, location, and purpose.

Development land

This was valued using a sales comparison approach. Key assumptions used were to compare the property with other development land comparable in size, location, and purpose. The developed land was valued at \$240,000 for 18 Aparangi Drive and \$410,000 for 4 Waerenga Road.

Care Facility

This was re-valued to \$4,700,000 using direct comparison approach. Key assumptions used were to compare the facility with other care facilities comparable in size, location and purpose.

Plant and equipment, vehicles and capital work in progress are not re-valued.

In March 2020, the World Health Organisation designated COVID-19 to be a 'Global Pandemic'. Market activity is being impacted in many sectors. As at valuation date, the valuer considers it appropriate to attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The economic effect of COVID-19 on the retirement and aged care sectors in New Zealand is currently unknown and will largely depend on the scale and longevity of the outbreak. Comparable transactions and market evidence since the outbreak is limited.

Due to the increased uncertainty, the valuation is therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case.

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

17. INVESTMENT PROPERTY

	Note	Land at valuation \$	Buildings at valuation \$	Total \$
Balance at 1 October 2019		-	-	-
Reclassification from Property, Plant & Equipment		7,550,000	42,228,327	49,778,327
Restated Balance at 1 October 2019		7,550,000	42,778,327	49,778,327
Additions/(sales)		-	3,365,437	3,365,437
Revaluation gain		180,000	(340,307)	(160,307)
Depreciation		-	-	-
Net book value at 30 September 2020		7,730,000	45,253,457	52,983,457
Cost or Valuation		7,730,000	45,253,457	52,983,457
Accumulated depreciation		-	-	-
Net book value at 30 September 2020		7,730,000	45,253,457	52,983,457

As at 30 September 2020, the following land and buildings were independently valued at the following amounts

	2020 \$
Retirement village measured at fair value	7,730,000
Plus: Refundable occupation rights agreement	32,388,693
Less: Management fees receivable	(4,298,573)
Plus: Residents share of capital gains	17,163,337
Total re-valued retirement village	52,983,457

a. Valuation Basis

Land & buildings are re-valued on a periodic basis, but at least triennial, valuation by external independent valuers. The last revaluation was performed by Michael Gunn of CBRE Limited, independent registered valuer and associates of the New Zealand Institute of Valuers in September 2020.

Retirement Village

The retirement village was valued based on a discounted cashflow model. Key assumptions used in the Model are:

- Cashflow period - 20 years
- Terminal yield (on year 20) – 15.5%
- Disposal cost allowance (on year 20 terminal value) – 2%
- Target internal rate of return – 18.63%

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

In March 2020, the World Health Organisation designated COVID-19 to be a 'Global Pandemic'. Market activity is being impacted in many sectors. As at valuation date, the valuer considers it appropriate to attach less weight to previous market evidence for comparison purposes, to inform opinions of value. The economic effect of COVID-19 on the retirement and aged care sectors in New Zealand is currently unknown and will largely depend on the scale and longevity of the outbreak. Comparable transactions and market evidence since the outbreak is limited.

Due to the increased uncertainty, the valuation is therefore reported on the basis of 'material valuation uncertainty'. Consequently, less certainty, and a higher degree of caution, should be attached to the valuation than would normally be the case.

18. DEFERRED REVENUE

	2020	2019
	\$	\$
Deferred maintenance	189,219	145,144
Total Deferred Maintenance	189,219	145,144

Funds have been received from the residents for future planned maintenance. The funds are held in a separate bank account for use only on capital maintenance projects. The total deferred maintenance revenue represents a liability because the Board of Trustees have determined that this is the likely cost to maintain the property as agreed on in the occupation licence agreement.

19. CONTINGENT LIABILITIES

There is ongoing mediation regarding a legal matter the Trust is involved in. In the event mediation is unsuccessful the estimated cost to the Trust is \$20,000 (2019: \$Nil).

20. CAPITAL COMMITMENTS

As at 30 September 2020, the Trust has no capital commitments (2019: \$Nil).

21. SUBSEQUENT EVENTS

In March 2020, the World Health Organisation designated COVID-19 to be a 'Global Pandemic', threatening the health and well-being of large numbers of people across multiple countries. The global outbreak has caused escalating levels of societal uncertainty. In response, New Zealand entered a Government-directed lockdown on 25 March 2020.

Whilst there will be significant impacts on the broader New Zealand and global economy, COVID-19 and its associated economic impacts remain uncertain. The Trust continues to closely monitor developments with a focus on potential financial and operational impacts. The Board, on the date of approving these financial statements, are of the view the effects of COVID-19 do not change the significant estimates, judgements and assumptions in the preparation of financial statements, however note that the situation is continuing to evolve.

There have been no events since balance date that require disclosure in these financial statements (2019: a further \$200,000 drawn down on the BNZ Loan on 24 October 2019).

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

22. UNSECURED DEBENTURES

Of the total amount of unsecured debentures, the amount of \$1,350 attracts an annual interest payment from the Trust at a fixed rate of 5.0% per annum, if demanded. The balance of the debentures is on an interest free basis to the Trust.

The holders of the unsecured debentures are as follows:

Name	Debenture Numbers	2020	2019
		\$	\$
D J Condell	65	100	100
O J Wilkins	66 – 68 Inclusive	300	300
KL Harvey	80 – 81	200	200
Estate of Z McLean	82 – 83; 86 – 87	350	350
J E Harrison	84 – 85; 89 – 90; 95 – 97; 103 – 105; 516	11,000	11,000
		<u>\$11,950</u>	<u>\$11,950</u>

23. TRANSACTIONS WITH RELATED PARTIES

Related party transactions of a material nature that occurred during the financial year for which these financial statements are prepared are –

Community Trusts in Care Aotearoa Ltd on charged \$Nil of NZACA fees to the Trust (2019: \$1,366). As at reporting date there is a balance payable of \$Nil (2019: \$1,366) which is due on the 20th of the month following. Neil Bateup, Trustee is also a director and the Trust is a shareholder of Community Trusts in Care Aotearoa Ltd.

24. KEY MANAGEMENT PERSONNEL AND COMPENSATION

Key management and personnel are considered to be the board of trustees and the leadership team.

	2020	Number	2019	Number
Trustees	\$		\$	
Remuneration	-	9	-	7

Members of the governing body are not paid an annual fee or honoraria for each meeting attended during the period.

	2020	FTE	2019	FTE
Leadership Team	\$		\$	
Remuneration	\$404,215	4.00	\$311,947	3.92

The members of the leadership team are employed as employees of the Board, on normal employment terms.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

25. OPERATING LEASE COMMITMENTS

As at 30 September 2020 the Trust entered into an agreement for the lease new photocopiers.

Operating lease expenses are payable as follows:

	2020	2019
	\$	\$
Payable within one year	18,546	18,377
Payable between one and two years	49,742	48,141
	68,288	66,518

26. FINANCIAL INSTRUMENTS

Capital Management

All equity of the Trust is considered to be capital. The objective of the Trust's capital management is to ensure a strong capital position. This is achieved by accumulating consistent surpluses. The capital is not subject to any external requirements except that it cannot be wound up without consent of the Statutory Supervisor.

Classification of financial assets and liabilities

Assets as per Statement of Financial Position

		Loans and Receivables	
		2020	2019
		\$	\$
Cash and Cash Equivalents	8	845,944	541,194
Term Deposits	9	109,680	106,276
Trade and Other Receivables	10	271,185	207,748
Interest Accrual	10	521	1,319
		1,227,330	856,537

Liabilities as per Statement of Financial Position

		Measured at amortised cost	
Trade and Other Payables	12	262,860	383,746
Unsecured Debentures	21	11,950	11,950
Interest Bearing Liabilities	15	600,771	513,731
Occupation Rights Agreement	14	45,253,458	42,228,328
		46,129,039	43,137,755

Te Kauwhata Retirement Trust Board

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2020

27. COMPARATIVE VALUE CHANGE

Comparative values for the Trust have changed as a portion of land held under property, plant & equipment was reclassified as investment property, as a result a portion of the revaluation reserve held in relation to the land value has been transferred to retained earnings.

The result of the amendments to the statement of financial position is as follows:

	Increase/(Decrease)
	2019
	\$
Investment Property	49,778,327
Property Plant & Equipment	(49,778,327)
Accumulated Comprehensive Revenue and Expense	5,810,000
Property Plant and Equipment Revaluation Reserve	(5,810,000)



**INDEPENDENT AUDITOR'S REPORT
TO THE TRUSTEES OF TE KAUWHATA RETIREMENT TRUST BOARD**

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Te Kauwhata Retirement Trust Board ("the Trust"), which comprise the statement of financial position as at 30 September 2020, and the statement of comprehensive revenue and expense, statement of changes in net assets/equity and cash flow statement for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Trust as at 30 September 2020, and its financial performance and its cash flows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Trust in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Emphasis of matter

Without modifying our opinion, we draw attention to the disclosures about the impact of COVID-19 on the Trust as set out in Note 21 to the financial statements. We draw specific attention to the following matter due to the significant level of uncertainty caused by COVID-19:

Property, Plant and Equipment and Investment Property

Note 16 on page 21 and Note 17 on page 23 describes the significant uncertainties highlighted by the valuer, related to estimating the fair value of the Trust's property, plant and equipment and investment properties.

Other Information

The trustees are responsible for the other information. The other information obtained at the date of this auditor's report is information contained in the annual report but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements 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, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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.

Trustees' Responsibilities for the Financial Statements

The trustees are responsible on behalf of the Trust for the preparation and fair presentation of the financial statements in accordance with PBE Standards RDR, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible on behalf of the Trust for assessing the Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the Trust or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

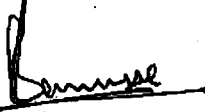
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting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

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

Report on Other Legal and Regulatory Requirements

Who we Report to

This report is made solely to the Trust's trustees, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trust and the Trust's trustees, as a body, for our audit work, for this report or for the opinions we have formed.



Director
PKF Hamilton Audit Limited
Hamilton
New Zealand
29 January 2021