



**IHC New Zealand Incorporated**  
**Consolidated**  
**Financial Statements**  
**FOR THE YEAR ENDED 30 JUNE 2021**



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IHC New Zealand Incorporated  
Statement of Comprehensive Revenue and Expense  
For the year ended 30 June 2021

	Notes	Services 2021 \$000	Property 2021 \$000	Community Programmes 2021 \$000	Group 2021 \$000	Group 2020 \$000
<b>Revenue</b>						
Government contracts	2	293,838	-	-	293,838	284,787
Fees charged for services	2	27,625	-	-	27,625	24,360
Rent received	2	-	33,238	-	33,238	30,349
Fundraising revenue	2	-	-	9,024	9,024	8,075
Legacies received	2	-	-	2,729	2,729	2,000
Interest received	2	130	26	4	160	308
Other revenue	2	1,175	634	674	2,483	2,682
		<b>322,768</b>	<b>33,898</b>	<b>12,431</b>	<b>369,097</b>	<b>352,561</b>
<b>Expenses</b>						
Personnel	3	(252,730)	(3,957)	(2,853)	(259,540)	(272,803)
Accommodation	3	(25,557)	(19,865)	(249)	(45,671)	(42,100)
Transport & travel		(4,268)	(152)	(120)	(4,540)	(5,402)
Administration	3	(6,743)	(3,799)	(1,195)	(11,737)	(8,588)
Fundraising expenses		-	-	(3,209)	(3,209)	(1,935)
Community projects		-	-	(1,554)	(1,554)	(1,415)
Interest		(424)	(8,613)	-	(9,037)	(8,732)
Depreciation & Impairment	6	(7,187)	(8,606)	-	(15,793)	(14,647)
		<b>(296,909)</b>	<b>(44,992)</b>	<b>(9,180)</b>	<b>(351,081)</b>	<b>(355,622)</b>
Internal rent and other		(17,715)	17,074	-	(41)	267
<b>Net Operating Surplus</b>		<b>8,144</b>	<b>6,580</b>	<b>3,251</b>	<b>17,975</b>	<b>(2,794)</b>
<b>NON OPERATING</b>						
<b>Revenue</b>						
Gain on sale of property, plant & equipment	2	54	5,243	-	5,297	1,116
Government grants	2	-	1,115	-	1,115	6,045
Net Gain in fair value of Investments	2	610	-	-	610	-
Net gain in fair value of Interest rate swaps used for hedging	2	-	18,505	-	18,505	-
		<b>664</b>	<b>24,863</b>	<b>-</b>	<b>25,527</b>	<b>7,161</b>
<b>Expenses</b>						
Loss on sale of property, plant & equipment		(342)	(2)	-	(344)	-
Net loss in fair value of Interest rate swaps used for hedging		-	-	-	-	(14,701)
		<b>(342)</b>	<b>(2)</b>	<b>-</b>	<b>(344)</b>	<b>(14,701)</b>
<b>Net Non Operating Surplus/(Deficit)</b>		<b>322</b>	<b>24,861</b>	<b>-</b>	<b>25,183</b>	<b>(7,540)</b>
<b>TOTAL COMPREHENSIVE REVENUE &amp; EXPENSE FOR THE YEAR</b>		<b>8,466</b>	<b>31,441</b>	<b>3,251</b>	<b>43,168</b>	<b>(10,334)</b>



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IHC New Zealand Incorporated  
**Statement of Changes in Accumulated Funds**  
For the year ended 30 June 2021

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	Group 2021 \$000	Group 2020 \$000
<b>ACCUMULATED FUNDS AT 1 JULY</b>	<b>167,816</b>	<b>178,150</b>
Total comprehensive revenue & expense for the year	43,158	(10,334)
<b>ACCUMULATED FUNDS AT 30 JUNE</b>	<b>210,974</b>	<b>167,816</b>



IHC New Zealand Incorporated  
Statement of Financial Position  
As at 30 June 2021

	Notes	Group 2021 \$000	Group 2020 \$000
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	34,546	28,347
Trade and other exchange receivables	5	20,165	14,034
		<u>54,711</u>	<u>42,381</u>
<b>Non Current Assets</b>			
Property, plant & equipment	6	464,822	430,937
Investments		10,518	9,786
		<u>475,340</u>	<u>440,723</u>
<b>TOTAL ASSETS</b>		<u>530,051</u>	<u>483,104</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	7	60,995	50,799
Borrowings	8	180,570	48,336
Derivative Liabilities	8	177	28
Employee benefits and other liabilities	10	39,686	36,566
		<u>281,428</u>	<u>135,729</u>
<b>Non Current Liabilities</b>			
Borrowings	8	504	124,519
Derivative Liabilities	8	24,924	43,578
Shared home ownership scheme	11	3,693	2,774
Employee benefits and other liabilities	10	8,528	8,688
		<u>37,649</u>	<u>179,559</u>
<b>TOTAL LIABILITIES</b>		<u>319,077</u>	<u>315,288</u>
<b>NET ASSETS</b>		<u>210,974</u>	<u>167,816</u>
<b>ACCUMULATED FUNDS</b>		<u>210,974</u>	<u>167,816</u>

On behalf of the Board of Governance

ANTHONY SHAW, Board Chair  
Wellington, 17th August 2021

RALPH JONES, Chief Executive  
Wellington, 17th August 2021



IHC New Zealand Incorporated  
**Cash Flow Statement**  
 For the year ended 30 June 2021

	Notes	Group 2021 \$000	Group 2020 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from operations		368,891	363,094
Payments to suppliers & employees		(332,304)	(313,342)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	12	<b>36,587</b>	<b>49,752</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Proceeds from the sale of property, plant & equipment		7,321	1,485
Purchase of property, plant & equipment		(38,044)	(31,828)
Government grants received		1,115	6,045
Movement of investments		-	(4,889)
Changes in shared home ownership scheme deposits		-	(72)
<b>NET CASH OUTFLOW USED IN INVESTING ACTIVITIES</b>		<b>(29,608)</b>	<b>(29,259)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Settlement of borrowings	8	-	(7,697)
Drawdown of borrowings	8	8,219	8,500
Interest received		38	308
Interest paid		(9,037)	(8,732)
<b>NET CASH INFLOW FROM FINANCING ACTIVITIES</b>		<b>(780)</b>	<b>(7,621)</b>
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>6,199</b>	<b>12,872</b>
<b>Add Opening Cash &amp; Cash Equivalents Brought Forward</b>		<b>28,347</b>	<b>15,475</b>
<b>Ending Cash &amp; Cash Equivalents Carried Forward</b>		<b>34,546</b>	<b>28,347</b>





## NOTES TO THE FINANCIAL STATEMENTS

### Note 1: Accounting Policies

#### *Reporting Entity*

IHC New Zealand Incorporated (IHC) is an incorporated society domiciled in New Zealand registered under the Incorporated Societies Act 1908 and the Charities Act 2005. IHC is governed by a Board of Governance ("the Board").

IHC advocates for the rights, inclusion and welfare of all people with intellectual disabilities in New Zealand and supports them to live satisfying lives in the community. IHC and its controlled entities ("the Group") has a long history of providing good quality housing that prioritises people with disabilities, older people and those on low incomes.

#### *Basis of Preparation*

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP") issued by the External Reporting Board (XRB) or the New Zealand Accounting Standards Board of the XRB. They comply with Public Benefit Entity ("PBE") Standards as appropriate for Tier 1 not-for-profit public benefit entities. The Group is a Tier 1 reporting entity as it had total expenditure greater than \$30 million in the two preceding reporting periods.

The consolidated financial statements have been prepared on the historical cost basis except for Investments, the Shared Home Ownership Scheme Liability, and Interest Rate Swaps which are measured at fair value. The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any objective evidence of impairment. Any impairment loss is recognised in the Statement of Comprehensive Revenue and Expense.

These financial statements are presented in New Zealand dollars and are rounded to the nearest thousand. The financial statements have been prepared exclusive of GST, unless the Group is unable to claim GST input tax credits.

The Group is exempt from income tax under section CW 42(1) (a) of the Income Tax Act 2007. The Entities have been granted tax exempt status and are registered as charities under the Charities Act 2005.

#### *Use of Judgements and Estimates*

The preparation of the Groups financial statements requires the Board and Management to make judgements and estimates that affect the reported amounts of income, expenditure, assets, liabilities and the accompanying disclosures. The judgements and estimates used are continually evaluated. Management have identified the following judgements it has had to make as having the most significant effect on amounts recognised in the financial statements.

##### a) Covid-19

Management have considered the potential economic and social impact of the Covid-19 pandemic on the Group financial statements including but not limited to, going concern assumption, asset impairment, provisions, loan arrangements and government support measures.

b) Operating lease commitments

The Group has entered into leases for commercial property, residential property and other equipment ("leased assets"). Management has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the leased assets, that it does not transfer all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

c) Fair value measurement of financial instruments

The fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the discounted cash flow (DCF) model. The Group receives valuations prepared by a New Zealand registered Trading Bank. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. See Note 8 and Note 9 for further disclosures.

d) Provisions

Provisions are measured at Management's best estimate of the expenditure required to settle the obligation and are discounted to present value as at reporting date where the effect is material. See Note 7 for further disclosures.

e) Impairment

As at each balance date, all assets are assessed for impairment by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include technological, economic and political factors and future expectations, as the primary objective is to provide services for community or social benefit rather than financial return. If an impairment trigger exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss.

f) Commitments

As at balance date the Group has capital expenditure commitments that have not met the criteria to be recognised as liabilities. See Note 13 and Note 14 for further details.

In addition to the items noted above further information of judgements and estimates can be found within:

- Note 6 – Estimated useful life of Property, Plant and Equipment and Intangibles
- Note 7 – Trade and Other Payables
- Note 9 – Financial Risk Management
- Note 10 – Employee Benefits and Other Liabilities
- Note 11 – Shared Home Ownership Scheme – fair value of liability

*Summary of Significant Accounting Policies*

Significant accounting policies are included in the notes to which they relate. Significant accounting policies that do not relate to a specific note are outlined below.

a) Basis of Consolidation

The consolidated financial statements comprise of the financial statements of the Group and its controlled entities as at 30 June 2021. Controlled entities are all those entities over which IHC has the power to govern the financial and operating policies so as to obtain benefit from their activities.



The financial statements of the controlled entities are prepared for the same reporting period as IHC, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends have been eliminated in full.

Controlled entities are fully consolidated from the date on which control is obtained by the Group and cease to be consolidated from the date which control is lost. As at 30 June 2021 the Group consists of:

- Accessible Properties Limited\*,
- Accessible Properties New Zealand Limited,
- AP Holdings Tauranga Limited\*,
- AP Holdings Tauranga 2016 Limited Partnership\*,
- AP Properties Tauranga Limited\*,
- AP Properties Tauranga 2016 Limited Partnership,
- Choices New Zealand Limited,
- Enabling Good Lives Limited\*,
- IDEA Services Limited,
- IHC Limited\*,
- IHC New Zealand Incorporated;
- Integral New Zealand Limited\*; and
- The Independence Collective Limited

\* Non-trading entity

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The acquisition method involves recognising at acquisition date the identifiable assets acquired, the liabilities assumed and any non-controlling interest, separate from goodwill. The identifiable assets acquired, and the liabilities assumed are measured at their acquisition date fair values. The cost of an acquisition is measured as the aggregate of the consideration transferred and the amount of any non-controlling interests.

Any goodwill that arises is tested annually for indicators of impairment. Any gain on bargain purchase is recognised in surplus or deficit immediately. Transaction costs are expensed as incurred, except if related to the issue of debt securities.

The consolidated financial statements have been prepared on a going concern basis. Management have reviewed the Group's future obligations and assessed the Group's ability to meet its obligations as they fall due having regard to both financial and non-financial considerations.

b) Changes due to the initial application of a new, revised, and amended PBE Standards  
There are no new, revised and amended accounting standards which have a significant impact on the financial statements.

c) Accounting standards issued but not yet effective  
The accounting policies adopted in these financial statements are consistent with those of the previous financial year.

The following standards and amendments relevant to the group have been issued but are not yet effective:

- PBE IPSAS 40 relating to PBE combinations which is effective for the year ending 30 June 2022, it is expected that there will be no significant impact on the financial statements from applying this standard.

- PBE IPSAS 41 relating to financial instruments, which is effective for the year ending 30 June 2023. The Group is currently assessing the impact on its financial statements from applying this standard
- PBE FRS 48 related to service performance reporting will apply to all reporting periods starting on or after 1 January 2021. This will require additional reporting disclosures within the Group's financial statements for the period ending 30 June 2022.

There are no other new, revised or amended standards that have been issued but not yet effective that would have a significant impact on the company's financial statements.

## **Note 2: Revenue**

Revenue is recognised to the extent that it is probable that the economic benefits or service potential will flow to the Group and the revenue can be reliably measured, regardless of when the payment is being made.

Revenue is measured at fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duties. The specific recognition criteria below must also be met before revenue is recognised.

### *Revenue from Exchange Contracts*

Revenue from contracts with the Ministry of Health and Ministry of Social Development is taken to the Statement of Comprehensive Revenue and Expense when the requirements under the agreements with the purchasers of services have been met.

Rental income arising from the Ministry of Social Development and other tenants is accounted for on a straight-line basis over the lease term and included in revenue in the Statement of Comprehensive Revenue and Expense due to its operating nature.

Interest income is recognised in the Statement of Comprehensive Revenue and Expense as it is earned. Interest income is accrued using the effective interest rate method. The effective interest rate exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

### *Revenue from Non-Exchange Contracts*

Non-exchange transactions are those where the Group receives value from another entity without giving approximately equal value in exchange. Revenue from non-exchange transactions is recognised when the Group obtains control of the transferred asset (cash, goods, services or property), and

- It is probable that the economic benefits or service potential related to the asset will flow to the Group and can be measured reliably; and
- The transfer is free from conditions that require the asset to be refunded or returned if the conditions are not fulfilled.

Revenue from Legacies, the Annual Appeal, and other fundraising is considered to be recognised when the cash is receipted and controlled by the Group.

Grant revenue is recognised as revenue in the Statement of Comprehensive Revenue and Expense when there is reasonable certainty that the grant will be received, and only to the extent which conditions associated with the transfer have been met.





## Note 2: Revenue continued

Other revenue and expenses includes fair value gains and losses on financial instruments at fair value through surplus or deficit, realised gains and losses on the sale of property, plant and equipment held at cost, and income derived from non-core business activities such as shop sales, one-off conferences and career force training grants.

Revenue included the following:

	Group 2021 \$000	Group 2020 \$000
<b>Revenue from exchange transactions</b>		
Government support contracts		
Ministry of Health	256,867	250,168
Ministry of Social Development	36,752	33,254
Capital & Coast District Health Board	219	1,365
	<u>293,838</u>	<u>284,787</u>
 Rent received	 33,238	 30,349
 Fees charged for services	 27,625	 24,360
 Services events sales	 238	 146
Less cost of sales service events	 (17)	 (22)
	<u>221</u>	<u>124</u>
 Other revenue	 2,262	 2,558
 Interest received	 160	 308
 Gain on sale of property	 5,297	 1,116
	<u>362,641</u>	<u>343,602</u>
<b>Revenue from non-exchange transactions (transfers)</b>		
Donations and other fundraising revenue	8,457	7,474
Grants (operating)	567	601
Grants (non-operating)		
Housing grants	1,115	6,045
Legacies received	2,729	2,000
Net gain in fair value of investments	610	-
Net gain in fair value of interest rate swaps used for hedging	18,505	-
	<u>31,983</u>	<u>16,120</u>
<b>Total Revenue</b>	<u>394,624</u>	<u>359,722</u>
 <b>Operating revenue</b>	 369,097	 352,561
<b>Non-operating revenue</b>	<u>25,527</u>	<u>7,161</u>
	<u>394,624</u>	<u>359,722</u>

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## **Note 2: Revenue continued**

### **Government Contracts**

In the current year the Group received 74% (2020: 79%) of revenue through purchasing agreements with the Ministry of Health (MOH), Ministry of Social Development (MSD) and Capital & Coast District Health Board. The Group is reliant on government contract revenue to carry out operations.

Residential services and a part of vocational services were purchased during the year by the MOH under one national purchasing agreement.

Vocational support services (Vocational Opportunities Support Programme and Ongoing Resourcing Scheme) and social housing services were purchased during the year by the MSD.

The provision of services was impacted by the New Zealand governments response to the Covid-19 pandemic. During the year the Ministry of Health provided compensation for some, but not all, of the additional costs incurred. Compensation received is recognised as income and amounts passed onto employees included in salary and wages. The Ministry of Health have provided assurance that some, but not all, additional costs incurred will be compensated. Income received in compensation for additional expenditure as a result of the Covid-19 pandemic is recognised when it is probable the economic benefits will flow to the Group and the amount can be measured reliably.

The Group has an agreement with the Ministry of Housing and Urban Development for grants related to the development of social housing contingent on the completion of social housing construction projects. During the year the Company recognised \$1.1m (2020: \$6.0m) on completion of eligible projects.

### **Property Division Operating Revenue**

The Group's Property Division operating surplus includes inter-group rent received from its controlled entity, IDEA Services. The Property Division charges the Services Division market rents on residential homes, vocational bases and administration buildings. The revenue is used by the Property Division for property maintenance, debt servicing, and for the Group's capital expenditure programme.



## Note 2: Revenue continued

### Community Programmes

Community Programmes comprises revenue from fundraising activities that is used to cover fundraising costs and services not funded by Government such as Advocacy, Self-Advocacy, Volunteering, Membership, the IHC Library and specific community projects.

	Group 2021 \$000	Group 2020 \$000
<b>Fundraising Activities</b>		
Fundraising revenue	12,431	10,925
Fundraising investment & marketing expenses	(2,618)	(1,935)
Fundraising administration expenses	(1,236)	(1,671)
<b>Net surplus from fundraising activities</b>	<b>8,577</b>	<b>7,319</b>

## Note 3: Expenses

Expenses included the following:

	Group 2021 \$000	Group 2020 \$000
<b>Personnel costs</b>		
Salaries and wages	243,533	255,056
Accident insurance and death & disablement	2,164	6,115
KiwiSaver employer contribution	5,517	5,414
Staff travel reimbursements	828	837
Other employee costs	7,498	5,381
	<b>259,540</b>	<b>272,803</b>
<b>Accommodation costs</b>		
Repairs and maintenance costs	13,916	10,481
Rental and operating lease costs	4,926	7,448
Utilities and other costs	26,829	24,171
	<b>45,671</b>	<b>42,100</b>

### Note 3: Expenses continued

#### Administration costs include:

##### Auditors remuneration:

Auditing services	139	127
Shared Home Ownership engagement	4	4
Legal Fees	708	610

### Note 4: Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits that are able to be converted to cash with an original maturity of three months or less.

Cash at bank earns interest at floating rates based on daily bank deposit rates. The carrying amounts of cash and cash equivalents represent fair value and for accounting are classified as loans and receivables.

	Group 2021 \$000	Group 2020 \$000
<b>Cash and Cash Equivalents</b>		
Cash at bank	34,546	28,347
	<b>34,546</b>	<b>28,347</b>

### Note 5: Trade and other exchange receivables

Receivables from exchange transactions which generally have 14-90 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less an allowance for any uncollectible amounts.

Exchange transactions for accounting are classified as loans and receivables.

	Group 2021 \$000	Group 2020 \$000
<b>Trade and other exchange receivables</b>		
Trade receivables	3,309	2,605
Contract revenue	14,940	9,045
Prepayments and other debtors	1,916	2,384
	<b>20,165</b>	<b>14,034</b>

#### *Doubtful debts*

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Collectability of receivables is reviewed on an ongoing basis. A provision for impairment loss is recognised when there is objective evidence that an individual receivable is impaired.

## **Note 6: Property, plant & equipment and intangible assets**

### *Initial recognition*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Costs include expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an asset is acquired in a non-exchange transaction for nil or nominal consideration the asset is initially measured at its fair value.

### *Measurement subsequent to initial recognition*

Subsequent expenditure that increases the economic benefits derived from the asset are recognised in the carrying value of the item of property, plant and equipment.

Subsequent expenditure that does not increase the economic benefits derived from the asset, such as repairs and maintenance costs, are expensed and recognised in net surplus / (deficit).

### *Depreciation*

Depreciation of property, plant and equipment, other than freehold land, is calculated on a straight-line basis over the estimated useful life of the asset.

The estimated useful lives are as follows:

Freehold buildings	40 years
Leasehold improvements	10 years
Furniture and fittings	5 years
Plant and equipment	5-10 years
Motor vehicles	5 years

### *Freehold land and buildings*

The Group holds freehold land and buildings, some of which are subject to encumbrance limiting use to pensioner or community housing.

### *Intangible assets*

The intangible assets acquired separately are measured on initial recognition at cost. The cost recorded for intangible assets received is their fair value at the date of the exchange. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses.

The amortisation of intangible assets is allocated to Service Development Projects from the date that assets are available for use. Amortisation is calculated to write off the cost of intangible assets, less their estimated residual value, using the straight-line method over their estimated useful lives. The estimated useful life for software is 3-5 years reflecting expected life of the contract or required replacement.



## Note 6: Property, plant & equipment and intangible assets continued

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

### Work in progress

Property under construction work in progress is recognised at cost.

On completion the property will be held by the Group (i.e. is not developed for sale). Borrowing costs that are not directly related to construction are recognised in the net surplus / (deficit) in the period in which they are incurred.

### De-recognition

An item of property, plant & equipment is de-recognised upon disposal or when no future economic benefit, or service potential is expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition is included in the net surplus / (deficit) in the period the item is de-recognised. Gain or loss on de-recognition is calculated as the difference between the net disposal proceeds and the carrying amount of the item.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds (if any) and the carrying amount of the asset and are recognised in surplus or deficit when the asset is de-recognised.

Group 2021 \$'000									
	Freehold Land	Freehold Buildings	Leasehold Improvements	Plant and Equipment	Furniture and Fittings	Intangibles	Motor Vehicles	Work In Progress	Total
At 1 July 2020 net of accumulated depreciation and Impairment	172,725	235,128	80	5,866	2,104	921	6,717	7,396	430,937
Additions/Transfers	12,080	19,224	-	660	1,174	57	2,660	16,191	52,046
Disposals	(1,395)	(599)	-	(191)	-	(151)	(32)	-	(2,368)
Impairment charged for the year	-	-	-	(1,421)	-	(6)	-	-	(1,427)
Depreciation charged for the year	-	(7,993)	(40)	(2,498)	(867)	(315)	(2,653)	-	(14,366)
At 30 June 2021 net of accumulated depreciation and Impairment	183,410	245,760	40	2,416	2,411	506	6,692	23,587	464,822
At 30 June 2021									
Cost	183,410	325,088	2,783	20,364	12,827	2,040	32,328	23,587	602,427
Accumulated depreciation and Impairment	-	(79,328)	(2,743)	(17,948)	(10,416)	(1,534)	(25,636)	-	(137,605)
Net carrying amount	183,410	245,760	40	2,416	2,411	506	6,692	23,587	464,822
Group 2020 \$'000									
At 1 July 2019 net of accumulated depreciation and Impairment	164,658	218,540	135	7,752	2,194	1,417	9,408	10,021	414,125
Additions/Transfers	8,238	24,195	-	655	776	13	576	(2,625)	31,828
Disposals	(171)	(187)	-	-	-	-	(11)	-	(369)
Depreciation and Impairment charged for the year	-	(7,420)	(55)	(2,541)	(866)	(509)	(3,256)	-	(14,647)
At 30 June 2020 net of accumulated depreciation and Impairment	172,725	235,128	80	5,866	2,104	921	6,717	7,396	430,937
At 30 June 2020									
Cost	172,725	306,463	2,783	19,895	11,653	2,134	29,700	7,396	552,749
Accumulated depreciation and Impairment	-	(71,335)	(2,703)	(14,029)	(9,549)	(1,213)	(22,983)	-	(121,812)
Net carrying amount	172,725	235,128	80	5,866	2,104	921	6,717	7,396	430,937

### Shared Home Ownership scheme

Included in the freehold land and buildings are properties for which licences have been issued under the Shared Home Ownership scheme. Refer to Note 11 for the licence holders' interest.





## Note 7: Trade and other payables

Trade and other payables are stated at cost and for accounting are classified as other financial liabilities.

	Group 2021 \$000	Group 2020 \$000
<b>Trade and other payables</b>		
Trade liabilities	1,729	1,922
Other liabilities	51,935	40,640
Employee entitlements	7,331	8,237
	<u>60,995</u>	<u>50,799</u>

Other liabilities include revenue received in advance, provisions and includes \$13.5m related to the settlement of property contractually committed, but not yet settled as at 30 June 2021. See note 17 for further details.

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at Management's best estimate of the expenditure required to settle the obligation and are discounted to present value as at reporting date. The discount rate used to determine the present value reflects current market assessments at the time value of money and risks specific to the liability. The expense relating to any provision is presented in the net surplus / (deficit) for the year.

Personnel costs are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

	Holiday Act \$000
As at 1 July 2020	22,194
Provisions made during the year	1,833
Provisions used during the year	(177)
Provisions released during the year	(5,056)
<b>As at 30 June 2021</b>	<u><b>18,794</b></u>

## Note 7: Trade and other payables continued

### *Holiday Act*

The Labour Inspectorate of the Ministry of Business, Innovation and Employment (MBIE) is undertaking a programme of compliance audits on a number of New Zealand organisations in respect of the Holidays Act 2003 ("the Act"). The audit indicated the possibility that the Group's payroll system may not have complied with certain provisions under the Act. The Group welcomed the Labour Inspectorate's findings and engaged PriceWaterhouseCoopers ("PwC") to undertake a detailed review and recalculations for all staff dating back to 2012 to ensure all current and former staff are properly paid in accordance with the Act. This calculation is ongoing and a provision for \$18.8 million has been recognised in the Statement of Financial Position. This estimate is based on work performed by PwC. The amount paid may be in the range of \$10.0 million - \$20.0 million (2020: \$15.0 million - \$27.0 million) reflecting the complexity in the application of the Act and the quality of the underlying data used to reperform the calculation.

## Note 8: Borrowings

Borrowings are initially recognised at fair value, including directly attributable transaction costs. Subsequent to initial recognition, term borrowings are measured at amortised cost using the effective interest method and for accounting are classified as other financial liabilities.

	Group 2021 \$000	Group 2020 \$000
Term loans (secured) - Westpac New Zealand Limited	180,536	172,284
Term loans (secured) - Housing Innovation Fund	538	571
Derivative Liabilities	25,101	43,606
	<b>206,175</b>	<b>216,461</b>

	Group 2021 \$000	Group 2020 \$000
Current portion:		
Term loans (secured) - Westpac New Zealand Limited	180,536	48,302
Term loans (secured) - Housing Innovation Fund	34	34
Derivative liabilities	177	28
	<b>180,747</b>	<b>48,364</b>

Long term portion:		
Term loans (secured) - Westpac New Zealand Limited	-	123,982
Term loans (secured) - Housing Innovation Fund	504	537
Derivative liabilities	24,924	43,578
	<b>25,428</b>	<b>168,097</b>

## Note 8: Borrowings continued

### Multi Option Credit Facilities

The Group has Multi Option Credit Facilities (MOCLs) with Westpac New Zealand Limited with a total credit limit of \$110.0 million (2020: \$70.0 million).

On the 10<sup>th</sup> July 2020 MOCL facilities were increased to a total credit limit of \$110.0 million with an expiry date of 30 June 2022 (2020: \$70.0 million). The facilities are secured by a first registered General Security Agreement, registered first mortgages over Accessible Properties New Zealand Limited assets and a cross guarantee between IHC New Zealand Incorporated, Accessible Properties New Zealand Ltd and IDEA Services Limited. As at 30 June 2021 \$57.6 million was drawn down (2020: \$48.3 million).

### Syndicated facility agreement

The Group has entered into a syndicated facilities agreement with Westpac New Zealand Limited with an expiry date of 31 March 2022. As at 30 June 2021 \$120.0 million was owing on the facility (2020: \$120.0 million). The facility is secured by a first ranking mortgage against every property held by Accessible Properties Tauranga 2016 Limited Partnership (APPT LP).

The Group expects to refinance existing facilities prior to maturity.

Other assets include \$2.0 million contractually held as a debt servicing contingency by Westpac New Zealand Limited under terms of the facility agreement. Funds accumulate interest at market rates.

### Vehicle financing facility

The Group has entered into a vehicle financing facility with Westpac New Zealand Limited. The facility is secured against the Group's motor vehicles. As at 30 June 2021 the Group borrowed \$2.9 million under this facility for the purchase of motor vehicles (2020: \$4.0 million). Repayments are amortised over 5 years.

The Group has entered into interest rate swaps with Westpac in order to manage interest rate risk by fixing the interest rate. The interest rate applying to the swap is the effective interest rate.

	2021 \$000	Swap Term	Swap Maturity Date	BKBD Equ Rate	2020 \$000	BKBD Equ Rate
Swap 1	3,000	4 years	03 Dec 2024	0.645%	3,000	2.210%
Swap 2	8,402	3 years	08 Mar 2022	2.050%	8,402	2.050%
Swap 3	8,400	4 years	08 Mar 2023	2.100%	8,400	2.100%
Swap 4	2,000	5 years	08 Mar 2024	2.195%	2,000	2.195%
Swap 5	8,000	5 years	09 May 2024	2.700%	8,000	2.700%
Swap 6	7,000	7 years	02 Sep 2021	4.670%	7,000	4.670%
Swap 7	120,811	15 years	31 Mar 2032	4.096%	120,811	4.096%
Swap 8	6,000	5 years	03 Dec 2025	0.650%	-	-
	<u>163,613</u>				<u>167,613</u>	

The group has contracted an interest rate swap from 2 September 2021 to 2 Sep 2023 for \$7.0 million at BKBD equivalent rate of 0.775%

### Housing Innovation Fund term loan

The Housing Innovation Fund Term Loan is a 25-year loan received in June 2012. The loan is interest free for the first 10 years with monthly principal repayment amounts of \$2,800 before the interest commencement date.



## Note 9: Financial risk management

The Group's principal financial instruments, other than derivatives, comprise of loans, cash, short-term deposits, trade debtors and trade creditors arising directly from operations.

The Group uses NZ dollar interest rate swap contracts to manage the risk associated with interest rate fluctuations on floating rate borrowings. Such derivative financial instruments are recognised initially at fair value; attributable transaction costs are recognised in surplus or deficit as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in surplus or deficit. Interest rate swaps are classified for accounting as fair value hedging instruments.

The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks. They are summarised below:

### *Liquidity risk*

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will have sufficient liquidity to meet its liabilities when they are due, under both normal and stressed conditions, without incurring unacceptable deficits or risking damage to the Group's reputation.

The Group aims to maintain the level of its cash equivalents, other highly marketable investments and available loan facilities at an amount in excess of expected cash outflows on financial liabilities (other than trade payables) over the next 60 days. The Group also monitors the level of expected cash inflows on trade and other receivables together with expected cash outflows on trade and other payables. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the remaining contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted, and include contractual interest payments and exclude the impact of netting agreements. The Group expects to refinance existing facilities prior to maturity.

			Future contractual cash flows				
				\$'000			
At 30 June 2021	Carrying amount	Total	2 months or less	2-12 months or less	1-2 years	2-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>							
Bank loans	180,570	(187,448)	-	(187,448)	-	-	-
Other borrowings	538	(795)	-	(34)	(17)	(51)	(692)
Trade payables	1,729	(1,729)	(1,601)	(128)	-	-	-
Employee Entitlements	7,331	(7,331)	(7,331)	-	-	-	-
	<b>190,168</b>	<b>(197,303)</b>	<b>(8,932)</b>	<b>(187,610)</b>	<b>(17)</b>	<b>(51)</b>	<b>(692)</b>
<b>Derivative financial liabilities</b>							
Interest rate swaps used for hedging	25,101	(26,160)	-	(4,340)	(3,375)	(7,610)	(10,834)
	<b>25,101</b>	<b>(26,160)</b>	<b>-</b>	<b>(4,340)</b>	<b>(3,375)</b>	<b>(7,610)</b>	<b>(10,834)</b>



## Note 9: Financial risk management continued

Bank loans, as disclosed in Note 8 contain financial covenants. A future breach of covenant may require the Group to repay the loan earlier than indicated in the above table. The covenant is monitored on a regular basis by management and reported to the Audit Committee of the Board of Governance (Audit Committee). During the year there were no breaches of loan covenants.

### *Interest Rate Risk*

The Group's exposure to market risk for changes in interest rates relates primarily to its debt obligations.

The Group's policy is to limit the portion of floating rate debt. To achieve this the Group has entered into fixed interest loans and interest rate swaps to convert floating rate borrowings to fixed rate borrowings.

Management monitor interest rate levels on an ongoing basis and, when appropriate, will lock in fixed rates in consultation with the Audit Committee. As at 30 June 2021, after taking into account the effects of interest rate swaps, approximately 91.9% of borrowings were at a fixed rate of interest (2020: 93.4%).

The following sensitivity analysis is based on the interest rate risk exposures at 30 June 2021. This shows the respective differences in annual net surplus/deficit and the equity balance at 30 June had interest rates been one percent higher or lower than the year end market rate.

	Group 2021 \$000	Group 2020 \$000
Impact on net surplus / (deficit) :		
<b>Interest rates +1%</b>		
Variable Interest rate instruments	(141)	(104)
Interest rate swaps	12,750	14,158
<b>Interest rates -1%</b>		
Variable Interest rate instruments	438	334
Interest rate swaps	(12,750)	(14,158)

All derivative financial instruments are held at fair value through surplus or deficit. No difference in interest rate would be directly recorded within equity.

### *Credit risk*

Credit risk is the risk that a third party will default on its obligations to the Group, resulting in a loss being incurred. The Group is not exposed to material concentrations of credit risk other than its exposure to the government sector. All credit facilities to external parties are provided on normal trade terms.

Wherever possible, all individuals/organisations are assessed for credit worthiness and affordability before they are approved as a trading party. In addition, receivable balances are monitored on an ongoing basis with the result that exposure to bad debts is not significant. The status of trade receivables at reporting date is as follows:

## Note 9: Financial risk management continued

As at 30 June 2021:

	Neither past due or impaired	Past Due but not impaired (0-60 days)	Past Due but not impaired (60-90 days)	>90 days	Total
Trade receivables	2,947	239	50	73	3,309
Contract revenue	8,926	1,233	796	3,985	14,940
Other debtors	1,916	-	-	-	1,916
<b>Total</b>	<b>10,842</b>	<b>1,472</b>	<b>846</b>	<b>4,058</b>	<b>20,165</b>

As at 30 June 2020:

	Neither past due or impaired	Past Due but not impaired (0-60 days)	Past Due but not impaired (60- 90 days)	>90 days	Total
Trade receivables	2,445	160	-	-	2,605
Contract revenue	1,880	804	402	5,959	9,045
Other debtors	2,384	-	-	-	2,384
<b>Total</b>	<b>6,709</b>	<b>964</b>	<b>402</b>	<b>5,959</b>	<b>14,034</b>

### Fair value measurement

The Group uses various methods in estimating fair value. Depending on the inputs used in these methods, an asset measured at fair value is categorised as one of the following levels:

- Level 1 – the fair value is calculated using quoted prices in active markets.
- Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for asset or liability, either directly (as prices) or indirectly (derived from prices).
- Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

No Level 3 financial instruments are held at 30 June 2021 (2020: nil).

The fair value of the financial instruments, as well as the methods used to estimate the fair value, are summarised in the table below.

The following table shows the valuation techniques used in measuring Level 1 & Level 2 fair values as well as the significant unobservable inputs used.

Type	Valuation technique	Significant unobservable inputs	Relationship with fair value
Interest rate swaps	Discounted cash flows & market comparison	Floating rate forward curve	Estimated liability decreases as floating rate increases
Shared Home Ownership Interest	Comparison technique	Not applicable	Not applicable
Equity & bonds security	Market comparison	Adjusted market multiple	Estimated value would increase/decrease if market multiple were higher/lower

## Note 10: Employee benefits and other liabilities

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised and are measured at the amounts expected to be paid when the liabilities are settled.

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees based on a projection of historical trends. Expected future payments are discounted using the treasury rates.

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises the costs for a restructuring. If the benefits are not expected to be settled wholly within 12 months of the reporting date they are discounted.

	Group 2021 \$000	Group 2020 \$000
<b>Current</b>		
Long service leave	3,446	3,234
Annual leave	29,273	27,086
Sick leave	1,046	1,021
Accident compensation	490	378
Days in lieu & other	5,431	4,847
	<b>39,686</b>	<b>36,566</b>
<b>Non current</b>		
Long service leave	7,634	7,794
Accident compensation	894	894
	<b>8,528</b>	<b>8,688</b>
<b>Total</b>		
Long service leave	11,080	11,028
Annual leave	29,273	27,086
Sick leave	1,046	1,021
Accident compensation	1,384	1,272
Days in lieu & other	5,431	4,847
	<b>48,214</b>	<b>45,254</b>



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**Note 10: Employee benefits and other liabilities continued**

The Group has elected to act as an agent for Accident Compensation Corporation (ACC) under the ACC Partnership Programme. Under this programme the Group takes responsibility for claims management of employees' work injuries and may be liable to pay amounts for future expected costs to manage any claim (PDP 1).

The liability for ACC is recognised and measured as the present value of expected future payments to be made in respect of employee work injuries up to the reporting date.

This liability is stated at fair value based on an independent actuarial assessment. The liability is an estimate with considerable uncertainty around the incurred but not reported, incurred but not enough reported and reopened claims. Due to the normal uncertainty associated with the claims process the actual liability will likely be different.

**Note 11: Shared Home Ownership scheme**

The Shared Home Ownership scheme is a licence to occupy arrangement whereby deposits are received from contributors for a legal interest in the Group property. The deposits are repayable to contributors immediately on termination of the licence in accordance with the Certificate of Deposit and Licence to Occupy issued by the Group. The scheme is administered on behalf of the Depositors by the New Zealand Guardian Trust Company Limited under a Trust Deed dated 3 February 1992. Under the Deed, the Trustee is granted registered first mortgages over property owned by IHC New Zealand Incorporated.

The Shared Home Ownership scheme is stated at market value based on the independent valuation performed on a notional basis by QV Valuations at 31 March 2021. The cost of these licences at 30 June 2021 was \$1.0 million (2020: \$1.0 million). Accumulated revaluation as at 30 June 2021 was \$2.7 million (2020: \$1.8 million).





**Note 12: Reconciliation of Surplus / (Deficit) with Net Cash Inflow from Operating Activities**

	Group 2021 \$000	Group 2020 \$000
<b>Reported Net Surplus/ (Deficit)</b>	<b>43,158</b>	<b>(10,334)</b>
<b>Add non cash items:</b>		
Depreciation and Impairment	15,793	14,647
Revaluation of Shared Home Ownership	919	239
Net Gain in fair value of investments	(610)	-
Net change in fair value of interest rate swaps used for Hedging	(18,505)	14,701
	<u>(2,403)</u>	<u>29,587</u>
<b>Add / (less) item classified as financing/investing activities:</b>		
Gain/(Loss) on sale of property, plant and equipment	(4,953)	(1,116)
Interest received	(160)	(308)
Interest paid	9,037	8,732
Government grants received	(1,115)	(6,045)
	<u>2,809</u>	<u>1,263</u>
<b>Movements in working capital:</b>		
(Increase) / decrease in trade and other exchange receivables	(6,131)	11,028
Increase / (decrease) in trade payables	(3,806)	(180)
Increase / (decrease) in provisions and other liabilities	2,960	18,388
	<u>(6,977)</u>	<u>29,236</u>
<b>Net cash inflow from operating activities</b>	<b><u>36,587</u></b>	<b><u>49,752</u></b>

## Note 13: Leasing and capital commitments

Payments made under operating leases are recognised in surplus or deficit on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Lease commitments under non-cancellable operating leases:

	Group 2021 \$000	Group 2020 \$000
<b>Payable:</b>		
Not later than one year	2,048	3,670
Later than one year and not later than five years	1,838	2,918
Later than five years	119	589
	<b>4,005</b>	<b>7,177</b>

### *Ministry of Housing and Urban Development*

The Group has entered into contracts with the Ministry of Housing and Urban Development (HUD) to construct housing that upon completion will be eligible for social rental supplements. As at 30 June 2021 the estimated capital commitment is \$14.9 million (2020: \$29.9 million).

### *Construction work in progress*

At 30 June 2021, a number of projects are recognised as construction work in progress. If these projects are completed the Group will incur capital expenditure of approximately \$24.2 million (2020: \$37.8 million).

## Note 14: Contingent assets and liabilities

### *Crown Retained Interest*

In 2017 the Group acquired 1,138 properties in Tauranga, along with related tenancy and property management services, from Kāinga Ora. The contractual agreement for the purchase of these properties makes the properties available to the Ministry of Social Development under a Capacity Contract. The initial term of the Capacity Contract is 25 years with one right of renewal for a further term between 15 and 25 years. A first ranking encumbrance ensuring use as social housing has been placed on each property.

The Group has assessed the encumbrance, Crown Retained Interest and the Capacity Contract as an executory contract defined in PBE IPSAS 19.18 as a contract under which both parties have performed their obligations to an equal extent. Management has re-assessed the current status of performed obligations as at 30 June 2021 and determined that the conditions of an executory contract remain satisfied. As such neither the assets nor liabilities with respect to unperformed obligations are recognised within these financial statements.

## Note 14: Contingent assets and liabilities continued

### *Ministry of Housing and Urban Development*

The Group has an agreement with the Ministry of Housing and Development (transferred over from MSD) for grants up to \$15.6 million (2020: \$14.1 million) for the development of social housing contingent on the identification of qualifying projects. All remaining funds have been received in the financial year (2020: \$1.5 million). The total anticipated project expenditure is up to \$28.1 million (2020: \$28.1 million).

### *Healthy Homes Guarantee Act 2017*

The New Zealand government has introduced the Healthy Homes Guarantee Act 2017. This introduces minimum standards that must be achieved by 1 July 2023. The Group is reviewing its portfolio to assess compliance with these standards and this may require some additional expenditure. No provision has been created as there is no current obligation and the amount can not be measured reliably. To date \$1.6 million has been spent on the Healthy Homes programme.

### *Royal Commission of Inquiry*

IHC is actively partaking in the Royal Commission of Inquiry into Abuse in Care advocating for all people with intellectual disabilities to participate. There are no known financial implications for the Group.

The Group has several open investigations from Worksafe, The Health and Disability Commissioner, The Office of the Privacy Commission and the Human Rights Tribunal that may result in adverse findings and financial compensation awarded. The Group has not recognised any provision in the statement of financial position. The group carries liability insurance that will mitigate financial impact.

## Note 15: Transactions with related parties

The Group classifies its key management personnel into the following categories:

- Directors (of the governing body)
- Executive officers

Directors of the governing body receive an annual fee and expenses. Executive officers are employees of the Group and are on standard employment contracts. The table below depicts the aggregate remuneration of key management personnel and the number of individuals determined on a full-time equivalent basis, receiving remuneration with each category.

	Group 2021 \$000	Number	Group 2020 \$000	Number
Board and Directors Fees	499	10	453	10
Executive Management Team	4,112	18	4,047	18
	<b>4,611</b>	<b>28</b>	<b>4,500</b>	<b>28</b>



## Note 16: Grants received

Grants of \$10,000 or more have been received from the following organisations:

- Frimley Foundation
- Guy Anson Waddel Charitable Trust
- Longmuir Trust
- MSD Disability Welling Support
- NZ Lotteries Grants Board
- NZCT, NZ Community Trust
- Oxford Sports Trust
- Peter & David Picot Charitable Trust
- The Holdsworth Charity Trust
- The Lion Foundation
- The Southern Trust
- Trust House Foundation
- Trust Waikato
- Wellington Community Trust

All trusts administered where the grant is to be itemised in the annual report have been received as follows:

- Helen Graham Charitable Trust	\$1,550
- L W Nelson Trust	\$3,000
- Louise & Patrick Emmett Murphy Foundation	\$10,000
- The Reed Charitable Trust	\$5,700
- Thomas Bevan Charitable Trust	\$750
- Thomas George Macarthy Trust	\$13,000
- Thomas Richard Moore Trust	\$8,000
- Whanganui Community Foundation	\$7,500

## Note 17: Events subsequent to balance date

Settlement of property totalling \$13.5 million outlined in Note 7 was completed on 13 July 2021.

On 13 July 2021 the Group drew down \$9.5 million of debt.



# Independent Auditor's Report

To the Members of IHC New Zealand Incorporated

## Report on the audit of the consolidated financial statements

### Opinion

In our opinion, the accompanying consolidated financial statements of IHC New Zealand Incorporated (the 'incorporated society') and its subsidiaries (the 'group') on pages 2 to 27:

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

comply with Public Benefit Entity Standards (Not For Profit).

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.

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



### Emphasis of matter

We draw attention to Note 7 to the consolidated financial statements which states an estimated range for underpayments arising out of non-compliance with the Holidays Act 2003 ('the Act') reflecting the complexity in the application of the Act and the quality of the underlying data used to reperform the calculation. Our opinion is not modified in respect of this matter.



## Use of this independent auditor's report

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



## Responsibilities of the Board for the consolidated financial statements

The Board, on behalf of the incorporated society, are responsible for:

- the preparation and fair presentation of the consolidated financial statements in accordance with generally accepted accounting practice in New Zealand (being Public Benefit Entity Standards (Not For Profit));
- 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-7/>

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



KPMG  
Wellington

17 August 2021