WINTON

WINTON PROPERTY LIMITED
ANNUAL REPORT
2021

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It is with great pleasure that I present the 2021 Annual Report for the Winton Property Limited Group (Winton).

2021 has been another busy year for Winton focussed on realising revenue from development activity undertaken in previous years. Winton has delivered 553 settlements of land and dwellings across New Zealand in the past 12 months and successfully launched a number of new developments and products across New Zealand and Australia.

Winton has also continued to increase its pre-sales book which at 30 June 2021 was 1,889 sales, equating to gross revenue in excess of $652m.

Winton's development pipeline continues to grow with the recent acquisitions of land at Ardmore (South Auckland), Avon Loop (Christchurch) and Wynyard Quarter (Central Auckland). The planning and development of these projects will be a key focus in the coming year.

During 2021, Winton also unveiled its retirement living brand Northbrook. Initially five villages within the current portfolio, this will be a key growth area for Winton in the coming years. We are excited about this next phase and think we have great positioning in the market where we believe there is strong demand and little competition.

Some incredible achievements from the Winton team. On behalf of the Board, and my fellow shareholders, I would like to thank the Winton team for all of their hard work and look forward to the coming year.

CHRISTOPHER MEEHAN
CHAIRMAN / CHIEF EXECUTIVE OFFICER

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2021

All VALUES IN $000'S	NOTE	2021	2020
Revenue	2	176,980	30,776
Cost of sales		(119,554)	(25,416)
Gross profit		57,426	5,360
Development management fees		27,500	-
Other income		1,123	284
Interest income		215	190
Property expenses		(623)	(293)
Interest expense and bank fees		(6,271)	(7,325)
Selling expenses		(6,451)	(3,769)
Administrative expenses	5.1	(9,186)	(9,993)
Profit / (loss) before income tax		63,733	(15,546)
Income tax (expense) / benefit			
Current taxation	5.2	(15,179)	2,826
Deferred taxation	5.2	(2,460)	1,402
Total income tax (expense) / benefit		(17,639)	4,228
Profit / (loss) after income tax		46,094	(11,318)
Items that may be reclassified to profit or loss: Movement in currency translation reserve		(12)	75
Total comprehensive income after income tax attributable to the shareholders of the Company		46,082	(11,243)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2021

All VALUES IN $000'S	NOTE	SHARE CAPITAL	RETAINED EARNINGS	FOREIGN CURRENCY TRANSLATION RESERVE	TOTAL EQUITY
Balance as at 1 JULY 2019		39,100	18,760	(59)	57,801
Total comprehensive income		-	(11,318)	75	(11,243)
Issue of shares	5.3	10,000	-	-	10,000
Balance as at 30 JUNE 2020		49,100	7,442	16	56,558
Total comprehensive income		-	46,094	(12)	46,082
Dividends to shareholders	5.3	-	(18,845)	-	(18,845)
Balance as at 30 JUNE 2021		49,100	34,691	4	83,795

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2021

All VALUES IN $000'S	NOTE	2021	2020
CURRENT ASSETS			
Cash and cash equivalents	5.9	35,026	16,980
Restricted cash	5.4	34,391	-
Accounts receivable, prepayments and other receivables	5.5	5,217	2,906
Taxation receivable		-	166
Inventories	3	46,954	75,174
Total current assets		121,588	95,226
NON-CURRENT ASSETS			
Restricted cash	5.4	11,120	1,016
Inventories	3	116,937	101,115
Property, plant and equipment		2,926	3,019
Right-of-use asset		735	979
Intangible assets		123	123
Deferred tax asset	5.2	-	1,365
Total non-current assets		131,841	107,617
Total assets		253,429	202,843
CURRENT LIABILITIES			
Accounts payable, accruals and other payables	5.6	16,585	10,785
Taxation payable		15,079	-
Total current liabilities		31,664	10,785
NON-CURRENT LIABILITIES			
Borrowings	4, 5.9	128,732	133,704
Lease liability		547	790
Contract liability	5.7	7,225	-
Deferred tax liabilities	5.2	1,095	-
Long term deposits	5.8	371	1,006
Total non-current liabilities		137,970	135,500
Total liabilities		169,634	146,285
Net assets		83,795	56,558
EQUITY			
Share capital	5.3	49,100	49,100
Foreign currency translation reserve		4	16
Retained earnings		34,691	7,442
Total equity		83,795	56,558

These consolidated financial statements are signed on behalf of Winton Property Limited on 1 October 2021.

CHRISTOPHER MEEHAN
CHAIRMAN

DAVID LIPTAK
NON-EXECUTIVE DIRECTOR

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2021

All VALUES IN $000'S	NOTE	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		208,635	31,068
Interest received		213	191
Net GST received		1,200	489
Payments to suppliers and employees		(106,832)	(82,743)
Deposits paid on unconditional contracts for development land		(10,000)	-
Interest and other finance costs paid		(9,199)	(5)
Income tax received / (paid)		66	(80)
Net cash flows from operating activities		84,083	(51,080)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(307)	(452)
Net cash flows from investing activities		(307)	(452)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from the issue of new shares	5.3	-	10,000
Funding of restricted cash	5.4	(43,109)	-
Dividends paid to shareholders	5.3	(18,845)	-
Proceeds from MMLIC facility	4	130,000	-
Net (repayment) / proceeds from Clipper facility	4	(133,796)	47,560
Net repayment of related party loans		20	1
Net cash flows from financing activities		(65,730)	57,561
Net increase in cash and cash equivalents		18,046	6,029
Cash and cash equivalents at beginning of year		16,980	10,951
Cash and cash equivalents at end of year		35,026	16,980

CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 30 JUNE 2021

All VALUES IN $000'S	2021	2020
RECONCILIATION OF PROFIT / (LOSS) AFTER INCOME TAX TO CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (loss) after income tax	46,094	(11,318)
Adjusted for non cash items:		
Depreciation	400	244
Depreciation of right of use asset	244	245
Deferred taxation	2,460	(1,402)
Provision for doubtful debts	(854)	234
Lease liability interest expense	81	98
Adjustments for movements in working capital		
Increase in accounts receivable, prepayments and other assets	(1,477)	(542)
Decrease / (increase) in inventories	12,386	(49,043)
Increase in accounts payable, accruals and other liabilities	5,476	2,996
(Decrease) / increase in accrued borrowing costs	(1,176)	10,301
Increase in restricted cash	(1,386)	(7)
(Decrease) / increase in long term deposits	(635)	20
Increase in contract liability	7,225	-
Increase / (decrease) in taxation payable	15,245	(2,906)
Net cash flows from operating activities	84,083	(51,080)

1. GENERAL INFORMATION

This section sets out the basis upon which the Group's Financial Statements are prepared. Specific accounting policies are described in the note to which they relate.

1.1. Reporting entity

These financial statements are for Winton Property Limited (the Company) and its subsidiaries (the Group). The Company is a limited liability company incorporated in New Zealand and is registered under the New Zealand Companies Act 1993. The Group's principal activity is the development and sale of residential land properties.

1.2. Basis of preparation

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable Financial Reporting Standards, as appropriate for Tier 1 for-profit entities. The Company qualifies to report under Tier 2 as it has no public accountability however the Board of Directors has elected to present Tier 1. The financial statements also comply with International Financial Reporting Standards (IFRS). The Company is a reporting entity for the purposes of the Financial Reporting Act 2013 and its financial statements comply with the Act.

The financial statements have been prepared on the historical cost basis except where otherwise identified. All financial information is presented in New Zealand dollars and has been rounded to the nearest thousand.

1.3. Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

1.4. Basis of consolidation

The consolidated financial statements comprise the Company and the entities it controls. All intercompany transactions are eliminated on consolidation.

1.5 Critical judgement, estimates and assumptions

In applying the Group's accounting policies, the Board and Management continually evaluates judgements, estimates and assumptions that may have an impact on the Group. The significant judgements, estimates and assumptions made in the preparation of these financial statements are as follows:

3. Inventories (Page 11)

1.6. Accounting policies

No changes to accounting policies have been made during the year and policies have been consistently applied to all years presented.

Significant accounting policies have been included throughout the notes to the financial statements. Other relevant policies are provided as follows:

Goods and services tax

These financial statements have been prepared on a goods and services tax (GST) exclusive basis except for the accounts receivable balance, accounts payable balance and other items where GST incurred is not recoverable. These balances are stated inclusive of GST.

New accounting standards and interpretations

There are no new and amended accounting standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

1. GENERAL INFORMATION (Continued)

1.7. Impact of the COVID-19 pandemic on the significant accounting judgements, estimates and assumptions.

The COVID-19 outbreak was declared a pandemic by the World Health Organization in March 2020. The outbreak and the response of Governments in dealing with the pandemic is interfering with general activity levels within the community, the economy and the operations of the Group. The scale and duration of these developments remain uncertain as at the date of this report. The Group has considered the potential impact of the COVID-19 pandemic in the significant accounting judgements, estimates and assumptions. However, as these are subject to increased uncertainty the actual outcomes may differ from the estimates.

The Group has managed and continues to actively manage the risks arising from COVID-19. This includes a financial response plan incorporating:

- the deferral of the commencement of new projects;
- minimising development expenditure to reflect management forecasts for COVID-19 sales rates pre-Government stimulus; and
- a strong focus on managing the settlement risk of contracts on hand.

2. REVENUE

ALL VALUES IN $000's	2021	2020
Revenue from contracts with customers	176,980	30,776
Total revenue	176,980	30,776

Revenue represents amounts derived from land and property sales. Land and property sales are recognised when the customer obtains control of the property and is able to direct and obtain the benefits from the property. The customer gains control of the property when the Group receives full and final consideration for the property and the Group transfers over the certificate of title.

3. INVENTORIES

This section shows the inventories used to generate the Group's trading performance which are considered to be the most relevant to the operations of the Group.

ALL VALUES IN $000's	2021	2020
Expected to settle within one year	46,954	75,174
Expected to settle greater than one year	116,937	101,115
Total inventories	163,891	176,289

Recognition and Measurement

Inventories are carried at the lower of cost and net realisable value. Cost includes the cost of acquisition, development, and holding costs such as interest. All holding costs are expensed through profit or loss in the year incurred with the exception of interest holding costs which are capitalised during the period when active development is taking place. During the year ended 30 June 2021, $2,996,000 of interest has been capitalised to inventories (2020: $3,078,000). Interest and other holding costs incurred after completion of development are expensed as incurred. Inventories include deposits paid on unconditional contracts for development land.

The carrying amounts of inventories are reviewed at each balance date to ensure its carrying amount is recorded at the lower of its cost and net realisable value. The net realisable value of inventories is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale. The determination of net realisable value of inventories involves estimates taking into consideration prevailing market conditions, current prices and expected date of commencement and completion of the projects, the estimated future selling price, cost to complete projects and selling costs. An impairment loss is recognised in the income statement to the extent that the carrying value of inventories exceeds its estimated net realisable value.

The fair values of inventories have been assessed by management who have prepared internal valuations and the total value is in excess of the carrying value, therefore there is no indication of impairment.

The fair value of inventories as determined by management is categorised as Level 3 based on the inputs to the valuation methodology. The basis of the valuation is the hypothetical subdivision approach and/or block land sales comparisons to derive the residual block land values. The major unobservable inputs that are used in the valuation model that require judgement include the individual section prices, allowances for profit and risk, projected completion and sell down periods and interest rates during the holding period. The estimated fair value would increase or (decrease) if: the individual section prices were higher/(lower); the allowances for profit were higher/(lower); the allowances for risk were lower/(higher); the projected completion and sell down periods were shorter/(longer); and the interest rate during the holding period was lower/(higher).

4. BORROWINGS

This section outlines how the Group manages its capital structure, financing costs and exposure to interest rate risk.

(i) Net borrowings

All VALUES IN $000'S	2021	2020
MMLIC facility drawn down	130,000	-
Clipper facility drawn down	-	133,796
Unamortised borrowings establishment costs	(1,268)	(92)
Net borrowings	128,732	133,704
Weighted average interest rate for drawn debt (inclusive of margins and line fees)	5.19%	9.02%
Weighted average term to maturity (years)	5.9	2.9

Recognition and Measurement

All borrowings are initially measured at fair value, plus directly attributable transaction costs, and subsequently measured at amortised cost using the effective interest rate method. Under this method, directly attributable fees, costs, discounts and premiums are capitalised and spread over the expected life of the facility. All other interest costs and bank fees are expensed in the period they are incurred.

(ii) MMLIC facility

On 15 June 2021, Lakeside Developments 2017 Limited (a 100% subsidiary company of the Company) entered into a debt facility with Massachusetts Mutual Life Insurance Company (MMLIC) for $130,000,000. The facility expires 3 June 2027. Restricted cash includes cash of $43,109,000 (2020: nil) that has been funded by the MMLIC facility (see note 5.4).

(iii) Clipper facility

On 13 May 2019, the Group entered into a debt facility with Clipper Investment Opportunity II Limited (Clipper) for $130,000,000 plus capitalised interest and capitalised fees. The facility was repaid 15 June 2021.

(iv) Security

The MMLIC facility is secured by way of a general security deed provided by Lakeside Developments 2017 Limited and Lakeside Residential Limited and a registered mortgage security across the Lakeside development property. The Company has provided a $10,000,000 corporate guarantee which increases to $20,000,000 should 30 day BKBM be equal or greater than 3.00%.

The Clipper facility was secured by way of a general security deed provided by the Group companies (except Sunfield Developments Limited, Beaches Developments Limited, Lakes Edge Developments Limited, Frances Street Developments Pty Limited, Launch Bay Marlborough Limited, Launch Bay Ovation Limited, Launch Bay Townhouses Limited, Northlake Apartments Limited, Northlake Townhouses Limited, Northbrook Retirement Villages Limited, Northbrook Avon Loop Limited, Northbrook Wynyard Limited, Northbrook Wanaka Limited, Northbrook Launch Bay Limited, River Terrace Developments Limited, River Terrace Residential Limited, Winton Advisory Limited, Winton Capital Limited, Winton Partners Bellbird Pty Limited and Winton Property Investments Limited) and registered mortgage security across the development properties (except the Beaches development, the Northlake Hotel development, the North Ridge development, the River Terrace development and the Sunfield development).

(v) Capital management

The Group's capital includes share capital and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor and creditor confidence and to sustain future development of the business. During the current and prior year, there were no defaults or breaches of any covenants relating to the facilities.

5. OTHER

5.1. Administrative expenses

ALL VALUES IN $000's	2021	2020
Auditors remuneration:		
Audit of annual financial statements	(95)	(73)
Tax compliance and advisory fees	(88)	(125)
Depreciation (including right-of-use asset)	(645)	(488)
Directors' fees	(16)	(16)
Doubtful debts expense	854	(235)
Employee benefits expense	(6,337)	(5,645)
Operating lease and rental payments	(70)	(60)
Other expenses	(2,789)	(3,351)
Total administrative expenses	(9,186)	(9,993)

5.2. Taxation
(i) Current taxation

ALL VALUES IN $000's	2021	2020
Profit / (loss) before income tax	63,733	(15,546)
Prima facie income tax calculated at 28%	(17,845)	4,353
Adjusted for:		
Non-tax deductible revenue and expenses	224	(198)
Movement in temporary differences	451	617
Current tax prior period adjustment	-	45
Tax losses utilised / (not utilised)	1,991	(1,991)
Current taxation (expense) / benefit	(15,179)	2,826

5. OTHER (Continued)

5.2. Taxation (Continued)

(ii) Deferred taxation

ALL VALUES IN $000's	2019 AS AT	2020 RECOGNISED IN PROFIT	2020 AS AT	2021 RECOGNISED IN PROFIT	2021 AS AT
Deferred tax assets					
Employee benefits	197	167	364	(274)	90
Accounts payable, accruals and other payables	85	(39)	46	161	207
Lease liability	-	284	284	(63)	221
Losses available for offsetting against future taxable income	86	2,002	2,088	(2,009)	79
Gross deferred tax assets	368	2,414	2,782	(2,185)	597
Deferred tax liabilities					
Accounts receivable, prepayments and other receivables	-	7	7	(4)	3
Property, plant and equipment	2	-	2	(2)	-
Right-of-use asset	-	274	274	(68)	206
Inventories	403	731	1,134	349	1,483
Gross deferred tax liabilities	405	1,012	1,417	275	1,692
Net deferred tax (liability) / asset	(37)	1,402	1,365	(2,460)	(1,095)

Recognition and Measurement
Tax is accounted for on a consolidated Group basis and the Group is required to pay tax to the Inland Revenue as required by the Income Tax Act 2007. Income tax expense comprises current and deferred tax and is recognised in the Consolidated Statement of Comprehensive Income for the year.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different entities, but they intend to settle current tax assets and liabilities on a net basis.

Additional income tax arising from distribution of dividends is recognised at the same time as the liability to pay the dividend is recognised.

Key estimates and assumptions: Deferred Tax

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

5. OTHER (Continued)

5.2. Taxation (Continued)

(iii) Imputation account

The amounts below represent the balance of the imputation credit account as at the end of the reporting period, adjusted for imputation credits that will arise from the payment of taxation represented in the Consolidated Statement of Financial Position.

ALL VALUES IN $000's	2021	2020
Opening balance	7,520	7,520
Taxation paid / payable	14,993	-
Imputation credits attached to dividends paid	(7,329)	-
Closing balance available to shareholders for use in subsequent periods	15,184	7,520

5.3. Equity

(i) Capital and reserves

	2021 SHARES '000s	2021 $000's	2020 SHARES '000s	2020 $000's
Shares issued 1 January	205,817	49,100	198,595	39,100
Shares issued during the year	-	-	7,222	10,000
Total shares issued and outstanding	205,817	49,100	205,817	49,100

All shares on issue are fully paid, carry equal voting rights, share equally in dividends and any surplus on wind up and have no par value. All shares are recognised at the fair value of the consideration received by the Company.

(ii) Dividends

The following dividends were declared and paid by the Company during the year 30 June:

ALL VALUES IN $000's		2021	2020
8.39381 cents per qualifying ordinary share	16-Oct-20	17,276	-
0.76262 cents per qualifying ordinary share	23-Mar-21	1,569	-
Total dividends		18,845	-

5. OTHER (Continued)

5.4. Restricted Cash

ALL VALUES IN $000's	2021	2020
Expected to be utilised within one year	34,391	-
Expected to be utilised greater than one year	11,120	1,016
Total restricted cash	45,511	1,016

Restricted cash includes cash of $43,109,000 (2020: nil) that is specifically available to fund the development costs associated with the Lakeside development only as a condition of the MMLIC facility.

5.5. Accounts receivable, prepayments and other receivables

ALL VALUES IN $000's	2021	2020
Accounts receivable	2,021	248
Provision for doubtful debts	-	(235)
Prepayments and other receivables	3,196	2,893
Total accounts receivable, prepayments and other receivables	5,217	2,906

Recognition and Measurement

Accounts receivable are recognised at fair value and subsequently measured at amortised cost using the effective interest rate method. Receivables are assessed on an ongoing basis for impairment. The group recognises a provision for impairment on receivables based on the lifetime expected credit loss at balance date. Those which are anticipated to be uncollectable are written off. The Group applies the simplified approach to providing for expected credit losses prescribed by NZ IFRS 9 'Financial Instruments', which permits the use of lifetime expected loss provision for all trade receivables.

5.6. Accounts payable, accruals and other payables

ALL VALUES IN $000's	2021	2020
Accounts payable	9,452	4,900
Accruals and other payables in respect of inventories	2,444	2,086
Accruals and other payables	4,689	3,799
Total accounts payable, accruals and other payables	16,585	10,785

Recognition and Measurement

Expenses are recognised on an accruals basis and, if not paid at the end of the reporting period, are reflected as a payable in the Consolidated Statement of Financial Position.

5. OTHER (Continued)

5.7. Contract liability

ALL VALUES IN $000's	2021	2020
Contract liability	7,225	-
Total contract liability	7,225	-

Recognition and Measurement

Contract liability relates to the advance consideration received from a customer for land. The company has an obligation to transfer goods or services to a customer for which the entity has received consideration. This will be recognised as revenue when control of the land passes to the customer.

5.8. Long term deposits

Long term deposits as at 30 June 2021 of $371,000 (2020: $1,006,000) represent deposits paid by customers for future inventory purchases.

5.9. Financial instruments

The following financial assets and liabilities, that potentially subject the Group to financial risk, have been recognised at amortised cost in the financial statements:

ALL VALUES IN $000's	2021	2020
Financial assets		
Cash and cash equivalents[1]	35,026	16,980
Restricted cash[2]	45,511	1,016
Accounts receivable and other receivables	5,217	2,906
Total financial assets	85,754	20,902
Financial liabilities		
Accounts payable, accruals and other payables	16,585	10,785
Lease liability	547	790
Borrowings	128,732	133,704
Long term deposits	371	1,006
Total financial liabilities	146,235	146,285

1. Comprises solely of cash at bank
2. Restricted cash comprises cash held on deposit with Bank of New Zealand

The carrying amounts of financial assets and liabilities presented above are reasonable approximations of their fair value.

5. OTHER (Continued)

5.10. Financial risk management

The Group's activities expose it to a variety of financial risks: interest rate risk, credit risk, and liquidity risk. The Group's overall financial risk management strategy focuses on minimising the potential negative economic impact of unpredictable events on its financial performance.

(a) Interest rate risk

The Group's exposure to the risk of changes in interest rates relates primarily to the Group's borrowings with a floating interest rate.

The following sensitivity analysis shows the effect on profit before tax and equity if interest rates at balance date had been 50 basis points (0.50%) higher or lower with all other variables held constant. The Group had no exposure to the risk of changes in interest rates at 30 June 2020 as none of the Group's borrowings had floating interest rates.

	2021		2020	
ALL VALUES IN $000's	GAIN/(LOSS) ON INCREASE OF 0.50%	GAIN/(LOSS) ON DECREASE OF 0.50%	GAIN/(LOSS) ON INCREASE OF 0.50%	GAIN/(LOSS) ON DECREASE OF 0.50%
Impact on profit before tax	(28)	16	-	-
Impact on equity	(21)	11	-	-

(b) Credit risk

Credit risk represents the risk that the counterparty to a financial instrument will fail to discharge its obligations and the Group will suffer financial loss as a result. Financial instruments which potentially subject the Group to credit risk consist of cash at bank, accounts receivable and other receivables.

With respect to the credit risk arising from cash and cash equivalents and restricted cash, there is limited credit risk as cash is deposited with Bank of New Zealand Limited, a registered bank in New Zealand with a credit rating of AA– (Standard & Poor's). The Group considers both historical analysis and forward looking information in determining any expected credit loss, and infers from this strong credit rating that no loss allowance is deemed necessary.

With respect to the credit risk arising from accounts receivable, the Group only enters into arrangements over its inventories with parties whom the Group assesses to be creditworthy. Credit risk does not arise on property sale proceeds to be settled as title will not transfer until settlement.

The carrying amount of financial assets as per note 5.9 approximates the Group's maximum exposure to credit risk.

5. OTHER (Continued)

5.10. Financial risk management (Continued)

(c) Liquidity risk

Liquidity risk is the risk that the Group will experience difficulty in either realising assets or otherwise raising sufficient funds to meet its obligations arising from its financial liabilities. The Group manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below analyses the Group financial liabilities (principal and interest) by the relevant contracted maturity groupings based on the remaining period as at 30 June 2021 and 30 June 2020.

		CONTRACTUAL CASH FLOWS				
ALL VALUES IN $000's	CARRYING AMOUNT	0-1 YEAR	1-2 YEARS	2-5 YEARS	> 5 YEARS	TOTAL
Accounts payable, accruals and other payables	16,585	16,585	-	-	-	16,585
Lease liability	547	-	304	243	-	547
Borrowings	128,732	6,729	45,509	4,583	96,321	153,142
Long term deposits	371	-	371	-	-	371
Total as at 30 June 2021	146,235	23,314	46,184	4,826	96,321	170,645
Accounts payable, accruals and other payables	10,785	10,785	-	-	-	10,785
Lease liability	790	-	243	547	-	790
Borrowings	133,704	-	-	133,704	-	133,704
Long term deposits	1,006	-	-	1,006	-	1,006
Total as at 30 June 2020	146,285	10,785	243	135,257	-	146,285

(d) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern whilst maximising the return to shareholders through maintaining an optimal balance of debt and equity. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group's capital structure includes borrowings and shareholders equity. The Group monitors capital on the basis of the loan to value ratio and borrowing covenant compliance. The loan to value ratio is calculated as borrowings divided by the value of inventories. The Group's strategy is to maintain a loan to value ratio of no more than 50%.

5. OTHER (Continued)

5.11. Related party transactions

The Group has related party relationships with its subsidiaries, its Directors and companies outside the Group that the Directors are Shareholders of. The parent entity within the group is Winton Property Limited.
As at 30 June the Group had the following related party balances included in accounts receivable, prepayments and other receivables and accounts payable, accruals and other payables.

ALL VALUES IN $000's	2021	2020
Accounts receivable, prepayments and other receivables:		
Loan to directors	2	22
Net related party balance	2	22

On 12 August 2021, the net balance receivable as at 30 June 2021 of $2,000 was repaid to the Group in cash.

Transactions with key management personnel for the year were salary payments of $1,570,000 (2020: $1,548,000) and this is included in “administrative expenses” (see Note 4.1). Key management personnel have not received compensation in the form of any other benefits.

5.12. Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of Directors. The Group is internally reported as a single operating segment being development and sale of residential land properties to the chief operating decision-maker.

5.13. Capital and land development commitments

As at 30 June 2021, the Group had entered into contractual commitments for development expenditure and purchase of land. Development expenditure represents amounts contracted and forecast to be incurred in future years in accordance with the Group’s development programme. Land purchases represent the amounts outstanding for the purchase of land.

ALL VALUES IN $000's	2021	2020
Development expenditure	52,905	34,414
Land purchases	70,000	-
Total capital and land development commitments	122,905	34,414

On 27 November 2020, the Group contracted to purchase land in Ardmore, South Auckland for $80,000,000.
An initial deposit of $10,000,000 was paid on 10 February 2021 and is included in inventories as at 30 June 2021.

5.14. Significant events after balance sheet date

Winton has contracted to purchase land in Auckland and Christchurch. The total purchase price is $102,000,000 and this has become unconditional after balance date.

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Independent Auditor's Report

To the shareholders of Winton Property Limited

Report on the audit of the consolidated financial statements

Opinion

In our opinion, the accompanying consolidated financial statements of Winton Property Limited (the 'company') and its subsidiaries (the 'group') on pages 4 to 20:

i. present fairly in all material respects the Group's financial position as at 30 June 2021 and its financial performance and cash flows for the year ended on that date; and

ii. comply with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

We have audited the accompanying consolidated financial statements which comprise:

— the consolidated statement of financial position as at 30 June 2021;

— the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended; and

— notes, including a summary of significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

We are independent of the group in accordance with Professional and Ethical Standard 1 International Code of Ethics for Assurance Practitioners (Including International Independence Standards) (New Zealand) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

Our responsibilities under ISAs (NZ) are further described in the auditor's responsibilities for the audit of the consolidated financial statements section of our report.

Our firm has also provided other services to the group in relation to tax and advisory services. Subject to certain restrictions, partners and employees of our firm may also deal with the group on normal terms within the ordinary course of trading activities of the business of the group. These matters have not impaired our independence as auditor of the group. The firm has no other relationship with, or interest in, the group.

Materiality

The scope of our audit was influenced by our application of materiality. Materiality helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the consolidated financial statements as a whole. The materiality for the consolidated financial statements as a whole was set at $2.5 million determined with reference to a benchmark of group total assets. We chose the benchmark because, in our view, this is a key measure of the group's performance.

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Key audit matter

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements in the current period. We summarise below those matters and our key audit procedures to address those matters in order that the shareholders as a body may better understand the process by which we arrived at our audit opinion. Our procedures were undertaken in the context of and solely for the purpose of our statutory audit opinion on the consolidated financial statements as a whole and we do not express discrete opinions on separate elements of the consolidated financial statements.

The key audit matter	How the matter was addressed in our audit
Capitalisation and Allocation of Development Costs	
Refer to note 3 of the consolidated financial statements. The Group's development property comprises land and costs incurred to develop land into subdivisions and individual properties for sale. At $163.9m this represents 65% of assets on the consolidated statement of financial position. Determining whether to capitalise or expense costs relating to development of the land is subjective as it depends whether the costs enhance the land or maintain the current value. In addition, there is significant judgement in determining how to allocate the costs to individual properties.	We performed the following procedures to address the risk: – Tested the appropriateness of controls around the capitalisation of costs. – Reviewed the nature of costs capitalised to ensure they were appropriate and enhanced the value of properties. – Vouched capitalised development costs to invoice and supporting documentation. – Agreed significant land acquisitions to purchase agreements and ensured title transferred before the balance date. – Evaluated the cost allocation method and forecast costs. – Analytical procedure over development property costs of sales by development to identify outliers in margin allocated within the same or similar developments as well as between periods.

Other information

The Directors, on behalf of the group, are responsible for the other information included in the entity's Annual Report. Other information includes the Chairman/Chiel Executive Officer's foreword and the Corporate Directory. Our opinion on the consolidated financial statements does not cover any other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears materially misstated. If, based on the work we have performed, 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.

Use of this independent auditor's report

This independent auditor's report is made solely to the shareholders as a body. Our audit work has been undertaken so that we might state to the shareholders those matters we are required to state to them in the independent 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 shareholders as a body for our audit work, this independent auditor's report, or any of the opinions we have formed.

Responsibilities of the Directors for the consolidated financial statements

The Directors, on behalf of the company, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being New Zealand Equivalents to International Financial Reporting Standards) and International Financial Reporting Standards;
- implementing necessary internal control to enable the preparation of a consolidated set of financial statements that is fairly presented and free from material misstatement, whether due to fraud or error; and
- assessing the ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objective is:

- to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error; and
- to issue an independent 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. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of these consolidated financial statements is located at the External Reporting Board (XRB) website at:

http://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-3/

This description forms part of our independent auditor's report.

KPMG

KPMG
Auckland

1 October 2021

CORPORATE DIRECTORY

BOARD OF DIRECTORS

Chris Meehan (Chairman)
Michaela Meehan (Executive Director)
David Liptak (Non-Executive Director)
Julian Cook (Executive Director)
Anna Molloy (Independent Director)
Glen Tupuhi (Independent Director)

MANAGEMENT TEAM

Chris Meehan (Chief Executive Officer)
Julian Cook (Director of Retirement)
Simon Ash (General Manager)
Justine Hollows (General Counsel & Company Secretary)
Jean McMahon (Chief Financial Officer)

REGISTERED OFFICE & CONTACT DETAILS

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AUDITORS

KPMG, Auckland

WINTON